

The Auditor-General
Audit Report No.7 2008–09
Performance Audit

Centrelink's Tip-off System

Australian National Audit Office

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of Australia 2008

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Canberra ACT
16 October 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Centrelink in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Centrelink's Tip-off System*.

Following its tabling in Parliament, 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'.

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

ANAO	Australian National Audit Office
AGIS	Australian Government Investigation Standards
ATO	Australian Taxation Office
CDPP	Commonwealth Director of Public Prosecutions
CPF	Case Prioritisation Framework
CSC	Customer Service Centre
DEEWR	Department of Education, Employment and Workplace Relations
DHS	Department of Human Services
DMIS	Debt Management Information System
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FAU	Fraud Analysis Unit
FIM	Fraud Investigation Manual
FIT	Fraud Investigation Team
FOI	Freedom of Information
IF&ET	Internal Fraud and Ethics Team
IPP	Information Privacy Principles
IRS	Integrated Review System
NSO	National Support Office
SCF	Serious and Complex Fraud

SSSY	Support the System that Supports You
TIPS	Tip-off Identification and Processing Site
TORS	Tip-off Recording System

Glossary

Fraud Investigation Team (FIT)	Responsible for undertaking all fraud investigations except those relating to internal fraud.
Informant	A member of the public who has contacted Centrelink to provide a tip-off.
Internal Assurance Team	Responsible for undertaking fraud investigations involving a Centrelink officer(s).
Serious and Complex Fraud (SCF)	Allegation that a customer may be engaged in multiple types of fraudulent behaviour with the purpose of defrauding Centrelink.
Tip-off	Allegation and/or other information provided by members of the public about individuals believed to be obtaining part or all of their Centrelink payment without disclosing complete and accurate details of their circumstances.
Tip-off Identification and Processing Site (TIPS) teams	Specialised Centrelink processing teams, located in Adelaide and the Gold Coast, who determine whether a tip-off should be verified or investigated. The TIPS teams are also responsible for identifying the person in a tip-off as a Centrelink customer and editing information in TORS entries to ensure the information is relevant.
Tip-off line operators	Call centre operators who have completed Centrelink's online training modules for recording tip-offs.
Tip-off Recording System (TORS)	Centrelink's system for recording and managing tip-offs.

Summary and Recommendations

Summary

Introduction

1. Centrelink is a statutory agency within the Human Services Portfolio. Centrelink is responsible for delivering a range of social security payments and services on behalf of other government departments, including the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the Department of Education, Employment and Workplace Relations (DEEWR).
2. In 2007–08, Centrelink administered \$70.6 billion in payments to 6.5 million customers. Payments administered by Centrelink include the Age Pension, Newstart Allowance and Parenting Payment.
3. Centrelink has one Outcome which is:

Access to Government services that effectively support: self-sufficiency through participation in employment, education, training and the community; families and people in need; and the integrity of government outlays in these areas.¹
4. A key component of Centrelink's Outcome is to protect the integrity of government outlays. This responsibility largely relates to ensuring that customer payments are correct. Centrelink manages compliance and fraud programs aimed at collecting and analysing information relevant to customers' circumstances and using it to review customers' eligibility for Centrelink benefits. The management of tip-off information is one element of Centrelink's broader compliance program.

Tip-offs

5. Centrelink defines tip-offs as:

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

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

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

6. In 2007–08, Centrelink received 101 595³ tip-offs via a range of channels including the Internet, call centres, the Australian Government Services Fraud Tip-off Line, mail and email.

7. Tip-off cases represent approximately seven per cent of all compliance reviews and fraud investigations completed. While not a large proportion of Centrelink compliance and fraud programs, tip-offs can be difficult to manage due to the involvement of informants and the challenges often encountered in verifying the information received.

Centrelink's management of tip-offs

8. Centrelink's approach to managing tip-offs involves:

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

9. These Centrelink officers and Centrelink's broader staff network, in which an officer in any position may be required to record a tip-off, are supported by Centrelink's Tip-off Recording System (TORS) that is used to manage tip-off information, including the initial recording process.

10. Centrelink's tip-off recording system is used to record tip-offs received via all sources. The process for initially recording tip-offs varies according to the source of the tip-off received. For example, tip-offs received via call centres are entered by the Centrelink call centre operator who receives the call, and tip-offs received via the Australian Government Services Fraud Tip-off Line⁴ are directed to operators specifically trained to record tip-offs.

11. Tip-offs entered in TORS are assessed by specialised teams, known as the Tip-off Processing Site (TIPS) teams, who determine whether the tip-off should be verified or investigated. This process involves identifying the person in the tip-off as a Centrelink customer; editing information in tip-offs to ensure the information is relevant; and where appropriate, referring tip-offs to compliance or fraud teams and other government departments and agencies.

³ Advice from Centrelink, 3 September 2008.

⁴ Centrelink also collected tip-offs through the 'Report-a-fraud' line until it was decommissioned on 16 April 2008.

12. The nature of the tip-off determines whether it is forwarded to a compliance team or fraud investigation team. Tip-offs indicating that the customer is attempting to defraud Centrelink are referred to fraud investigation teams with all other tip-offs streamed to compliance review teams.

Audit scope, objective and conduct

13. The objective of the audit was to examine the efficiency and effectiveness of the administration of the tip-off system, including Centrelink's management of privacy issues related to the tip-off management process.

14. The audit examined Centrelink's management of the tip-off process using two main criteria:

- the fraud tip-off line is an efficient and effective method of identifying debt and fraud; and
- the privacy of callers and customers is managed appropriately and in accordance with social security law⁵ and the *Privacy Act 1988*.

15. As part of assessing the effectiveness and efficiency of Centrelink's administration of the tip-off system, the ANAO examined Centrelink's compliance review and fraud investigation processes which are the mechanisms for identifying and raising debts against customers.⁶

16. Regardless of the manner in which Centrelink receives a tip-off, such as phone, Internet or mail, all tip-offs are subject to the same process once recorded in TORS. The ANAO adopted a systematic approach to evaluating Centrelink's management of tip-offs, including how tip-offs from different sources are recorded.

17. For the fieldwork component of this audit, the ANAO examined Centrelink's internal guidance relating to tip-offs, including privacy and process guidelines for the Centrelink network and TIPS teams. The ANAO examined tip-off management performance information for the network, including internal measures and actual results.

⁵ This includes, but is not limited to, the *Social Security Act 1991* and the *Social Security (Administration) Act 1999*.

⁶ In addition to raising a debt, compliance reviews and fraud investigations can also result in a reduction, increase, cancellation, rejection, suspension or no change to a customer's payment.

18. The ANAO interviewed Centrelink officers located in its National Support Office, State Offices and call centres. The ANAO also observed Centrelink call centre operators receive and record tip-off calls.

19. The ANAO consulted representatives from the Office of the Privacy Commissioner, the Commonwealth Ombudsman's Office, an advocacy group for the rights of welfare recipients, the Department of Finance and Deregulation (Finance), and Centrelink's two key policy departments, FaHCSIA and DEEWR.

Overall conclusion

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

21. Of the tip-offs received and/or reviewed or investigated⁷ in 2007–08, 17 332 or 16.2 per cent resulted in a reduction, increase, cancellation, rejection or suspension to a customer's payment and/or a debt being raised against the customer.

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

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

- the collection and retention of tip-offs in order to provide greater consistency in their practical application and protection of customers' and informants' privacy and confidentiality; and

⁷ In addition to completing reviews and investigations resulting from tip-offs received in 2007-08, Centrelink also completed reviews and investigations which resulted from tip-offs received in previous financial years. The number of completed reviews and investigations may also include tip-offs recorded by the TIPS teams in instances where more than one Centrelink customer has been identified in a tip-off.

- contacting customers and informants as part of compliance reviews and fraud investigations, to provide a balanced approach to managing the interests of both informants and customers.
24. Centrelink's compliance and fraud program performance measures are primarily quantitative and can be improved by introducing qualitative measures to provide a more balanced assessment of the compliance review and fraud investigation performance.
25. Centrelink's ability to reliably estimate the funding and cost of managing the tip-off process, and the subsequent savings generated from the tip-offs received, is limited. The tip-off capability is only one part of Centrelink's broader compliance capability. However, an improvement in Centrelink's ability to cost respective compliance capabilities can assist with decisions about the allocation of resources within Centrelink's compliance and fraud program; and also enhance the quality of advice to stakeholders.
26. The ANAO made six recommendations aimed at Centrelink's: retention of tip-off information; compliance and investigation practices and measures; and capability to reliably estimate funding, costs and savings.

Key findings by chapter

Tip-off information collection (Chapter 2)

27. Collecting sufficient and relevant information at the initial point of tip-off recording can be fundamental for the progression and outcome of a tip-off. The process of collecting and recording tip-offs needs to be underpinned by a framework that is in accordance with Centrelink's legislative responsibilities and provides for consistent and clearly understood procedures, and the efficient collection of information.
28. In the 2006–07 Budget, Centrelink received funding to develop and implement a new tip-off recording system,⁸ which became operational in March 2008. Centrelink's previous tip-off recording system allowed for more indiscriminate collection of information about customers and therefore, was more likely to result in the collection of tip-off information which was inconsistent with Centrelink's privacy responsibilities. The new TORS has a responsive questioning capability to improve the relevance of information collected from tip-offs and enhance consistency with Centrelink's privacy

⁸ Centrelink received this funding as part of a broader compliance measure called, 'Fraud and Compliance – enhanced focus on serious social security fraud'.

responsibilities. The new TORS also includes functions designed to reduce the time taken to process tip-offs.

Collecting and recording tip-off information

29. Centrelink's guidelines on collecting and recording tip-off information generally meet its privacy requirements. However, the ANAO identified potential risks associated with the collection of tip-offs both through call centres and the Australian Government Services Fraud Tip-off Line (tip-off line).

30. While it is the responsibility of the TIPS teams to provide training to tip-off line operators, face-to-face training had not been delivered since 2005. Instead, Centrelink has relied on online training modules to train operators. The ANAO considered that these circumstances increase the risk that tip-off line operators may not develop a robust understanding of all aspects relevant to tip-off recording. The ANAO observed varying approaches by call centre operators to the collection and recording of information and an inconsistent understanding of issues such as the type of information relevant for collection; and how to manage allegations that are irrelevant to Centrelink's business but may be relevant to another government department or agency.

Functions of the TIPS teams

31. TIPS teams play an important role in the tip-off process. Once tip-off information has been collected and recorded in TORS, it is the responsibility of the TIPS teams to attempt to identify the person in the tip-off as a Centrelink customer; determine whether the tip-off should be verified or investigated; edit the information in the tip-off; and where appropriate, refer tip-offs for compliance review or fraud investigation.

32. Centrelink retains tip-offs in TORS which have been determined as unsuitable for review or investigation, except those where the subject of the tip-off is not, or has not been, a Centrelink customer. Retained tip-offs are then considered as part of any future review or investigation. The Office of the Privacy Commissioner advised the ANAO this practice may be inconsistent with Centrelink's privacy responsibilities. There is a risk associated with organisations retaining personal information that the information may be misused. In this instance, Centrelink has the potential to minimise this risk by reviewing the treatment of retained tip-offs, with a view to updating its current policy.

Tip-off investigations and reviews (Chapter 3)

33. Tip-offs can be referred for either a compliance review or a fraud investigation if the information provided indicates that the customer is attempting to defraud Centrelink. The ANAO reviewed Centrelink's guidelines for compliance officers and fraud investigators in relation to three key areas relevant to the management of tip-offs:

- contacting customers;
- advising customers of the finalisation of a review or investigation the customer has been informed of; and
- contacting and managing informants.

Contacting customers during reviews or investigations

34. Centrelink has clear guidance for compliance officers on when it is appropriate to contact customers during the course of a review. However, Centrelink's guidance to fraud investigators is not as clear and does not adequately cover all aspects of contacting customers.

35. Improved guidance would assist in preventing customers from being unnecessarily contacted as a result of an unsubstantiated allegation.

Advising customers of the finalisation of reviews and investigations

36. Prior to this audit, Centrelink did not have guidelines requiring compliance officers or fraud investigators to advise customers of the finalisation and outcome of a review or investigation, when the customer had been informed that a review or investigation had been initiated. However, during the course of the audit, Centrelink introduced a policy, *Review Finalisation: Customer notification policy*, instructing fraud investigators to advise customers of the outcome of an investigation where customer contact had occurred.

37. The opportunity also exists for Centrelink to introduce a similar policy for compliance officers to replicate the fraud investigation notification process. This would improve the consistency of customer treatment.

Contacting and managing informants as part of reviews or investigations

38. In situations where a compliance officer or fraud investigator contacts an informant, a level of personal information about the customer is disclosed, even if only by the contact occurring. Therefore, to protect the privacy and

confidentiality of customers, it is important that informants are not unnecessarily contacted as part of an investigation or review.

39. There is a lack of guidance on the decision and process for contacting informants during compliance reviews and fraud investigations. The relevant officer or investigator exercises their discretion as to whether to contact an informant and, if so, when that contact should take place.

40. Centrelink could improve its guidance to compliance officers about when it may be appropriate to contact an informant. With regard to fraud investigators, Centrelink would benefit from the introduction of an informant management policy (consistent with the Australian Government Investigation Standards guidance). This finding is consistent with a Quality Assurance Review conducted by the Australian Federal Police in 2007.

Internal measures for compliance officers and fraud investigators

41. Compliance officers and fraud investigators each have internal measures, which are used to assess their performance. These measures are primarily quantitative and do not fully reflect the purpose of a review or investigation. The internal measures could be improved with the introduction of complementary qualitative measures to provide a balanced assessment of the work undertaken by compliance officers and fraud investigators.

Costs and savings (Chapter 4)

42. Since 2000–01, the Australian Government and Centrelink have allocated significant resources to the tip-off management process. As part of evaluating the effectiveness of Centrelink's tip-off management process, the ANAO sought to confirm the:

- amount of funding Centrelink receives to manage tip-offs;
- cost of the tip-off process; and
- savings estimates resulting from the tip-off process.

Funding of the tip-off process

43. Centrelink receives a base level of funding from policy departments, including DEEWR and FaHCSIA, to undertake standard business operations, including managing tip-offs. Centrelink also receives funding through budget measures to undertake specific activities, including increasing its level of output for existing activities.

44. Centrelink is not adequately capturing funding information, particularly at the additional funding level, that could be usefully relied upon to support organisational decision making.

45. It is important for Centrelink to have a clear understanding of the amount of funding it receives to deliver specific outcomes, so that it can:

- monitor its funding against actual costs to help determine adequate funding levels and possible efficiency gains; and
- provide financial and performance information to policy departments for consideration in evaluating the success of a program.

Cost of the tip-off process

46. Centrelink's tip-off process extends across a broad range of functions, including call centres and fraud investigations. In order to effectively allocate limited resources it is important that the costs involved with the tip-off process are identifiable and underlying cost drivers are understood.

47. Centrelink was unable to provide a robust cost estimate for managing the tip-off process in 2006–07, nor the cost of conducting the 52 597 reviews and investigations that were completed as a result of tip-offs. The ANAO has previously reported similar findings about Centrelink's inability to cost particular activities⁹ and signalled that there are clear benefits to Centrelink if it was to improve its cost identification capacity, including the ability to undertake cost benefit analysis of activities and improve future costing estimates.

Savings estimates from the tip-off process

48. Expected savings estimates often support a government decision to proceed with an initiative, particularly in relation to compliance and fraud activities. Savings estimates are also used to measure performance and determine internal budget allocations.

49. Centrelink uses two main savings methodologies: Benchmark method and Finance method. Each methodology is designed to serve a different purpose with the Benchmark method calculating the amount of savings

⁹ Australian National Audit Office, *Centrelink's Complaints Handling System*, Audit Report No.34, ANAO, Canberra, 2004–05, p. 21; Australian National Audit Office, *Centrelink's Review and Appeals System*, Audit Report No.35, ANAO, Canberra, 2004–05, p. 17 & 20; and Australian National Audit Office, *Centrelink's Review and Appeals System-Follow-up Audit*, Audit Report No.40, ANAO, Canberra, 2006–07, p. 24.

identified¹⁰ and the Finance method measuring the impact of identified savings over the forward estimates period. However, both methods have limitations that impact on the accuracy of figures calculated, including: uncollectable debt; debt recovery; the applicable restoration period; and the extrapolation factor of 26 fortnights.

50. Given the inherent limitations with the savings methodologies, savings estimates calculated using either method have the potential to be misleading. Various publications such as annual reports, media statements and press articles report savings estimates achieved through compliance activities. These publications use savings estimates without appropriate caveats such as that the savings estimates may not reflect savings actually realised.

51. Accurate costs and savings estimates enable cost-effectiveness analysis and consequently, informed decision making in relation to the allocation of limited resources and establishing priorities for Centrelink's compliance and fraud programs.

Summary of agencies' responses

Centrelink

52. Centrelink provided the following response to the proposed report:

Centrelink agrees with the recommendations and findings of the audit of its tip-off recording program. The tip-off recording program is a valuable tool in Centrelink's fraud and compliance programs and any improvements that can be realised as a result of the audit are welcomed by Centrelink.

Department of Education, Employment and Workplace Relations

53. DEEWR provided the following response to a relevant extract of the proposed report:

The Department of Education, Employment and Workplace Relations (DEEWR) welcomes the performance audit of Centrelink's Tip-off System.

With Centrelink and other departments, DEEWR has participated in several reviews of compliance arrangements. The findings of these reviews, together with this audit, will assist in the development of a more comprehensive approach to compliance.

¹⁰ Not necessarily the amount that will be realised.

Department of Families, Housing, Community Services and Indigenous Affairs

54. FaHCSIA provided the following response to a relevant extract of the proposed report:

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

Department of Finance and Deregulation

55. Finance provided the following response to a relevant extract of the proposed report:

The Department of Finance and Deregulation supports the findings in relation to savings and agrees with recommendation 6.

Department of Human Services

56. DHS provided the following response to the proposed report:

The Department welcomes the report on an important control aimed at ensuring the integrity of Government outlays by Centrelink, the primary payment agency with responsibility for social security payments to eligible customers. The Department accepts the conclusions and notes the Centrelink response to the recommendations.

Recommendations

Recommendation No.1

Para 2.61

The ANAO recommends Centrelink determine a policy and implement a time frame after which information contained in a tip-off, that is deemed to require no further action and is not used as part of an active review or investigation, is permanently deleted from TORS.

Centrelink response: *Agree.*

Recommendation No.2

Para 3.35

To mitigate the risk of fraud investigators unnecessarily contacting customers, the ANAO recommends Centrelink revise the Fraud Investigation Manual to:

- provide parameters for when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct; and
- require fraud investigators, with a suspicion of criminal conduct, to have 'reasonable grounds' prior to contacting a customer and consider classifying this process as a critical decision.

Centrelink response: *Agree. Updates to the Fraud Investigation Manual, subsequent to its provision to the ANAO, have included guidelines that detail when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct.*

**Recommendation
No.3**

Para 3.57

To ensure protection of customers' privacy and informants' safety during compliance reviews and fraud investigations, the ANAO recommends Centrelink:

- revise guidelines for compliance officers to include when it is appropriate to contact an informant and any privacy implications for the customer; and
- consolidate its existing fraud investigation guidance relevant to informants into a central source, which includes an informant management policy that addresses the requirements of the Australian Government Investigation Standards.

Centrelink response: *Agree.*

**Recommendation
No.4**

Para 3.67

To provide a balanced set of internal performance measures, the ANAO recommends that Centrelink introduce measures for compliance officers and fraud investigators which assess the conduct and quality of the reviews and investigations, to supplement current quantitative measures.

Centrelink response: *Agree.*

**Recommendation
No.5**

Para 4.18

The ANAO recommends that Centrelink develop and maintain budgetary funding details and accurately identify and attribute all material costs associated with the tip-off process.

Centrelink response: *Agree. Centrelink will attribute details of recent revenue received for tip-offs and will consider affordable options to track costs associated with the delivery of the tip-off process where they may materially impact on measuring the performance of the wider fraud and compliance program.*

**Recommendation
No.6
Para 4.41**

To improve the reliability of savings figures required for reporting purposes, the ANAO recommends that Centrelink, the Department of Education, Employment and Workplace Relations, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Finance and Deregulation develop a savings methodology that more accurately estimates an amount realisable by the Australian Government.

Centrelink response: *Agree. Centrelink is currently working with the Department of Human Services and the Department of Finance and Deregulation to improve the measurement of fraud and compliance programs, including savings methodologies.*

DEEWR response: *DEEWR agrees to the recommendation.*

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

Finance response: *Finance agrees with Recommendation 6.*

Audit Findings and Conclusions

1. Introduction

This chapter provides an overview of Centrelink and its tip-off management process. It also provides information on the objective, scope and conduct of the audit.

Centrelink

1.1 Centrelink is a statutory agency within the Human Services Portfolio. Centrelink is responsible for delivering a range of social security payments and services on behalf of other government departments (policy departments), including the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and the Department of Education, Employment and Workplace Relations (DEEWR).

1.2 In 2007–08, Centrelink administered \$70.6 billion in payments to 6.5 million customers. Payments administered by Centrelink include the Age Pension, Newstart Allowance and Parenting Payment.

1.3 Centrelink's relationships with policy departments are primarily governed by Business Partnership Agreements or similar arrangements. These agreements set out Centrelink's responsibilities, the performance expectations of the policy departments and the basis for the financial arrangements between the parties.

1.4 Centrelink has one Outcome which is:

Access to Government services that effectively support: self-sufficiency through participation in employment, education, training and the community; families and people in need; and the integrity of government outlays in these areas.¹¹

1.5 A key component of Centrelink's Outcome is to protect the integrity of government outlays. This responsibility largely relates to ensuring that customer payments are correct.

1.6 To this end, Centrelink manages compliance and fraud programs aimed at collecting and analysing information relevant to customers' circumstances and using it to review customers' eligibility for Centrelink

¹¹ Department of Human Services 2008, *Portfolio Budget Statement 2008–09*, DHS, Canberra p. 72.

benefits. Centrelink's compliance activities include data matching with other government departments, regular payment checks and tip-offs.¹²

Tip-offs

1.7 In 2007–08, tip-off cases represented approximately seven per cent of all compliance reviews and fraud investigations completed. While not a large proportion of Centrelink compliance and fraud programs, tip-offs can be difficult to manage due to the involvement of informants and the challenges often encountered in verifying the information received.

1.8 Centrelink defines tip-offs as:

allegations and/or other information provided by members of the public about individuals who they believe are obtaining part or all of their Centrelink payment without disclosing complete and accurate details of their circumstances.¹³

1.9 Tip-offs are provided by members of the public and in some cases, by providing the information in a tip-off, informants can put themselves at risk. It is Centrelink's policy to protect the privacy and confidentiality of all informants.¹⁴ However, Centrelink cannot be assured about the validity of the information supplied in a tip-off and must ensure that during its collection, management and investigation of tip-offs, that the privacy and confidentiality of customers is also protected.

1.10 Centrelink receives tip-offs through a range of channels including the Internet, call centres, the Australian Government Services Fraud Tip-off Line,¹⁵ mail¹⁶ and email. In 2007–08, Centrelink received 101 595¹⁷ tip-offs. Table 1.1 shows the number of tip-offs received from each source.

¹² The ANAO examined Centrelink's compliance activities in Audit Report No.26 2001–02 *Management of Fraud and Incorrect Payment in Centrelink*.

¹³ Centrelink 2007, *Tip-Off Recording System (TORS): Tip-off Identification & Processing Site (TIPS): Guidelines*, Version 1.6, Centrelink, Canberra p. 7.

¹⁴ *ibid.*, p. 10.

¹⁵ Centrelink was also responsible for the operation of the Australian Government's 'Report-a-fraud' line until 16 April 2008 when the line was decommissioned. Funding was provided for the Australian Government Services Fraud Tip-off Line in the 2006–07 Budget as part of a broader compliance budget measure. The line is designed to receive tip-offs relating to services delivered by a range of Australian Government service agencies including Centrelink, the Child Support Agency and Medicare Australia. The ANAO's analysis was limited to tip-offs relating to Centrelink services and payments, however, Centrelink's processes for referring information to other government departments was considered as part of this audit.

¹⁶ Tip-offs received by mail can include letters, CDs, DVDs, videos and court documents.

¹⁷ Advice from Centrelink, 3 September 2008.

Table 1.1**Source of tip-offs received in 2007–08**

Source of tip-off	No. of tip-offs received	Percentage of total no. of tip-offs
Call Centre	53 411	52.6
Internet	19 092	18.8
Customer Service Centre	11 929	11.7
Australian Government Services Fraud Tip-off Line ¹⁸	6 378	6.3
Other	4 933	4.9
Area Support Office	4 834	4.8
National Support Office	675	0.7
Australian Taxation Office	343	0.3
Total	101 595	100.1

Source: Centrelink

Note: Percentage figures do not total 100 due to rounding.

Tip-off management process

1.11 Centrelink's approach to managing tip-offs includes:

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

1.12 These functions are supported by Centrelink's Tip-off Recording System (TORS) which is used to manage tip-off information, including the initial recording process.

1.13 In the 2006–07 Budget, Centrelink received funding to develop and implement a new TORS,¹⁹ which became operational in March 2008. TORS is used to record tip-offs received via all sources. The process for initially recording tip-offs varies according to the source of the tip-off received. For example, tip-offs received via call centres are entered by the Centrelink call

¹⁸ This figure also includes tip-offs received through the 'Report-a-fraud' line, which was decommissioned on 16 April 2008.

¹⁹ Centrelink received this funding as part of a broader compliance measure called, 'Fraud and Compliance – enhanced focus on serious social security fraud'.

centre operator who receives the call, and tip-offs received via the Australian Government Services Fraud Tip-off Line are directed to operators specifically trained to record tip-offs. Tip-offs received by mail or email are entered in TORS by the first point of contact²⁰ within Centrelink.

1.14 Tip-offs entered in TORS are assessed by specialised teams, known as the Tip-off Processing Site (TIPS) teams, who determine whether the tip-off should be verified or investigated. This process involves identifying the person in the tip-off as a Centrelink customer; editing information irrelevant to Centrelink; and where appropriate, referring tip-offs to compliance or fraud teams and other government departments and agencies.

Compliance reviews and fraud investigations

1.15 The nature of the tip-off determines whether the tip-off is forwarded to a compliance team or fraud investigation team. Tip-offs indicating that the customer is attempting to defraud Centrelink are referred to fraud investigation teams with all other tip-offs streamed to compliance review teams.

1.16 There are two types of fraud investigation teams: Fraud Investigation Teams (FIT) and Internal Assurance Teams.²¹ The nature of the fraud indicated in the tip-off determines which fraud team it is forwarded to. This is discussed in further detail in paragraphs 2.63 to 2.69.

1.17 The process for investigating a tip-off is different if it is a compliance review or fraud investigation. The role of the compliance team is to determine whether the customer is, or was, receiving the correct payment. Therefore, a compliance review mainly involves using desk-based procedures to review information relevant to the customer's entitlement and making changes to the customer's record where necessary.²²

1.18 Alternatively, the Centrelink Fraud and Prosecution Manual specifies fraud investigation teams have two key roles. These are to:

- investigate whether criminal offences have been committed and determine whether there is sufficient evidence to prove criminal offences; and

²⁰ This could be staff in centralised mail teams, Customer Service Centres, National Support Office (NSO) or customer relations units.

²¹ These teams were previously called 'Internal Fraud and Ethics Teams' (IF&ET).

²² Centrelink 2008, *110.40410 Compliance and Reviews: Determining when to refer a suspected fraud to a fraud team – Overview*, Centrelink, Canberra.

- prepare a 'brief of evidence' and other relevant information relating to possible criminal offences committed by the customer to support a referral to the Director of Public Prosecutions (DPP).²³

1.19 The performance of compliance and fraud teams is assessed by internal measures. Compliance review teams have measures for the amount of savings²⁴ identified and number of reviews completed. Fraud investigation teams have measures for the amount of savings identified, number of investigations completed and number of cases referred and accepted for prosecution by the Commonwealth Director of Public Prosecutions (CDPP) (discussed in Chapter Four).

Tip-off results for 2007–08

1.20 Figure 1.1 displays the overall results for the tip-offs received and/or reviewed or investigated²⁵ in 2007–08. The figure shows that as at 30 June 2008, of the tip-offs received and/or reviewed or investigated by Centrelink in 2007-08:

- 24 441 tip-offs were considered as unsuitable for review or investigation and were retained in the system (22.8 per cent);
- 42 925 tip-offs were reviewed or investigated and resulted in either an increase²⁶ or no change to the customer's entitlement (40.0 per cent);
- 4 420 tip-offs were awaiting processing by the TIPS teams (4.1 per cent);

²³ Centrelink 2003, *The Centrelink Investigation and Prosecution Manual*, Centrelink, Canberra, p. 8 (superseded by the Centrelink Fraud Investigation Manual).

²⁴ Savings represent the monetary decline in a customer's Centrelink entitlement(s) and any debts raised against the customer as an outcome of an investigation or review. The method for calculating savings is discussed in detail in Chapter Four.

²⁵ In addition to completing reviews and investigations resulting from tip-offs received in 2007-08, Centrelink also completed reviews and investigations which resulted from tip-offs received in previous financial years. The number of completed reviews and investigations may also include tip-offs recorded by the TIPS teams in instances where more than one Centrelink customer has been identified in a tip-off.

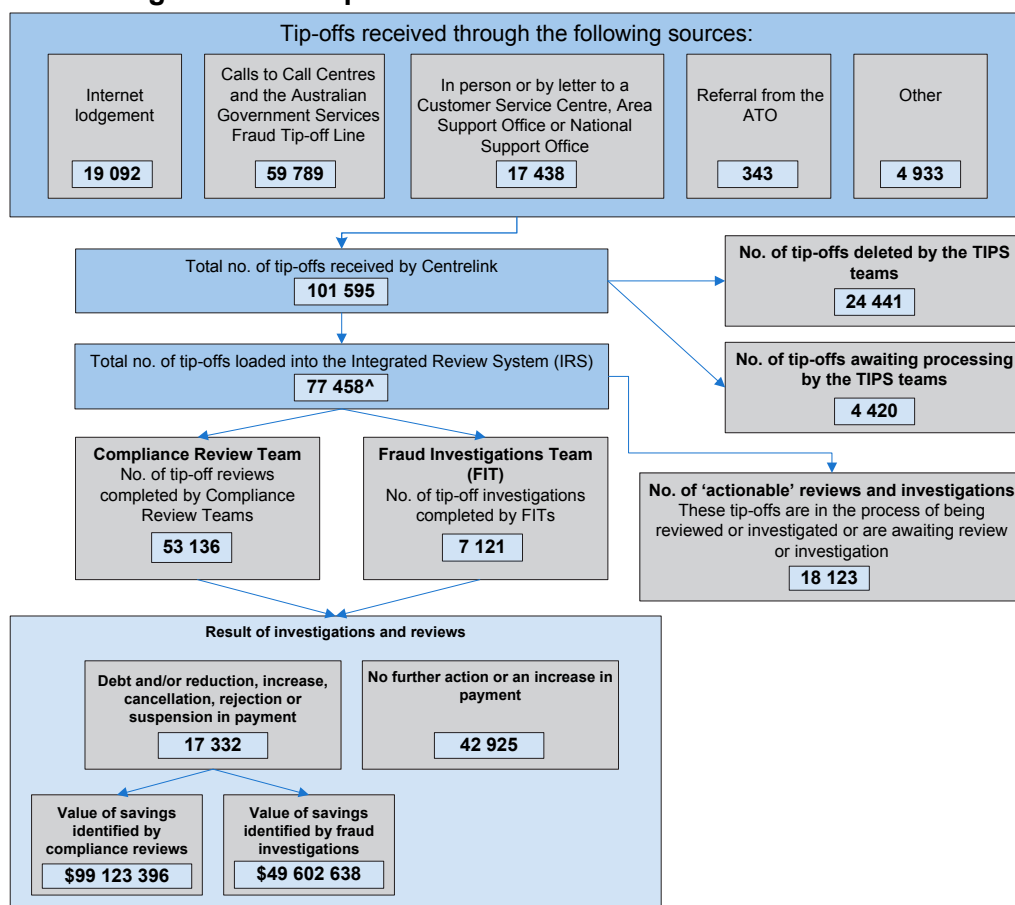
²⁶ Centrelink's Integrated Review System categorises review and investigation results into two main categories: 'No Further Action' and 'Net Review Effectiveness Indicator'. 'Net Review Effectiveness Indicator' is used to record the results of reviews and investigations that contribute towards estimated savings, which include cancellations, suspensions, rejections, downwards variations and debts. 'Net Review Effectiveness Indicator' may also include reviews and investigations that result in an upwards variation to a customer's benefit if that result also includes a debt being raised against the customer. However, completed reviews and investigations that result in an upwards variation only are recorded under 'No Further Action' as the results do not contribute towards the estimated savings. In 2007–08, the number of cases resulting in an upwards variation was 621, and these cases are recorded against either category.

- 17 332 tip-offs were reviewed or investigated and resulted in a reduction, increase, cancellation, rejection or suspension to the customer's payment and/or a debt (16.2 per cent); and
- 18 123 tip-offs were either in the process of being investigated or reviewed, or were awaiting review or investigation (16.9 per cent).

1.21 Centrelink advised, of the 60 257 tip-off reviews and investigations completed in 2007–08, 537 cases were referred for prosecution to the CDDP.

Figure 1.1

Processing results for tip-offs in 2007–08



Source: ANAO analysis of Centrelink information

Notes: [^] An additional 4 724 tip-offs were loaded into the IRS because a second Centrelink customer was identified in some of the original tip-offs.

There is a difference of 922 between the number of tip-offs loaded into the IRS (77 458), number of 'actionable' tip-offs and investigations (18 123) and the total number of tip-off reviews and investigations completed (60 257). This is due actionable cases carried over from 2006–07.

1.22 Centrelink devotes significant resources to recording, analysing and investigating tip-offs which do not result in a reduction to a customer's entitlement and/or a debt raised against the customer. Figure 1.1 demonstrates that 62.8 per cent of the tip-offs received and/or reviewed or investigated in 2007–08 resulted in an increase or no change to a customer's entitlement and only 16.2 per cent of the tip-offs resulted in some form of a reduction or increase to a customer's payment and/or a debt raised against the customer.

1.23 Centrelink advised the value of savings identified and debts raised in 2007–08 relating to the 17 332 cases which resulted in some form of a reduction or increase to a customer's entitlement and/or a debt raised against the customer was \$148.7 million²⁷ (an average of \$8 581.01 per case).

Support the System that Supports You

1.24 From 2000–01 to 2007–08, the Australian Government funded a voluntary multi-media compliance campaign aimed at improving welfare recipients' compliance with informing Centrelink of any changes in circumstances that may affect their eligibility.²⁸ Known as the 'Support the System that Supports You' (SSSY) campaign, this budget measure was discontinued at the end of June 2008 due to the declining effectiveness of the campaign.²⁹

1.25 The campaign was expected to result in an increased number of tip-offs and contacts from customers advising of changed circumstances.³⁰ Consequently, Centrelink received funding for the expected increased workload, while policy departments were funded to undertake the campaign.

1.26 The actual number of tip-offs and savings realised as a result of the campaign cannot be clearly established due to a discrepancy between results calculated by Centrelink and results calculated by DEEWR.

²⁷ Refer to Chapter Four, 'Costs and Savings', for more information.

²⁸ FaHCSIA 2000, *Portfolio Budget Statement 2000–01*, FaHCSIA, Canberra p. 166.

²⁹ Commonwealth of Australia 2008, *Budget Paper 2*, Commonwealth of Australia, Canberra.

³⁰ When the measure was first announced in 2000–01, the then Department of Families and Community Services was responsible for undertaking the campaign. In 2004, due to machinery of government changes, responsibility was transferred from the then Department of Families, Community Services and Indigenous Affairs to the then Department of Employment and Workplace Relations.

Audit approach

1.27 The objective of the audit was to examine the effectiveness and efficiency of the administration of the tip-off system, including Centrelink's management of privacy issues related to the tip-off management process.

1.28 The audit reviewed Centrelink's management of the tip-off process using two main criteria:

- the fraud tip-off line is an efficient and effective method of identifying debt and fraud; and
- the privacy of callers and customers is managed appropriately and in accordance with social security law³¹ and the *Privacy Act 1988*.

1.29 As part of assessing the effectiveness and efficiency of Centrelink's tip-off system, the ANAO examined Centrelink's compliance review and fraud investigation processes which are the mechanisms for identifying and raising debts against customers.³² Regardless of the manner in which Centrelink receives a tip-off, all tip-offs are subject to the same process once recorded in TORS. Therefore, the ANAO adopted a systematic approach to evaluating Centrelink's management of tip-offs, including how tip-offs from different sources are recorded.

Audit methodology and scope

1.30 The audit reviewed Centrelink's internal guidance relating to tip-offs, including privacy and process guidelines for the Centrelink network and TIPS teams. The ANAO looked at tip-off management performance information for the network, including internal measures and actual results.

1.31 The ANAO met with a number of Centrelink officers based at National Support Office (NSO) and employed in the following teams:

- People and Performance Business Integrity Network Branch;
- Privacy and Information Section;
- Budgeting and Management Accounting Branch;
- Business Integrity and Debt Reporting Section; and

³¹ This includes, but is not limited to, the *Social Security Act 1991* and the *Social Security (Administration) Act 1999*.

³² In addition to raising a debt, compliance reviews and fraud investigations can also result in a reduction, increase, cancellation, rejection, suspension or no change to a customer's payment.

- Call Centre Operations Team.

1.32 The ANAO also spoke to the team leader responsible for the development and implementation of the new TORS and tested the new TORS in a Centrelink test facility.

1.33 A large component of the ANAO's fieldwork involved visiting Centrelink offices in Queensland, Victoria, New South Wales and Western Australia to interview Centrelink staff involved with the tip-off process. During these visits, the ANAO spoke to representatives from fraud investigation teams, compliance teams, fraud analysis units and the TIPS team. The ANAO also interviewed call centre operators and observed operators receiving tip-off calls at two of Centrelink's call centres.

1.34 The ANAO consulted representatives from the Office of the Privacy Commissioner, the Commonwealth Ombudsman's Office and an advocacy group for the rights of welfare recipients. The ANAO also met with representatives from the Department of Finance and Deregulation and Centrelink's policy agencies, DEEWR and FaHCSIA.

1.35 The audit was conducted in accordance with ANAO auditing standards and cost approximately \$398 510.

2. Tip-off Information Collection

This chapter outlines the tip-off information collection process and the importance of the interconnected roles played by the informant, the customer and Centrelink.

2.1 Centrelink's tip-off information process is one part of its broader compliance and fraud program that is in place to protect the integrity of the customer entitlement payments that Centrelink makes on behalf of the Australian Government.

2.2 The process for collecting and recording the information provided in a tip-off is important to the tip-off outcome. Having a framework that provides consistent and clearly understood procedures helps facilitate the efficient collection and use of the information provided. Such a framework also assists Centrelink meet its various legislative requirements, including the protections afforded to informants and customers.

2.3 For the tip-off system to function successfully, Centrelink needs to collect and record information from a tip-off that is sufficient to:

- clearly identify the customer;³³
- understand the allegation made by the informant³⁴ and determine whether it is information already known to Centrelink; and
- if required, conduct a compliance review or fraud investigation.

2.4 However, in collecting and recording tip-offs, Centrelink has to balance a number of factors in order to deliver an effective outcome. These factors include:

- having in place a system that allows informants and customers to understand the process but does not unduly impact upon the respective rights of informants and customers;
- obtaining sufficient information to meet the downstream needs of compliance review officers and fraud investigators while not collecting

³³ The term customer represents individuals in receipt of payment under program(s) administered by Centrelink.

³⁴ The term informant is used to represent members of the public who have contacted Centrelink to provide tip-offs.

information that is superfluous to potential further action or is inconsistent with legislation;³⁵ and

- having the ability to appropriately deal with information that, while not specifically related to a customer's entitlement, could have an impact on any subsequent action or is more appropriately referred to another part of government (for example, allegations of serious criminal behaviour).

2.5 The ANAO reviewed Centrelink's existing framework for collecting and recording tip-off information with reference to the above factors.

Legislation

2.6 When receiving a tip-off, Centrelink must take into account the privacy of customers and informants. Protection of an informant's privacy is important as there is a potential risk to the informant's safety if their identity became known to the customer. However, in some cases the motivation for a tip-off can be vexatious and/or the information supplied by an informant can be untrue. Therefore, it is also important for Centrelink to take steps to ensure that a customer's privacy and confidentiality is protected.

2.7 The privacy of customers and informants is primarily governed by three legislative instruments:

- *Privacy Act 1988* (Privacy Act) - governs management of personal information by entities, including collection of information. The Privacy Act contains Information Privacy Principles (IPPs) which apply to entities that are in possession or control of records containing personal information.
- *Freedom of Information Act 1982* (FOI Act) - provides for the release of information in certain situations.
- *Social Security (Administration) Act 1999* (Social Security (Administration) Act) - prohibits the disclosure of a customer's personal information, except in particular circumstances.

2.8 The sections of these three legislative instruments which are relevant to the disclosure and collection of personal information by Centrelink are:

³⁵ The legislation relevant to the collection of information through tip-offs by Centrelink is the *Privacy Act 1988*.

Disclosure of information

Privacy Act

Information Privacy Principle 11 - *Limits on disclosure of personal information*: prohibits entities that hold records containing personal information from disclosing that information to another person, body or agency (other than the person concerned).

FOI Act

Section 22(1) of the FOI Act allows an agency or Minister, prior to releasing a document subject to a FOI request, to remove information from the document which would otherwise make the document exempt³⁶ from disclosure or be considered irrelevant to the FOI request.

Section 37(1)(c) states a document is an exempt document³⁷ if its disclosure under the FOI Act would, or could reasonably be expected to, endanger the life or physical safety of any person.

Social Security (Administration) Act

Section 204(1) of the Social Security (Administration) Act prevents the unauthorised disclosure of protected information,³⁸ unless the disclosure is authorised or required under social security law, family assistance law or the *Farm Household Support Act 1992*; and the person responsible for the disclosure knows or should reasonably know that the information is protected information.

³⁶ Ministers or agencies can define a document as exempt if it meets criteria specified in the FOI Act. For example, documents affecting national security, defence or international relations, internal working documents and cabinet documents.

³⁷ Section 11(1) of the *Freedom of Information Act 1982*, states:
Subject to this Act, every person has a legally enforceable right to obtain access in accordance with this Act to:

- (a) a document of an agency, other than an exempt document; or
- (b) an official document of a Minister, other than an exempt document.

³⁸ Section 23 (1) of the *Social Security Act 1991* defines protected information as:

- (a) information about a person that is or was held in the records of the Department or of the Agency; or
- (b) information about a person obtained by an officer under the family assistance law that is or was held in the records of the Australian Taxation Office or Medicare Australia; or
- (ba) information about a person obtained by an officer under the family assistance law that was held in the records of the Health Insurance Commission; or
- (c) information to the effect that there is no information about a person held in the records of one or more of the following:
 - (i) the Department;
 - (ii) the Agency;
 - (iii) the Australian Taxation Office;
 - (iv) Medicare Australia.

Collection of information

Privacy Act

Information Privacy Principle 1 - *Manner and purpose of collection of personal information*: states information collected for inclusion in a record must be directly related to, or necessary for, the function or activity of the agency collecting the information.

Information Privacy Principle 3 - *Solicitation of personal information generally*: requires Centrelink, for information that has been solicited, to ensure that information collected for a record is relevant to the purpose, up-to-date and accurate.

Centrelink's guidelines

2.9 Centrelink has a number of guidelines relating to the management of tip-offs. The ANAO identified and reviewed three key guidelines relating to the collection and processing of tip-offs for privacy advice:

- *Tip-Off Recording System (TORS): Tip-Off Identification & Processing Site (TIPS) Guidelines;*
- *110.40350 Compliance and Reviews / Privacy issues to consider when dealing with reports of suspected fraud; and*
- *110.40312 Compliance and Reviews / Recording a report of suspected fraud by an individual – Detail.*

2.10 Centrelink's TIPS guideline contains detailed advice in relation to the collection, recording and storage of tip-offs, including:

3.20 In addition, Centrelink should not ask questions that intrude on the privacy of the informant.....

4.10 Reasonable storage and security of tip-offs should include:....

- protecting the identity of the informant by not detailing this information in a DOC³⁹ on the customer record (subject of the tip-off);
- having clear procedures for the handling of the tip-offs which include:
 - a tip-off must never be taken into any interview with the subject of the tip-off or read out verbatim to the subject of the tip-off. Refer 7.10; and

³⁹ Online documents (DOCS) are used to record information and/or comments on a customer's record.

- o when a tip-off is being recorded by a CSO,⁴⁰ the record of the subject must not be accessed.

5.30 Informants must be aware that the information they submit in the tip-off may be made available through FOI to the individual/s named in the tip-off. Therefore the informant must be asked, besides their name (if supplied) what other information they have provided may identify them to the subject of the tip-off.⁴¹

2.11 Also, *110.40350 Compliance and Reviews / Privacy issues to consider when dealing with reports of suspected fraud*, instructs officers that:

the recording officer must **never** access the file of the customer in question. ...The information recorded in the Tip-off must not breach the Information Privacy Principles.....⁴²

2.12 Centrelink's guideline, *110.40312 Compliance and Reviews / Recording a report of suspected fraud by an individual – Detail*, requires that Centrelink officers communicate Centrelink's Freedom of Information and Privacy notices to informants when recording a tip-off. However, it does not include specific instructions (similar to those outlined in paragraph 2.10) aimed at protecting the privacy of customers and informants when tip-offs are initially recorded.

2.13 When read together, Centrelink's guidelines contained sufficient advice on privacy issues relating to the collection and processing of tip-offs. Centrelink's most prescriptive instructions on privacy issues to consider when recording a tip-off are contained in the TIPS guideline, whose primary audience is the TIPS teams.

2.14 However, an officer in Centrelink's network, whose role includes recording tip-offs, would possibly not consider all three guidelines and instead refer to the one that specifically deals with recording tip-offs. Therefore, Centrelink could improve its guideline, *110.40312 Compliance and Reviews / Recording a report of suspected fraud by an individual – Detail*, to include information aimed at protecting the privacy and confidentiality of customers and informants when tip-offs are recorded. This would enable Centrelink officers, who may rely on this guideline, to have a clear understanding of Centrelink's privacy responsibilities at this point of the tip-off process.

⁴⁰ Customer Service Officer.

⁴¹ Centrelink 2007, *Tip-Off Recording System (TORS): Tip-Off Identification & Processing Site (TIPS) Guidelines*, Version 1.6, Centrelink, Canberra, p. 11.

⁴² Centrelink 2008, *110.40350 Compliance and Reviews / Privacy issues to consider when dealing with reports of suspected fraud – Overview*, Centrelink, Canberra, p. 1.

Tip-off sources

2.15 The initial recording and collection of information in a tip-off is a critical stage in the process and inconsistent treatment of information at this point can jeopardize the outcome of a tip-off.

2.16 Centrelink manages a de-centralised and geographically diverse workforce which poses a significant challenge to delivering consistent approaches and outcomes. To enable the optimum outcome of each tip-off to be achieved, robust and consistent processes for collecting tip-offs are required.

2.17 As noted in paragraph 1.10, Centrelink receives tip-offs via a number of sources. The focus of the audit is on tip-offs received via Centrelink's call centres and tip-off line. However, the ANAO also reviewed the process of collecting tip-offs via the Internet.

2.18 Centrelink has in place a documented process for the collection, processing and actioning of tip-offs that is supported by TORS. TORS is used to record tip-offs received via all sources with the process for initially recording tip-offs varying according to the source of the tip-off received.

2.19 The ANAO examined Centrelink's process for collecting tip-off information including the operation of TORS and the relevance of information collected in TORS entries. The ANAO also looked at how Centrelink manages allegations that, while not relevant to Centrelink, may have implications for other government departments or agencies.

Tip-off recording system

2.20 In the 2006–07 Budget, Centrelink received funding as part of the budget measure, 'Fraud and Compliance - enhanced focus in serious social security fraud', to develop and implement a new tip-off recording system which became operational in March 2008.⁴³ Due to the time period that the audit fieldwork was undertaken in, the ANAO was able to assess both the previous and current TORS.

2.21 The previous TORS enabled users to record tip-offs in a single screen which was divided into sections, known as 'forms', where standard information about the customer could be recorded. For example, in the rent

⁴³ The 'Fraud and Compliance – enhanced focus on serious social security fraud' budget measure also funded other activities, including an increased number of tip-off investigations. This budget measure is described in further detail in Chapter Four.

'form', there were fields to collect information on the amount of rent paid by the customer, how regularly rent is paid and to whom it is paid. These 'forms' acted as a prompt for the operator to request and record particular information from the informant.

2.22 The new system collects information based on the type of information provided by the informant and will vary its question prompts depending on the type of fraud being reported.⁴⁴ For example, for types of fraud which usually involve optical surveillance as part of the investigation, TORS will ask questions in relation to the subject's physical appearance. The subsequent questions prompted by TORS can then vary based on the responses provided by the informant.

2.23 The new TORS also requires a minimum level of information about the customer that must be supplied by the informant. The required information is a combination of at least one field from each of the three categories: name, address and date of birth. Centrelink advised the ANAO this level of information can sufficiently identify the customer in 70 per cent of cases.

2.24 Centrelink's previous tip-off recording system was potentially inconsistent with IPP 1 (1)(b) of the Privacy Act which requires that the information collected by agencies is necessary for, or directly related to, the purpose for which it was recorded. Centrelink's previous tip-off recording system allowed for the indiscriminate collection of information about customers, and therefore, there was a risk that Centrelink was collecting information irrelevant to a customer's eligibility for Centrelink benefits.⁴⁵ However, the new tip-off recording system's responsive questioning process should reduce the level of irrelevant information collected from tip-offs.⁴⁶

Australian Government Services Fraud Tip-off Line and Centrelink call centres

2.25 Calls received through the Australian Government Services Fraud Tip-off Line are directed to six specific call centres where there are operators trained to receive and record tip-off calls. Due to the infrequency of tip-off calls, these operators also respond to other Centrelink calls. In instances where

⁴⁴ One of the questions in TORS relates to the type of fraud being reported and includes a list of different types of fraud for selection. This list is based on the Key Risks identified in Centrelink's Fraud Control Plan 2006–2008.

⁴⁵ In its guidance to officers, Centrelink defines information relevant for collection purposes as information which is relevant to a customer's eligibility for Centrelink benefits.

⁴⁶ Data stored on Centrelink's old TORS was not transferred into the new TORS.

tip-off calls cannot be directed to one of these operators, or when tip-off calls are received through Centrelink's other business lines, the tip-off is recorded by the call centre operator who receives the call.⁴⁷

2.26 It is the responsibility of the TIPS teams to train the tip-off line operators to use TORS. Prior to this audit, face-to-face training was last delivered by the TIPS teams in 2005.⁴⁸ Instead of face-to-face training, Centrelink provides a workbook and study guide for tip-off line operators to use for 'self paced learning' on its intranet site.⁴⁹

2.27 Depending on the learning preference of participants, the effectiveness of the training delivery methods in improving the understanding of participants can vary. Therefore, due to Centrelink's reliance on online training modules as the only delivery method of training in recent years, the ANAO considered that there is a risk that tip-off line operators, given their specialised role, may not develop a robust understanding of all aspects relevant to tip-off recording. The ANAO observed a level of inconsistency in the approach and understanding amongst operators at two different call centres. The ANAO observed an inconsistent:

- approach to processes such as collecting informants' contact details and asking informants whether the tip-off was motivated by the SSSY campaign;
- understanding of the type of information relevant for collection; and
- understanding of tip-off line operators' responsibilities in relation to managing information provided by an informant that while not relevant for Centrelink purposes may be relevant to another government department or agency.

Processes

Collecting informants' contact details

2.28 The ANAO observed a level of inconsistency amongst call centre operators in collecting the contact details of informants. The ANAO observed

⁴⁷ Although these call centre operators are not specifically trained to receive tip-off calls, Centrelink's guideline on recording tip-offs is available on Centrelink's intranet and can be used to assist untrained operators.

⁴⁸ Centrelink advised the ANAO it scheduled refresher training for tip-off line operators from 23 June to 18 July 2008.

⁴⁹ As at 26 March 2008, Centrelink advised the ANAO that 121 call centre operators has completed the self-paced training.

some operators discouraging informants from leaving contact details, while other operators recorded informants' details similar to other information provided. While the information provided by an informant is voluntary, the ANAO considers that a uniform approach to collecting these details is desirable.

Support the System that Supports You (SSSY)

2.29 Although the SSSY campaign was discontinued in June 2008, at the time the ANAO conducted the fieldwork for this audit the campaign was still operating. Since 5 September 2005, it has been mandatory for call centre operators to ask informants whether the tip-off was due to the SSSY campaign. It was important for operators to ask this question for two reasons; which were to enable:

- Centrelink to report the number of tip-offs received to the policy department (DEEWR) who were responsible for undertaking the campaign and assessing its effectiveness; and
- tip-offs, due to the SSSY campaign, to be streamed to compliance review teams by the TIPS teams in accordance with Centrelink's policy.⁵⁰

2.30 During the ANAO's call centre visits some operators were observed not asking the informant this question. For activities such as the SSSY campaign, which rely on recording responses, it is important that responses are recorded consistently to enable the effectiveness of the campaign to be accurately measured and assessed.

Relevant information

2.31 Collecting sufficient and relevant information at the initial point of tip-off recording can be fundamental for the progression and outcome of a tip-off. Consequently, Centrelink's tip-off line operators need to be able to identify and record the relevant information required for review and investigation purposes.

2.32 While visiting Centrelink call centres, the ANAO observed situations where tip-off line operators did not record information provided by an informant which may be relevant to Centrelink. These situations included not recording:

⁵⁰ Centrelink forwarded all tip-offs due to the SSSY campaign which are to be investigated or reviewed, to compliance teams in order to track the results of these tip-offs for reporting purposes.

- information about a customer receiving income from overseas, despite income being a fundamental factor in determining a customer's eligibility for Centrelink benefits; and
- an allegation that the customer was being investigated by the police. While this information may not be directly relevant to a customer's eligibility for Centrelink benefits, it could be important information for compliance officers and fraud investigators to consider for safety purposes during the conduct of a review or investigation. If a Centrelink investigation was to proceed in these circumstances, actions by Centrelink could have implications for a police investigation.

2.33 The ANAO's observation that not all tip-off line operators may have a comprehensive understanding of the type of information relevant for collection was supported by comments made by some of Centrelink's fraud investigators interviewed by the ANAO. These investigators advised the ANAO that call centre operators were not collecting the right information from informants.

2.34 Centrelink's new TORS will assist operators to collect relevant information. However, to ensure relevant information is recorded, tip-off line operators must understand what information should be collected and why it is important to collect that information. The potential consequences of not collecting relevant information include: having insufficient information to conduct a review or investigation; potential risks to the safety of officers and investigators; and unduly impacting on the privacy of customers. Therefore, the ANAO identified tip-off line operators' understanding of the type of information relevant for collection as an area that could be improved.

Allegations irrelevant to Centrelink benefits

2.35 In receiving and recording tip-offs, Centrelink officers may be required to deal with allegations of criminal behaviour that, while irrelevant for Centrelink purposes, may be relevant to another government department or agency.

Training and guidance

2.36 Centrelink advised the ANAO that allegations of criminal behaviour do not 'fall in the scope of recording tip-offs', and consequently, there is no specific training in relation to this issue. However, Centrelink's guidelines on how to record a tip-off⁵¹ and privacy issues to consider when dealing with a

⁵¹ Centrelink, 2008, *110.40312 Compliance and Reviews / Recording a report of suspected fraud by an individual – Detail*. Centrelink, Canberra.

tip-off,⁵² instruct officers not to collect information irrelevant for Centrelink purposes.

2.37 Centrelink's guideline, *110.40350 Compliance and Review / Privacy issues to consider when dealing with reports of suspected fraud*, provides comprehensive advice on managing the potential privacy issues that may arise in relation to a tip-off. The guideline lists a range of scenarios, including that the informant has made an allegation that does not relate to the customer's payment, and instructs how Centrelink officers should manage those scenarios. The guideline also provides information on which government agency or department to refer an informant to, for example, Crimestoppers.⁵³

2.38 While Centrelink's key guideline on recording tip-offs indicated that information irrelevant to Centrelink should not be collected, it lacked the level of instruction available in the guideline on privacy issues, such as specific references to where particular information should be referred.

2.39 Tip-off line operators interviewed by the ANAO provided varying responses on their understanding of dealing with informants who provide information that may be irrelevant for Centrelink purposes but may be relevant to another government department or agency. Some operators advised the ANAO that the allegations did not relate to Centrelink and were therefore not recorded, while other operators said they refer the informant to the relevant agencies.⁵⁴ One of the reasons for this inconsistency in understanding could be due to the absence of specific training and the inconsistent levels of information contained in the various guidelines on this issue.

2.40 Centrelink tip-off line operators, by the very nature of their work, may at some time encounter allegations of serious criminal behaviour in recording tip-offs. Consequently, it is important Centrelink officers understand their responsibilities in managing information of this nature. From an operational perspective, it would be useful for Centrelink officers to have this guidance consistently available in the range of guidelines on recording tip-offs;

⁵² Centrelink 2008, *110.40350 Compliance and Review / Privacy issues to consider when dealing with reports of suspected fraud*, Centrelink, Canberra, p. 1.

⁵³ *ibid.*

⁵⁴ Centrelink has processes for managing tip-offs which are provided specifically in relation to programs delivered by other government departments and agencies, such as Medicare Australia or the Australian Taxation Office.

particularly for untrained operators who may be unfamiliar with the process and rely on the guideline for recording tip-offs.

2.41 A capability of the new TORS is to register and respond to particular words in a tip-off. The system can identify particular words and issue a warning, for example, if the word 'gun' is recorded in a tip-off. Currently, this capability is used to assist the TIPS teams with tip-off processing (discussed in paragraph 2.72). However, this capability would also be useful if it was employed in the recording stage of the tip-off to assist tip-off line operators in identifying and referring allegations irrelevant to Centrelink. For example, upon recognition of particular words such as 'gun' or 'violence', the system could provide an immediate prompt to the person recording the tip-off that the information may be irrelevant for Centrelink purposes and should be provided to the relevant government agency or department.

2.42 As highlighted in paragraphs 2.1 to 2.3, it is important for the tip-off line operators to adopt a consistent approach to information collection processes, and a uniform understanding of the type of information which is relevant for collection. Due to a combination of factors, including the lack of face-to-face training since 2005, there is a risk to consistency and uniformity amongst Centrelink's tip-off line operators when recording information provided by informants.

2.43 Centrelink advised the ANAO that the inconsistencies that were observed will be addressed through Centrelink's ongoing call centre training, which involves sampling calls received by operators. However, tip-offs represent only a small number of calls received by Centrelink (0.2 per cent). Although there are dedicated tip-off line operators, because these operators also receive other types of calls the probability that a tip-off call will be sampled as part of these programs is small. Therefore, the ANAO considers that Centrelink tip-off line operators would benefit from regular face-to-face training, to complement the availability of online training modules, which specifically addresses the management of allegations irrelevant for Centrelink purposes amongst other issues.

2.44 To help provide for the recording of consistent and relevant information, the ANAO suggests that Centrelink deliver regular training to tip-off line operators to improve their understanding of all aspects relating to tip-off recording.

Internet

2.45 The Internet is another option available to informants to provide tip-offs. Informants use the TORS recording function to provide a tip-off over the Internet. This function of TORS is almost identical to that used by Centrelink officers to record tip-offs, with the only difference being that the internal version has two extra questions relating to the source of the tip-off.

2.46 When reviewing the previous TORS available on Centrelink's website, the ANAO found that:

- there was no advice or direction given by Centrelink that informants should only provide information relevant to services provided by Centrelink;
- neither the tip-off form nor Centrelink's website provided advice about what kind of information should be referred to other agencies (for example allegations of serious criminal behaviour irrelevant to Centrelink) or which agencies this type of information should be referred to; and
- the form was inconsistent with IPP 1 because it advised informants to provide, 'as much [information] as you can about the person concerned' with no guidance on the sort of information required.

2.47 The ANAO also found that through the Internet option of reporting tip-offs, Centrelink was acting inconsistently with its own TIPS guideline which states that Centrelink's:

online service should clearly set out:

- that only information relevant to services provided by Centrelink should be given; and
- the alternative agencies to contact where information is not relevant to Centrelink eg ATO, Police, DOCS etc.⁵⁵

2.48 However, improvements made with the introduction of the new TORS, deployed in March 2008, have addressed the ANAO's initial findings. Specifically, as part of the improvements, Centrelink added a notice instructing informants not to provide an answer for information the informant may not know.

⁵⁵ Centrelink 2008, *Tip-Off Recording System (TORS): Tip-Off Identification & Processing Site (TIPS) Guidelines*, Version 1.6, Centrelink, Canberra, p. 9.

2.49 Centrelink also added an 'Information Privacy' statement on the webpage where informants select whether the tip-off is about a customer, or a business or organisation. The statement relates to the type of information Centrelink can collect and states:

Centrelink can only collect personal information that is relevant to services provided by Centrelink. Information that is not related to Centrelink functions, such as the individual to whom the information relates to 'is a drug user', 'fights with a neighbour' etc, is not relevant and as such should not be recorded. There are alternative agencies which can be contacted for you to provide this information such as the Police and the Department of Community Services.⁵⁶

2.50 These enhancements also meet the requirements set out in Centrelink's TIPS guideline, discussed in paragraph 2.47.

TIPS teams

2.51 The first TIPS team was established in 2001 in Perth to improve the processes involved in the identification and vetting of tip-offs. In July 2008, the function of tip-off processing was discontinued in Perth and allocated to two new teams based in Adelaide and the Gold Coast. The role of a TIPS team is to attempt to identify the person in the tip-off as a Centrelink customer; determine whether the tip-off should be verified or investigated; edit the information in the tip-off; and refer the tip-off for compliance review or fraud investigation.

Identification of customer

2.52 The new TORS can be used to assist TIPS officers to identify if the person referred to in the tip-off is a customer with its 'Auto Identify the Customer' facility. If a TIPS officer chooses to use this facility, TORS will provide a maximum list of ten customers who may potentially be the subject of the tip-off. TORS develops this potential list of customers using the name, address and date of birth fields. Alternatively, if this function is not chosen, the TIPS officer can attempt to identify the customer using a range of online tools and databases. Under Centrelink's operational targets, TIPS officers have eight minutes to identify a customer. If the customer cannot be identified during that

⁵⁶ Centrelink, *Centrelink – Report a Suspected Fraud* [Internet]. Centrelink, Canberra, 2008, available from <http://myaccount.centrelink.gov.au/wps/portal/clk_cust/TORS> [accessed 11 July 2008].

time the tip-off is 'held'⁵⁷ in TORS for attention by a team member whose responsibility it is to identify customers in 'difficult-to-locate' cases.⁵⁸

2.53 Once the customer has been identified, the TIPS officer is responsible for assessing the information in the tip-off to determine whether to refer the case for review or investigation. As part of this process, the TIPS officer checks the customer's record to determine whether Centrelink is already aware of the information provided by the informant, for example, that the customer is employed. Where information in a tip-off is already known to Centrelink the tip-off is retained.

2.54 Another check which may be performed by a TIPS officer is to use the Integrated Review System (IRS) to determine whether a review or investigation of the customer is already underway; and, if so, the new tip-off is analysed. If the tip-off provides additional information, it is forwarded to the relevant compliance officer or fraud investigator. Alternatively, if the tip-off does not provide any additional information, it is retained (see paragraphs 2.56 to 2.60).

2.55 Based on these and other checks, the TIPS officer determines whether to refer the tip-off or additional information for review or investigation, or retain the tip-off.

Retained tip-offs

2.56 Centrelink advised the ANAO that where it is determined that a tip-off will not be reviewed or investigated, the record will only be permanently removed from TORS if the subject of the tip-off is not, or has not been, a Centrelink customer. If the subject of the tip-off is a current Centrelink customer, or was previously a Centrelink customer, the tip-off will remain in the system.

2.57 Tip-offs that are retained in the system, along with any completed tip-off reviews or investigations, are automatically attached to any future tip-offs to be reviewed or investigated. For example, if Centrelink receives four tip-offs about the same customer, and the first three are not forwarded for

⁵⁷ TORS has a 'hold' capability for individual tip-offs. This means the tip-off can be temporarily removed from the processing population of tip-offs. There are specific reason codes under which a tip-off may be put on 'hold' including: 'Difficult to Locate' or 'Paper Copy in Transit.'

⁵⁸ Centrelink 2006, *The Fraud and Intelligence Section and Area West Australia: In relation to National Tip-off Identification Processing Site: Service Agreement*, Centrelink, Canberra.

review or investigation but the fourth is forwarded for investigation, then all four tip-offs are automatically made available to the investigator.

2.58 This practice is inconsistent with advice provided by the Office of the Privacy Commissioner:

...As such, the initial collection of the 'tip-off' information by Centrelink is unlikely to be an interference with privacy. However retaining each piece of tip-off information indefinitely on the off-chance that it may be useful at some future date may be an interference with privacy....

However it should be noted that the IPPs only set out a minimum legal standard for dealing with personal information. As such the Office is of the view that where possible good privacy practice for an agency would be the systematic culling of out-of-date, unnecessary, or inaccurate personal information, to ensure the information used by the agency is in accordance with the IPPs. The Office is also of the view that culling unnecessary information is likely to reduce the chance that personal information may be inappropriately accessed, used, modified, disclosed or otherwise misused.⁵⁹

2.59 There is no legislation relating to the appropriate treatment of unused information provided in a tip-off. However, in other circumstances the *Social Security (Administration) Act 1999*⁶⁰ requires the destruction of information if the Secretary has determined that the information is not, or is likely to be not, relevant for the purpose for which it was collected; or if no decision has been made about the relevance of the information.

2.60 As indicated in the advice provided by the Office of the Privacy Commissioner, there is a risk associated with organisations retaining personal information that the information may be misused. In this instance, Centrelink has the potential to minimise this risk by reviewing the treatment of retained tip-offs, with a view to updating its current policy.

Recommendation No.1

2.61 The ANAO recommends Centrelink determine a policy and implement a time frame after which information contained in a tip-off, that is deemed to require no further action and is not used as part of an active review or investigation, is permanently deleted from TORS.

⁵⁹ Advice from the Office of the Privacy Commissioner to the ANAO, 18 June 2008.

⁶⁰ Section 195 of the *Social Security (Administration) Act 1999*.

Centrelink response

2.62 Agree.

Referral for investigation

2.63 The nature of a tip-off will determine whether it is referred for a compliance review or fraud investigation. Tip-offs indicating there is no criminal intent by the customer to receive Centrelink benefits that the customer is not entitled to are forwarded to compliance review teams. Alternatively, tip-offs indicating the customer is intentionally defrauding Centrelink, for example using false identification, and that are likely to become a case referred for prosecution, are forwarded to a fraud investigation team.

2.64 There are two types of fraud investigation teams: Fraud Investigation Teams (FIT) and Internal Assurance Teams. The nature of the fraud indicated in the tip-off determines which team the tip-off is referred to.

2.65 The new TORS provides some assistance to the TIPS officers in determining where tip-offs should be referred by aggregating tip-offs based on the type of fraud indicated in the tip-off. For example, all of the tip-offs which were classified as relating to 'Assets' fraud are stored together.

2.66 FITs investigate a broad range of fraud tip-offs including alleged de-facto relationships, undeclared income and those tip-offs classified as 'Serious and Complex Fraud' (SCF).

2.67 Tip-offs categorised as SCF indicate that a customer may be engaged in multiple types of fraudulent behaviour with the purpose of defrauding Centrelink. For example, the tip-off may allege the customer is in a de-facto relationship and employed. Where it has been indicated that there is more than one type of alleged non-compliance in a tip-off, TORS automatically classifies the tip-off as SCF. The TIPS teams refer those tip-offs appropriately classified as SCF to a Fraud Analysis Unit (FAU) for an intelligence review. After completing an assessment, the FAUs forward the tip-offs to a FIT or compliance review team.

2.68 Tip-offs that indicate a Centrelink staff member is engaged in activities aimed at defrauding Centrelink are referred to the Internal Assurance Teams. These tip-offs may indicate the staff member is directing payments towards themselves or inappropriately assisting a customer to defraud Centrelink.

2.69 One of the questions prompted by TORS when a person records a tip-off is whether the tip-off involves a Centrelink officer. If the person

recording the tip-off records an affirmative answer, TORS provides a referral suggestion with the tip-off that it should be categorised as 'IF&ET'.⁶¹ It is then the responsibility of a TIPS officer to evaluate the tip-off and determine whether this is an appropriate referral. If the TIPS officer agrees with the referral, the TIPS officer is required to put the tip-off on 'hold' in TORS under the IF&ET reason code. Internal Assurance Team investigators have direct access to these tip-offs in the processing area of TORS, and can assess and evaluate these tip-offs. If the TIPS officer determines that the tip-off is unrelated to the Internal Assurance Teams, it can be rejected and added to the general population of tip-offs for processing.⁶²

Editing

2.70 Prior to referring a tip-off for review or investigation, the TIPS officer is responsible for editing the information in the tip-off. This is to ensure the information referred is relevant to Centrelink and consistent with the privacy legislation.

2.71 This process involves deleting irrelevant or inappropriate information and/or replacing some of the wording in TORS entries. TORS assists with this process by automatically removing certain phrases or words such as 'not applicable' or 'don't know'.

2.72 The new TORS also prioritises tip-offs which include one or more 'trigger' words, such as 'gun' or 'kill'. These tip-offs are forwarded for immediate processing and by-pass any selection criteria the TIPS officer may apply. For example, these tip-offs will be the first in any list of tip-off types that the TIPS officer selects, such as 'Assets' or 'Serious and Complex Fraud'. These tip-offs also contain an automatically generated warning to indicate to the TIPS officer that the tip-off may contain inappropriate information.

⁶¹ The Internal Assurance Teams were previously known as the 'Internal Fraud and Ethics Teams' ('IF&ET').

⁶² The same process exists for tip-offs classified as 'Identity Fraud', with Identity Fraud investigators also having access to tip-offs on 'hold' under the 'Identity Fraud' reason code.

3. Tip-off Investigations and Reviews

This chapter examines the key areas of Centrelink's compliance and fraud operations that are relevant to tip-offs. It also looks at the internal measures used by compliance and fraud teams.

Difference between compliance reviews and fraud investigations

Compliance reviews

3.1 Tip-offs received by compliance teams are considered a 'trigger' that a payment may have been incorrectly paid to a customer. When such a tip-off is received, a compliance review is subsequently undertaken to confirm whether the customer is receiving the correct payment. Where it is determined that a customer has been receiving an incorrect payment, the payment is adjusted (up or down) to reflect the correct amount and a debt can be raised against the customer where appropriate. Centrelink guidance specifies the role of a Centrelink officer in conducting a compliance review is to ensure that 'the payment has been received correctly, gather information to support a decision and make any changes necessary to update the customer's records.'⁶³

3.2 Centrelink guidelines indicate that compliance reviews mainly consist of desk-based procedures using information available to Centrelink.⁶⁴ However, compliance reviews can also include optical surveillance⁶⁵ of the customer, phone and office interviews,⁶⁶ and information requested and obtained from State and other Australian Government departments and agencies.

⁶³ Centrelink 2008, *110.40380 Actioning a report of suspected fraud review - Overview*, Centrelink, Canberra.

⁶⁴ Centrelink 2008, *110.40410 Compliance and Reviews: Determining when to refer a suspected fraud to a fraud team – Overview*, Centrelink, Canberra.

⁶⁵ If optical surveillance is required for a compliance review, compliance officers are required to submit a request to a fraud investigation team to arrange and/or conduct.

⁶⁶ Centrelink 2008, *110.404000 Compliance and Reviews: Taking notes during a Report a Suspected Fraud review interview*, Centrelink, Canberra.

Fraud investigations

3.3 Fraud investigations are undertaken when the investigation of the tip-off is potentially expected to result in a prosecution of the customer. The role of a Centrelink fraud investigator is to:

- investigate whether criminal offences have been committed and if there is a prima facie case against the defendant (that is, evidence to support every element of the offence....); and
- prepare a brief of evidence and other relevant information concerning the alleged offence for submission to the DPP.⁶⁷

3.4 Fraud investigators collect information using a range of methods including, but not limited to:

- optical surveillance – usually undertaken by a private firm and involves observing the customer to confirm the allegations; and
- third party checks – usually involves a Centrelink investigator sending a letter or visiting a third party, such as a real estate agent, bank and employer, to seek information about the customer.

3.5 As discussed in paragraph 2.67, tip-offs categorised as SCF are first sent to a Fraud Analysis Unit (FAU). FAUs are responsible for providing an ‘intelligence assessment’ of a tip-off. This involves collating relevant information about the customer and making an assessment of the seriousness and priority of the tip-off. FAUs use Centrelink’s Case Prioritisation Framework (CPF) to make this assessment.⁶⁸ The CPF assists officers in determining whether a tip-off is high, medium or low priority based on a number of factors which include whether the tip-off is a departmental priority, the value of the offence and the level of risk associated with financial recovery.⁶⁹ Once this analysis is completed, tip-offs are forwarded to a FIT or compliance review team.

3.6 Fraud programs managed by Australian Government departments and agencies that are subject to the *Financial Management and Accountability Act 1997*

⁶⁷ Centrelink 2003, *The Centrelink Investigation and Prosecution Manual*, Centrelink, Canberra, p. 8 (superseded by the Centrelink Fraud Investigation Manual).

⁶⁸ Centrelink 2008, *Centrelink’s Response to ANAO Performance Audit Fraud Tip-off System 2008 (Ref 2008/502)*, Centrelink, Canberra, p. 19.

⁶⁹ Other factors include: Ministerial direction, impact on Centrelink, recidivist activity, nature of alleged offence, response required, and political or public sensitivity. Centrelink, *Centrelink Case Prioritisation Framework*, Centrelink, Canberra.

must comply with the *Commonwealth Fraud Control Guidelines* (2002).⁷⁰ Some of the main requirements of the *Commonwealth Fraud Control Guidelines* are that:

- fraud investigations must be carried out in accordance with the Australian Government Investigation Standards (AGIS);⁷¹
- staff involved in preventing, detecting and investigating fraud must be suitably qualified and must meet appropriate competency standards set out in the Public Sector Training Package;⁷² and
- fraud investigators must have attained a Certificate IV in Government (Investigation).⁷³

Guidelines for compliance reviews and fraud investigations

3.7 In considering the role of compliance reviews and fraud investigations in relation to tip-offs, the ANAO assessed Centrelink's associated guidelines on contacting and dealing with customers and informants. The ANAO identified three key areas it considered to be necessary to balance the interests of both informants and customers when conducting a review or investigation of a tip-off:

- contacting customers;
- advising customers of the finalisation of a review or investigation; and
- contacting and managing informants.

3.8 The ANAO assessed Centrelink's guidelines for both compliance reviews and fraud investigations against these three areas. In assessing the guidelines the ANAO considered the standards as outlined in AGIS and also the relevant principles articulated in the Administrative Review Council's 2008 report, *The coercive information-gathering powers of government agencies* (the report).

⁷⁰ Regulation 19 of the Financial Management and Accountability Act allows the Minister for Home Affairs to issue guidelines (to be called *Fraud Control Guidelines*) about the control of fraud.

⁷¹ The Australian Government Investigations Standards (AGIS) replaced the Commonwealth Fraud Investigations Standards Package (CFISP) in September 2003. All Australian Government agencies required to comply with the *Commonwealth Fraud Control Guidelines* must also comply with the minimum standards for investigations set out in AGIS.

⁷² The Public Sector Training Package is a collection of nationally agreed skills, or competency standards, required to carry out public service work effectively. The competency standards are packaged into nationally recognised qualifications which range from entry-level to senior management.

⁷³ Attorney General's Department 2002, *Commonwealth Fraud Control Guidelines*, AGD, Canberra.

3.9 The report considered the use of coercive information gathering powers by selected Australian Government agencies, including Centrelink. The report identified sections 63, 64, 192 and 194 of the Social Security (Administration) Act⁷⁴ as the legislation under which Centrelink is empowered with coercive information gathering powers. The report puts forward 20 best-practice principles it considers will ensure that agencies use coercive powers effectively, efficiently and with due regard to individual rights.⁷⁵

3.10 The outcome of the ANAO's assessment is presented in Table 3.1. Where the ANAO found Centrelink either lacked sufficient guidance and/or the guidance was not compliant with AGIS or the principles of the report, a cross is represented. Alternatively, where it was determined that adequate guidance existed, a tick is represented. The ANAO's findings are discussed in further detail below.

Table 3.1

Assessment of the adequacy of Centrelink guidelines in key areas

	Contacting customers	Advising customers of finalisation	Contacting informants
Compliance reviews	✓	✗	✗
Fraud investigations	✗	✓	✗

Source: ANAO analysis

Contacting customers

3.11 The ANAO identified the process of contacting customers as a key area due to the unverified nature of the information provided in tip-offs; as opposed to other information used by Centrelink for compliance purposes, such as data matching with the Australian Taxation Office. It is important that customers are not unnecessarily contacted, interviewed and/or required to respond to Centrelink information requests without the existence of independent evidence which confirms the information provided in a tip-off.

⁷⁴ The report states that where these provisions are used to gather information in determining a person's initial eligibility for entitlement, they fall outside of the scope of the report's consideration.

⁷⁵ Administrative Review Council 2008, *The coercive information gathering powers of government agencies*, Administrative Review Council, Canberra, p. iii.

3.12 Supporting this is the portion of tip-offs that actually result in any action after a review or investigation. In 2007–08, only 16.2 per cent of tip-offs received and/or reviewed or investigated resulted in some form of a reduction or increase in payment and/or a debt being raised against a customer. Therefore, the privacy of customers, who are the subject of an unconfirmed tip-off review or investigation, requires protection.

3.13 In undertaking its analysis of Centrelink’s fraud and compliance guidelines on contacting customers, the ANAO considered Principle One of the report which states that:

If a coercive information-gathering power is used in connection with a specific investigation, the minimum statutory trigger for using the power should be that the person exercising it has ‘reasonable grounds’ for the belief or suspicion that is required before the power can be exercised.⁷⁶

3.14 In examining the term ‘reasonable grounds’, the report includes reference to the ‘reasonable grounds’ test held in the High Court case, *Rockett*.⁷⁷ The report stated:

The reasonable grounds test enunciated in *Rockett* relates to the decision maker’s state of mind, which, whether a suspicion or a belief, must be based on supporting facts or circumstances.⁷⁸

3.15 Based on the *Rockett* example, the ANAO examined Centrelink’s guidelines with particular regard to the level of information compliance officers and fraud investigators must possess before customers are contacted as part of a review or investigation.

Compliance reviews

3.16 Centrelink’s main guideline to assist compliance officers conducting a review originating from a tip-off is guideline 110.40380 – *Actioning a report of suspected fraud review*. The guideline provides step-by-step instructions on conducting a compliance review including the stage at which it is appropriate to contact customers. The guideline provides sufficient guidance to compliance officers to protect customers from unnecessary contact. A schematic representation of this guidance is provided at Figure 3.1.

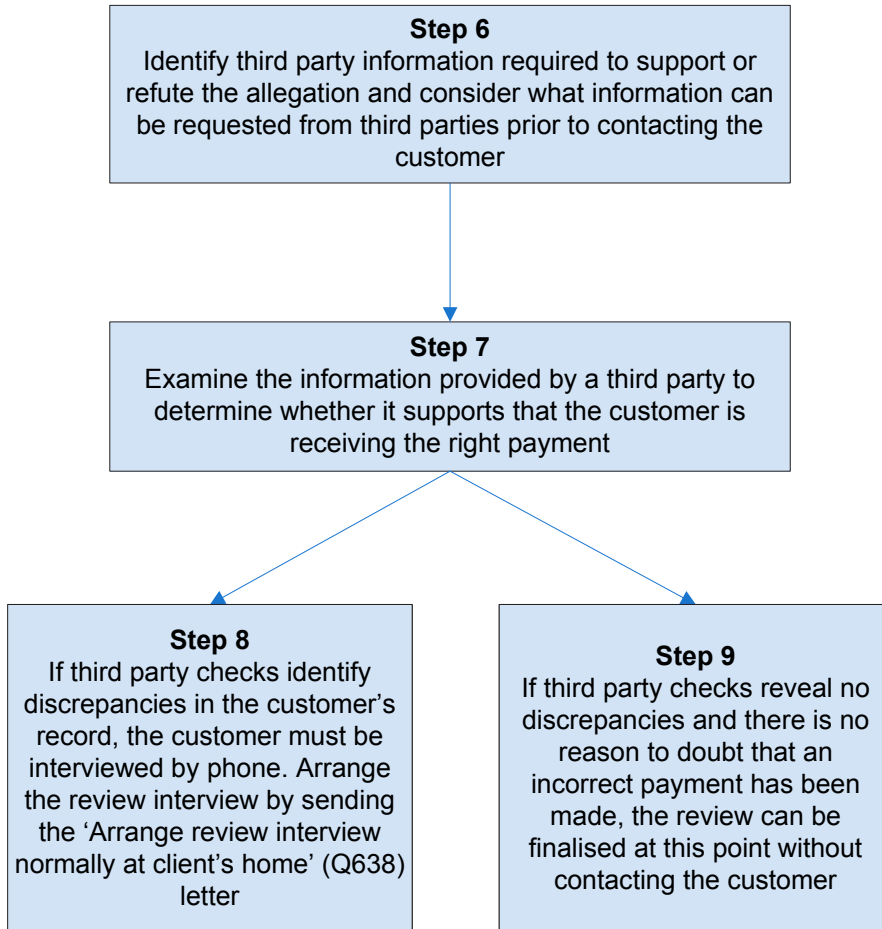
⁷⁶ Administrative Review Council 2008, *The coercive information gathering powers of government agencies*, Administrative Review Council, Canberra, p. xi.

⁷⁷ *George v Rockett* (1990) 170 CLR 104.

⁷⁸ Administrative Review Council 2008, *The coercive information gathering powers of government agencies*, Administrative Review Council, Canberra, p. 11.

Figure 3.1

Guidance to compliance officers on contacting customers



Source: ANAO analysis of Centrelink information

Fraud investigations

3.17 Centrelink's Fraud Investigation Manual (FIM) instructs fraud investigators to interview customers both when the investigator has a suspicion of criminal conduct by the customer and when there is no suspicion of criminal conduct. This is shown by an extract of the FIM at Figure 3.2 (page 63).

3.18 Figure 3.2 shows investigators with a suspicion of criminal conduct by the customer are instructed to conduct a tape-recorded interview with the customer. The purpose of a taped interview is to put the allegation of criminal conduct to the customer and seek an explanation from the customer in

response to the allegation.⁷⁹ Alternatively, investigators without a suspicion are instructed to conduct an enquiry interview.

3.19 The FIM does not provide guidance on the purpose of conducting an enquiry interview. However, attached to the step, 'Conduct enquiry interview' (circled in Figure 3.2), there are three guidelines:

- *Cash Economy Preamble*;⁸⁰
- *Notebook and Contemporaneous notes*; and
- *Online document standards for fraud investigations*.

3.20 Of the three guidelines, only the *Notebook Preamble: Operations* guideline, provides some insight into the purpose of the enquiry interview. The guideline states:

As you are aware, there is currently no legislation in place that makes it compulsory for suspected customers to provide Centrelink investigators with their details during a field operation. Subsequently, investigators should be mindful that:....

- Investigators can conduct administrative interviews on customers to determine the correct rate of payment and circumstances; however
- If a customer is suspected of criminal activity, a formal criminal interview following the processes and advice in the Fraud Investigations Manual, should be followed.⁸¹

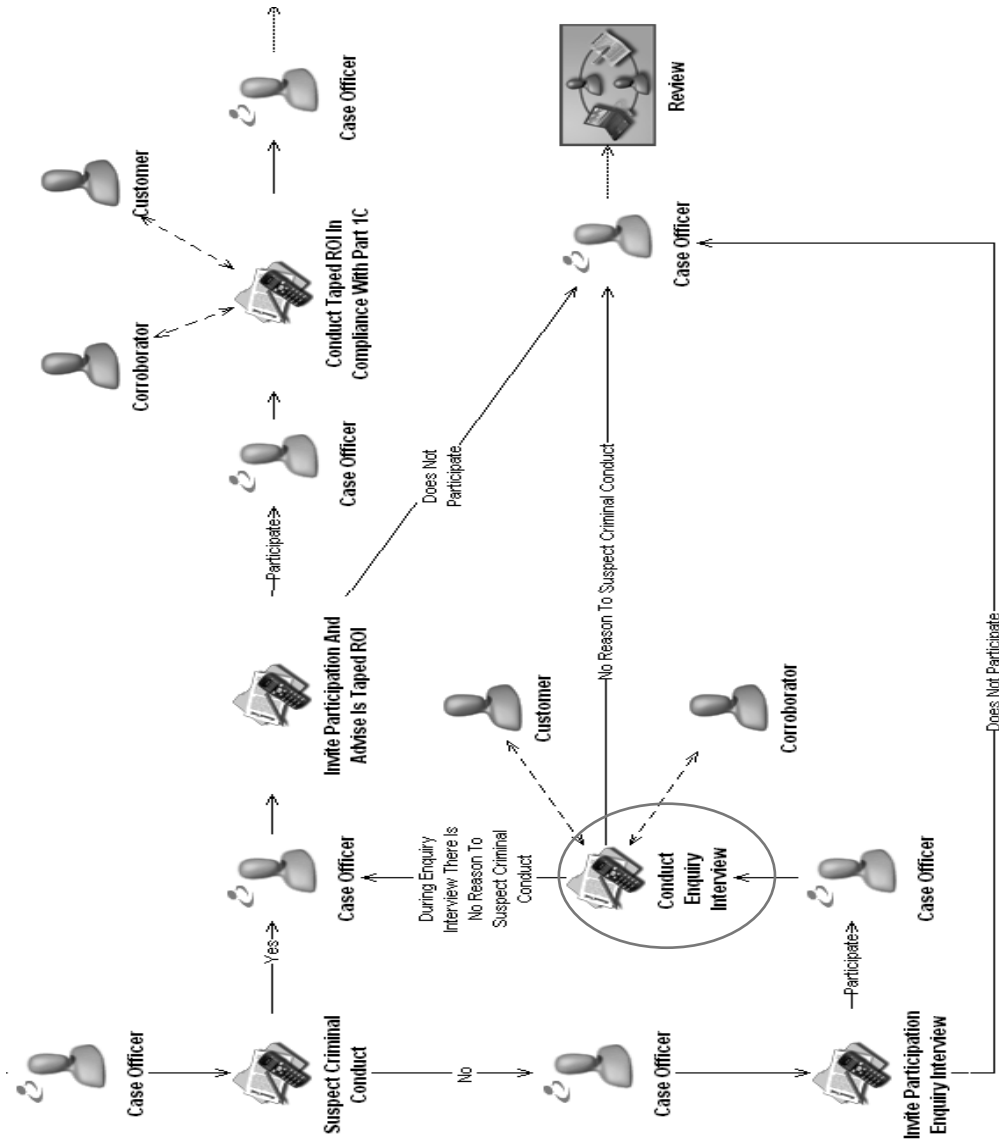
⁷⁹ Centrelink 2007, *Record of Interview guidelines*, Centrelink, Canberra, p. 4.

⁸⁰ Although the link to the guideline in the FIM is called 'Cash Economy Preamble', the name of the guideline attached to the link is called *Notebook Preamble: Operations*.

⁸¹ Centrelink 2008, *Notebook Preamble: Operations*, Centrelink, Canberra, p. 2.

Figure 3.2

Extract of the Fraud Investigation Manual for ‘Enquiry Interview and Record of Interview’ process



Source: Centrelink 2008, *Fraud Investigation Manual*, version 66, Centrelink, Canberra

Contacting customers without a suspicion of criminal conduct

3.21 Figure 3.2 shows that the FIM indicates that fraud investigators can contact customers without a suspicion about criminal conduct. However, the FIM provides little guidance on the circumstances in which it would be

appropriate for an investigator to contact a customer without a suspicion of criminal conduct. The *Notebook Preamble: Operations* guideline indicates investigators can undertake an 'administrative interview' to determine the customer's correct payment and circumstances.

3.22 Where the investigator has undertaken a number of investigative checks which do not indicate that the customer's entitlement or circumstances are incorrect, contacting the customer could be considered as unnecessary or potentially invasive. However, contacting customers to confirm the correct entitlement and circumstances might be appropriate where the investigator has discovered additional information which indicates the customer is incorrectly in receipt of a benefit(s). As this information could be used in an adverse decision against the customer, such as a reduction or cancellation of benefit(s) and/or raising of a debt, the interview could be used to confirm or disprove the information.

3.23 Conducting an interview in these circumstances is consistent with advice provided to the ANAO by the Office of the Privacy Commissioner, which states:

Generally, we would be concerned if anonymous, unsubstantiated information was used to make an adverse decision without any further steps taken to verify that information. However, we would not preclude checking the accuracy of the information with the individual the subject of the tip-off.⁸²

3.24 A request for a customer to attend an interview, when the investigator has no suspicion of criminal conduct by the customer, is made under section 63 of the Social Security (Administration) Act.⁸³ If a customer does not comply with the request and does not have reasonable grounds for doing so, the payment that the customer is receiving is deemed non-payable.⁸⁴ Due to the potential consequence that a customer's benefits may be not paid if the customer is not compliant with Centrelink's request to attend an interview, it is important that investigators understand when it is appropriate to undertake this process.

3.25 The FIM can be updated to improve the clarity surrounding the circumstances in which it may be appropriate to contact customers without a

⁸² Advice from the Office of the Privacy Commissioner, 14 April 2008.

⁸³ Centrelink 2007, *Record of Interview guidelines*, Centrelink, Canberra p. 1.

⁸⁴ There are exceptions to this which are if the customer is receiving a payment subject to participation failure conditions and the request made to the customer includes a statement to the effect that the non-compliance with the request could constitute participation failure.

suspicion of criminal conduct. It may also be pertinent for Centrelink fraud investigators to document the reasoning behind contacting a customer without a suspicion, which is indicated as better practice in Principle Three of the report which states:

When an agency uses its information-gathering powers for the purpose of a specific investigation it is good administrative practice for the agency officer concerned to prepare a written record describing the basis on which the threshold trigger for the use of the powers was deemed to have been met....⁸⁵

3.26 By providing guidance on when it is appropriate to contact customers without suspicion, and requiring fraud investigators to document the reasons for contacting a customer, Centrelink could avoid the potential situation of investigators contacting customers as a result of an unsubstantiated allegation.

Contacting customers with a suspicion of criminal conduct

3.27 Fraud investigators that suspect the customer of criminal conduct are instructed to invite the customer to attend a tape-recorded interview. By recording the interview, Centrelink has evidence of any admissions made by the customer, which can then be submitted to the CDPP if the case proceeds to prosecution.

3.28 Consistent with Principle One of the Administrative Review Council's report, prior to contacting customers for a tape-recorded interview, investigators should have facts and/or circumstances that support the investigator's suspicion of criminal conduct by the customer. While the FIM provides some guidance in relation to evidence when investigators contact a customer, it does not indicate that 'reasonable grounds' are required to support the investigator's suspicion.

3.29 Also, while each investigation is unique, the FIM does not clearly indicate at what point in an investigation it is appropriate to contact a customer. This is demonstrated by Figure 3.3, an extract of the FIM, which shows that the process of contacting a customer (circled), is not weighted any differently to other investigation processes. However, the guidelines on conducting a taped interview state:

As a general rule it is preferable to interview a suspect at the end of the investigation when all the evidence has been gathered.⁸⁶

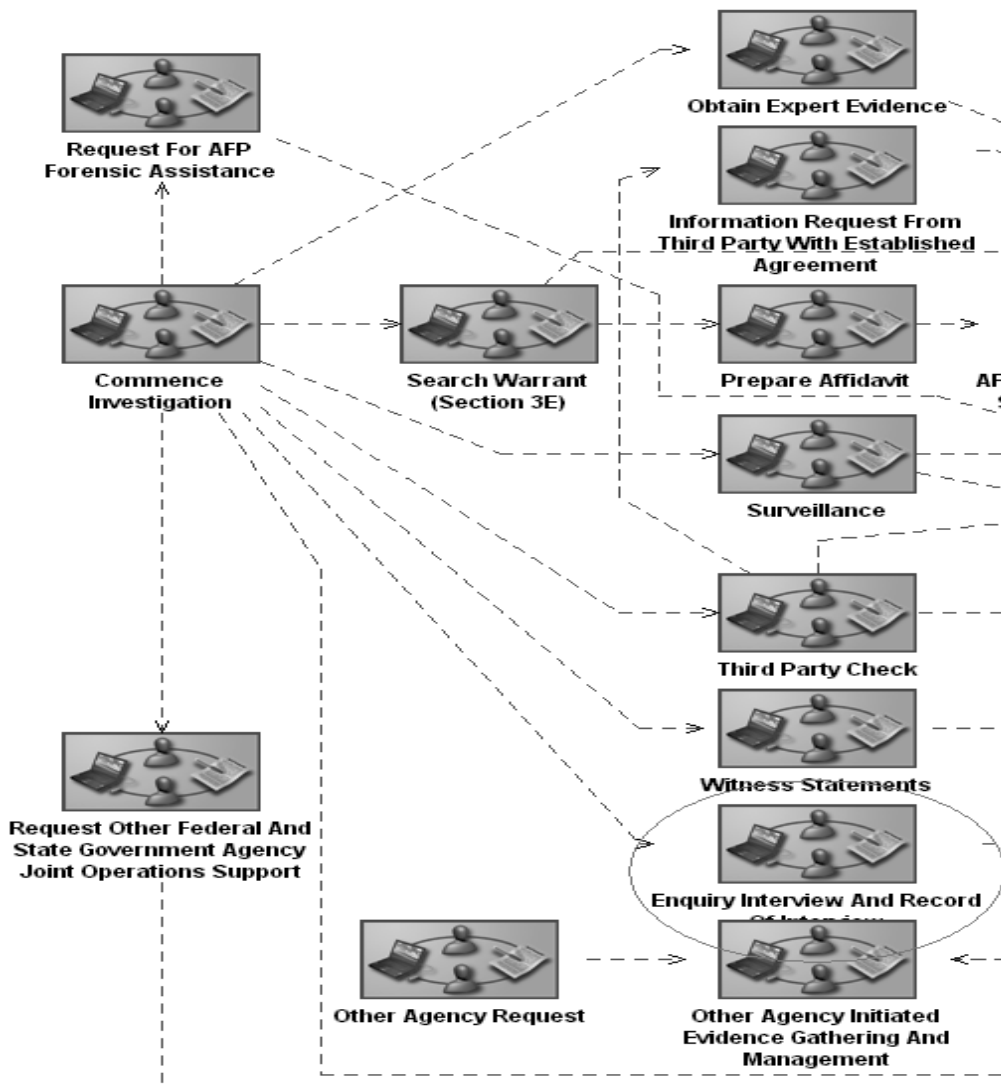
⁸⁵ Administrative Review Council 2008, *The coercive information gathering powers of government agencies*, Administrative Review Council, Canberra, p. xii.

⁸⁶ Centrelink 2007, *Record of Interview guidelines*, Centrelink, Canberra p. 4.

3.30 In this regard, the FIM can be improved to provide guidance for investigators on the level and/or nature of evidence required to support the suspicion of criminal conduct by the customer, prior to contacting the customer.

Figure 3.3

Extract of Fraud Investigation Manual for ‘Information and Evidence Gathering’ overview



Source: Centrelink 2008, *Fraud Investigation Manual*, version 66, Centrelink, Canberra.

Critical decisions

3.31 AGIS requires agencies to have written procedures in relation to making and recording critical decisions, which it defines as:

Critical decisions are those decisions made during the course of an investigation that lead to a significant change [sic] direction or approach. These can include the decision to employ particular methodology such as surveillance, to terminate a line of enquiry, or to commence a new line of enquiry not identified in the original investigation plan.⁸⁷

3.32 The FIM does not indicate that the process of contacting a customer is a critical decision. Consequently, fraud investigators are not required to provide managers with ‘information, recommendations and rationale’⁸⁸ (which is a requirement in the FIM for critical decisions) prior to contacting a customer.

3.33 The ANAO considers that contacting customers has the potential to change the direction of an investigation and consequently, has the characteristics of a critical decision as defined in AGIS. Requiring fraud investigators to make a written record of the reasoning behind their decision to contact a customer would also be consistent with Principle Three of the report.

3.34 The process of deciding whether to contact a customer can be improved by incorporating the principles of AGIS (relating to critical decisions) into a managerial consultation process applied prior to the investigator contacting the customer. This would assist in providing assurance that the investigator’s suspicion is sufficiently supported.

Recommendation No.2

3.35 To mitigate the risk of fraud investigators unnecessarily contacting customers, the ANAO recommends Centrelink revise the Fraud Investigation Manual to:

- provide parameters for when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct; and
- require fraud investigators, with a suspicion of criminal conduct, to have ‘reasonable grounds’ prior to contacting a customer and consider classifying this process as a critical decision.

⁸⁷ Commonwealth of Australia 2003, *Australian Government Investigations Standards*, Commonwealth of Australia, Canberra, Ch.4 p. 11.

⁸⁸ Centrelink 2008, *Critical decision guidelines*, Centrelink, Canberra.

Centrelink response

3.36 Agree. Updates to the Fraud Investigation Manual, subsequent to its provision to the ANAO, have included guidelines that detail when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct.

Advising customers of the finalisation of reviews and investigations

3.37 The ANAO identified the process of advising a customer of the finalisation of a review or investigation, when the customer has been informed that a review or investigation has been initiated, as a key area. This was due to:

- the decision to advise a customer of the finalisation of a review or investigation the customer has been contacted about was left to the discretion of compliance officers and fraud investigators;
- the importance of providing all customers with a decision and certainty; and
- advice from Centrelink stakeholder organisation representatives that this is an issue the stakeholder organisation is contacted about, particularly by people from vulnerable groups such as refugees or people with mental health issues because these customers develop concerns about being under surveillance by Centrelink.

Compliance reviews

3.38 Centrelink's guidance does not instruct compliance officers to advise customers of the outcome of a compliance review, unless the outcome is adverse. In these instances, Centrelink's guideline on recording review results and finalising reviews in the IRS states, 'the customer must have been made aware of any adverse decisions.'⁸⁹

3.39 Consequently, the decision to advise a customer of the completion of a compliance review, which the customer has been contacted about, and that results in no further action (such as a change in payment or a debt being raised) is at the discretion of the responsible compliance officer. The consistency of this process and customer treatment can be improved by introducing a policy that makes it mandatory for all customers to be advised of

⁸⁹ Centrelink, 2008, 110.52650 – *Compliance and Reviews / Recording review results and finalising reviews in the Integrated Review System (IRS) – Overview*, Centrelink, Canberra.

the finalisation and outcome of a compliance review, when customer contact has occurred.

Fraud investigators

3.40 At the outset of this audit Centrelink did not have any guidelines requiring fraud investigators to advise customers of the finalisation and outcome of an investigation, when the customer had been made aware of the investigation. However, during the course of the audit, Centrelink introduced a policy for fraud investigators which instructs that:

All customers who have been made aware by contact through Centrelink that they have been the subject of a fraud investigation must be advised of the outcome of that investigation when the case is finalised.⁹⁰

3.41 The ANAO suggests Centrelink introduce a policy (similar to that for fraud investigators), which makes it mandatory for compliance officers to notify a customer, who has been made aware of a review, of the finalisation and outcome of that review.

Contacting and managing informants

3.42 Being able to have further contact with an informant can be a valuable source of information. However, knowing the identity of an informant adds a complex dimension to conducting compliance reviews and fraud investigations. Informants need to be managed effectively to protect their identity and safety, and also, to protect the privacy of customers.

3.43 The ANAO identified the process of contacting an informant as a key area. By contacting an informant, Centrelink compliance officers and fraud investigators are disclosing a level of personal information about the customer to the informant, even if only by the contact occurring. For example, by contacting an informant, the informant becomes aware that the customer is a Centrelink customer and that the customer is being reviewed or investigated by Centrelink. Therefore, it is important that informants are not unnecessarily contacted as part of an investigation or review.

3.44 Generally, the disclosure of personal information about the customer is prohibited by IPP 11 of the Privacy Act and section 204 of the Social Security (Administration) Act. However, both legislative instruments allow for the disclosure of personal information in certain circumstances such as if it is in the

⁹⁰ Centrelink 2008, *Review Finalisation: Customer notification policy*, Centrelink, Canberra.

interest of the public to do so,⁹¹ or if disclosure is reasonably necessary for the enforcement of criminal law or of a law imposing a pecuniary penalty, or for the protection of the public revenue.⁹²

3.45 Centrelink recognises the implications for a customer's privacy when an informant is contacted, as evidenced by a Compliance and Review guideline on privacy issues to consider when dealing with reports of suspected fraud, which states:

The informant is to be advised that Centrelink will not provide them with any information about the alleged customer or progress and outcome of any investigations, whether they have given their contact details or not. They will not receive a letter outlining a result, nor can they call again to obtain a progress report. This is the law under the Privacy Act.⁹³

3.46 While a legislative designation to disclose a level of personal information about a customer in conducting a review or investigation exists, this power needs to be balanced with consideration of the customer's interests and privacy. This is important as the information in a tip-off requires verification, and the motivations of an informant may not be known.

3.47 To protect customers' privacy, the process of contacting an informant should be undertaken only once the investigator has applied a risk-based assessment to the information provided by the informant and considers that the information in the tip-off is accurate. Further, contact with an informant should only be undertaken when it is established that the informant may be able to provide relevant information in addition to the information collected in the initial tip-off.

Compliance reviews

3.48 Centrelink does not have standard guidelines for compliance officers on contacting an informant. Officers exercise their discretion as to whether to contact an informant and, if so, when the contact should take place. However, Centrelink demonstrated awareness of the issues involved in contacting an informant in a 2006 Centrelink compliance newsletter⁹⁴ that provided some guidance to compliance officers. The guidance warns compliance officers,

⁹¹ *Social Security Administration (Act) 1999*, section 208, p. 289.

⁹² *Privacy Act 1988*, section 14, p. 58.

⁹³ Centrelink 2008, *110.40350 Compliance and Reviews / Privacy issues to consider when dealing with reports of suspected fraud – Overview*, Centrelink, Canberra.

⁹⁴ Centrelink, 2006, *Compliance Review Update - 7 September 2006*, Centrelink, Canberra.

when contacting an informant, not to breach any of the confidentiality provisions of the Social Security (Administration) Act. The guidance also states:

The following information must be considered prior to making any decision to contact an informant:

- What extra information or documentation may the informant be able to provide to support their concerns?
- Can we get better clarification of the information already provided by contacting the informant?
- Would contacting the informant compromise a possible future fraud investigation?

When contacting an informant we are acknowledging that we are acting upon the information they have provided to Centrelink, however we should always advise that we cannot provide information about specific actions that Centrelink may take or outcomes of actions taken. We should also make sure that we do not say anything that could confirm that a customer is receiving a payment from Centrelink.....

Should you feel that contacting an informant is beneficial, you should discuss the reasons with your team leader. If approval to contact the informant has been granted by your team leader you will need to clearly document the reasons why that contact has been approved.⁹⁵

3.49 While Centrelink advised the ANAO the decision of whether to contact the informant is at the discretion of compliance officers it also acknowledged that better guidance about contacting informants, for example, when it may be appropriate, could be beneficial for compliance officers.⁹⁶

Fraud investigations

3.50 Centrelink does not have standard guidelines for fraud investigators on contacting informants. Investigators exercise their discretion as to whether to contact an informant and, if so, when the contact should take place. However, Centrelink advised the ANAO that informants are treated the same as other witnesses. Centrelink has three guidelines for managing witnesses:

- *Handling Witnesses;*
- *Obtaining Witness Statements from neighbours; and*

⁹⁵ Centrelink, 2006, *Compliance Review Update - 7 September 2006*, Centrelink, Canberra.

⁹⁶ Centrelink 2008, *Centrelink's Response to ANAO Performance Audit Fraud Tip-off System 2008 (Ref 2008/502)*, Centrelink, Canberra, p. 23.

- *Enquiries and Interviews Out of Office.*⁹⁷

3.51 In dealing with informants, AGIS prescribes that agencies should have written guidelines in place for the management of informants. AGIS defines informants as:

Informants are people who supply or agree to supply information to the agency in relation to investigations and their identity may need to be protected due to;

- The likelihood of the informant and/or persons associated with the informant being put at risk should the nature of the informant's relationship with the agency become known; and/or,
- The nature, significance or sensitivity of the information being provided.⁹⁸

3.52 AGIS outlines the specific areas that agencies' guidelines should address. Centrelink's three witness management guidelines do not cover all of the areas required by AGIS, including: registering informants with a personal profile and assessment of their motivation, and restricted access to informants' files.⁹⁹

3.53 Centrelink's *Handling of Witnesses* guideline refers fraud investigators to the TIPS team guideline for guidance on managing informants. The TIPS team guideline includes some of the requirements prescribed by AGIS, such as references to the relevant legislation and security procedures for classifying and handling information both about the informant and provided by the informant.¹⁰⁰ However, the TIPS team guideline does not include all guidance required by AGIS.

3.54 None of the guidelines advise the investigator on how to manage a witness, or informant, who provide a statement but request that their identity be protected. Centrelink advised the ANAO that in this instance investigators are required to contact the Fraud and Prosecutions Team at NSO for advice, who in turn contact the Legal Services and Procurement Branch and the CDPP.

⁹⁷ Centrelink 2008, *Centrelink's Response to ANAO Performance Audit Fraud Tip-off System 2008 (Ref 2008/502)*, Centrelink, Canberra, p. 20.

⁹⁸ Commonwealth of Australia 2003, *Australian Government Investigations Standards*. Commonwealth of Australia, Canberra, Ch.5 p. 19–20.

⁹⁹ *ibid.*, p. 20.

¹⁰⁰ Centrelink 2007, *Tip-Off Recording System (TORS): Tip-Off Identification & Processing Site (TIPS) Guidelines*, Version 0.9, Centrelink, Canberra, p. 8–13.

3.55 Centrelink has a range of guidelines which address aspects of contacting and managing informants. This guidance can be consolidated and improved to be consistent with the requirements of AGIS. Centrelink would also benefit by having a clearly defined process for managing witnesses who request their identity to be protected.

3.56 Centrelink can improve its guidance by combining the existing guidelines into one central source which includes an informant management policy that addresses all of the requirements of AGIS. This position is consistent with a 2007 *Quality Assurance Review Report*¹⁰¹ by the Australian Federal Police which identified the implementation of an informant management policy as an area requiring development by Centrelink.¹⁰²

Recommendation No.3

3.57 To ensure protection of customers' privacy and informants' safety during compliance reviews and fraud investigations, the ANAO recommends Centrelink:

- revise guidelines for compliance officers to include when it is appropriate to contact an informant and any privacy implications for the customer; and
- consolidate its existing fraud investigation guidance relevant to informants into a central source, which includes an informant management policy that addresses the requirements of the Australian Government Investigation Standards.

Centrelink response

3.58 Agree.

Internal measures

3.59 Centrelink assesses the performance of its compliance and fraud teams using internal measures, shown in Table 3.2.

¹⁰¹ As part of the *Commonwealth Fraud Control Guidelines*, the AFP is responsible for conducting Quality Assurance Reviews of agencies' investigations.

¹⁰² Australian Federal Police 2007, *Quality Assurance Review Report*, AFP, Canberra, p. 20–21.

Table 3.2

Internal measures for compliance officers and fraud investigators

	Compliance Officers	Fraud Investigators
Amount of savings identified	✓	✓
No. of reviews/investigations completed	✓	✓
No. of prosecutions referred	✗	✓
No. of prosecutions accepted by the CDPP	✗	✓

Source: ANAO analysis of Centrelink information

Compliance reviews

3.60 The purpose of a compliance review is to confirm whether the customer is receiving the correct payment. However, the internal measures for compliance officers assess the number of reviews completed and the amount of savings identified. Neither measure is necessarily reflective of the purpose of a compliance review; and in fact, may have the potential to act as a counterincentive. For example, the measures could put compliance officers under pressure to complete reviews without undertaking an adequate analysis of customers’ circumstances, in order to increase the number of cases completed.

3.61 One of the criteria for establishing robust performance indicators is implementing indicators that are relevant to meet targets, as outlined in a management paper prepared by the UK Audit Commission, *On target: the practice of performance indicators*. For example, indicators that relate to the strategic goals of an organisation or specific area.¹⁰³

3.62 Centrelink can introduce some complementary measures to those currently being used, aimed at assessing the conduct and quality of the review completed by compliance officers. Additional measures of this nature would provide a balanced assessment of the performance of compliance officers.

¹⁰³ Audit Commission 2000, *On target: the practice of performance indicators*, Audit Commission, London p. 16.

Fraud investigations

3.63 Centrelink instructs fraud investigators that the role of an investigation is to 'seek the truth, not to secure a conviction'.¹⁰⁴ However, the four measures used to assess fraud investigators are primarily quantitative in nature. Therefore, similar to the measures for compliance officers, the internal measures for fraud investigators do not necessarily reflect the objective of an investigation.

3.64 There is a risk associated with prioritising quantitative outcomes, such as amount of savings identified and number of cases processed, that qualitative indicators such as adherence to guidelines and processes may be compromised. Centrelink advised the ANAO of two situations which it had identified and addressed where investigators had manipulated systems to claim non-existent savings. In response to these situations, Centrelink advised the ANAO it took corrective action, including advising policy departments and undertaking an education/awareness campaign. While isolated, these incidents are one indicator of the risk associated with maintaining internal measures which are mainly quantitative in nature.

3.65 Another criteria for establishing robust performance indicators as identified by the UK Audit Commission paper is to avoid perverse incentives. That is, incentives should not be open to easy manipulation, and implementing a balanced suite of measures is sometimes necessary to discourage such behaviour.¹⁰⁵

3.66 While Centrelink has addressed the incidences of improper behaviour by its officers, it has not specifically addressed one of the potential underlying drivers of this behaviour - the internal measures. By implementing a broader suite of measures that also assess the qualitative factors of an effective and efficient investigation, Centrelink could provide balanced incentives for fraud investigators to focus on both the conduct of the investigation as well as the result of the investigation.

¹⁰⁴ Centrelink 2007, *Record of Interview guidelines*, Centrelink, Canberra p. 5.

¹⁰⁵ Audit Commission, *op. cit.* p. 19.

Recommendation No.4

3.67 To provide a balanced set of internal performance measures, the ANAO recommends that Centrelink introduce measures for compliance officers and fraud investigators which assess the conduct and quality of the reviews and investigations, to supplement current quantitative measures.

Centrelink response

3.68 Agree.

4. Cost and Savings

This chapter examines the funding and cost of the tip-off process, and the related savings estimates claimed by Centrelink.

4.1 The Australian Government invests a large amount of money in supporting Centrelink's compliance and fraud detection activities, of which, tip-offs are an important component. Centrelink dedicates significant resources to processing tip-offs, including specifically trained call centre operators, specialised processing teams (TIPS teams), compliance officers, fraud investigators and IT infrastructure such as TORS. To support the tip-off process it is important that Centrelink has sufficiently robust systems that are able to capture and report funding, cost and savings estimates information that can then be provided to internal and external stakeholders and used to support decision making.

4.2 As part of evaluating the effectiveness of Centrelink's tip-off management process, the ANAO sought to confirm the:

- funding Centrelink receives to manage tip-offs;
- cost of the tip-off process; and
- savings estimates resulting from the tip-off process.

Funding of the tip-off process

4.3 Centrelink is a primary service delivery agency of the Australian Government and administers a range of payments and services on behalf of its policy departments through purchaser provider arrangements. As part of these arrangements, Centrelink is funded by policy agencies to deliver specific outcomes, including compliance reviews and fraud investigations.

4.4 It is important for Centrelink to have a clear understanding of the amount of funding it receives to deliver specific outcomes, so that it can:

- monitor its funding against actual costs to help determine adequate funding levels and possible efficiency gains; and
- provide financial and performance information to policy departments for consideration in evaluating the success of a program.

4.5 Centrelink receives a base level of funding from policy departments to undertake standard business activities, including managing tip-offs. In addition to its base level of funding, Centrelink also receives additional funding through budget measures to undertake particular activities or increase its level of output in relation to existing functions.

4.6 Centrelink is not adequately capturing funding information, particularly at the additional funding level, that could be usefully relied upon to support organisational decision making.

Budget funding since 2000–01

4.7 Centrelink advised the ANAO it had received additional funding to manage tip-offs through seven budget initiatives since 2000–01, shown in Table 4.1.

Table 4.1

Budget measures through which Centrelink received funding for tip-offs, since 2000–01

Funding source	Budget measure
2000–2001 Budget	Compliance Strategy: Measures to Improve Control of Incorrect Payment and Fraud – Deterrence – Publicity Campaign to Encourage Customer Compliance ¹⁰⁶
	Compliance Strategy: Measures to Improve Control of Incorrect Payment and Fraud - Detection
2001–2002 Budget	Compliance Package - Detection
2001–2002 Additional Estimates	Compliance Package
2004–2005 Budget	Compliance - 'Keeping the system fair' Education Campaign ¹⁰⁷
2005–2006 Budget	Income support payments – maintain funding for compliance checks ¹⁰⁸
2006–2007 Budget	Fraud and Compliance – enhanced focus on serious social security fraud

Source: ANAO analysis of Centrelink information

¹⁰⁶ This measure was deferred in the 2002–03 Budget in the Budget measure, 'Compliance Publicity Campaign to Encourage Customer Compliance – Deferred Implementation.'

¹⁰⁷ This measure is based on the 2000–01 Budget measure, 'Compliance Strategy: Measures to Improve Control of Incorrect Payment and Fraud – Deterrence – Publicity Campaign to Encourage Customer Compliance.'

¹⁰⁸ This measure is a continuation of the 2001–02 Budget measure, 'Compliance package – detection'.

4.8 These budget measures were often targeted at a suite of compliance and fraud detection activities. Net figures that take account of any forecast savings estimates are reported when the measures are included in the Budget papers.¹⁰⁹ Therefore, the funding that was specific to Centrelink’s management of the tip-off process was not readily identifiable in all measures. Centrelink was unable to advise the ANAO of the total amount of tip-off related funding it had received through each budget measure.

Budget funding in 2006–07

4.9 Centrelink provided an estimate of the budget measure funding it received in 2006–07 for managing tip-offs. This estimate is provided in Table 4.2.

Table 4.2

Centrelink’s estimate of funding received from budget measures in 2006-07

Budget measure	Components of funding	Value \$ m	Total \$ m
2004–05 Budget: Compliance - 'Keeping the system fair' Education Campaign	NSO and IT	0.1	
	Discrete Administrative Expenses	0.1	0.2
2005–06 Budget: Income support payments – maintain funding for compliance checks ¹¹⁰	All funding	4.1	4.1
2006–07 Budget: Fraud and Compliance – enhanced focus on serious social security fraud	NSO	0.6	
	Discrete Administrative Expenses	0.2	
	IT	Unknown	0.8
Total			5.1

Source: ANAO analysis of Centrelink information

4.10 However, in considering the funding estimate supplied by Centrelink the ANAO identified a number of discrepancies which included:

- 2006–07 Budget: 'Fraud and Compliance – enhanced focus on serious social security fraud' - the ANAO examined Centrelink’s agreed costing with Finance for the budget measure and estimated Centrelink

¹⁰⁹ Budget Paper No.2, Budget Measures.

¹¹⁰ This budget measure is a continuation of the 2001–02 Budget measure, 'Compliance Package–Detection.'

received at least \$2 million in 2006–07 for tip-off management from this measure compared with Centrelink’s estimate of \$0.8 million. The difference in the two estimates extends across numerous components. One of the primary differences can be attributed to the ANAO estimate including the funding Centrelink received for additional tip-off fraud investigators and their related administration costs – a component not included in Centrelink’s estimate; and

- Centrelink’s estimate excludes the funding it received for tip-offs in the 2006–07 budget measure, ‘Fraud and Compliance – improving cross agency activities.’ Amongst other activities, this budget measure provided funding to establish arrangements to share tip-off information between agencies such as Centrelink and Medicare Australia.

4.11 Disaggregation of funding by activity, whether as part of a Finance-agreed costing or separately, would help to provide a solid base to enable Centrelink to reconcile the actual cost of an activity with the funding provided. In turn, this information can be used by policy departments to evaluate the cost effectiveness of an activity and assist with decision making on the success and continuation of such activities.

Cost of the tip-off process

4.12 Similar to maintaining an understanding of funding, there are benefits for Centrelink and its policy departments in understanding the cost of programs undertaken by Centrelink. Centrelink’s compliance and fraud detection programs are broad and encompass a range of different functions. Therefore, by maintaining an understanding of the costs associated with these compliance and fraud capabilities, Centrelink and its policy departments can identify those programs which are the most effective based on an analysis of costs and associated benefits. In turn, the results of this analysis can be used to allocate limited resources to Centrelink’s most productive capabilities.

4.13 Centrelink provided the ANAO with an estimate of the cost of the tip-off process as actual cost data was unavailable. Centrelink estimated the cost of the tip-off process in 2006–07 was \$18.8 million. This estimate represents costs associated with:

- receiving and recording tip-offs through the various channels such as call centres, the Internet and Customer Service Centres;

- processing the tip-offs by the TIPS team;
- undertaking the associated compliance reviews and fraud investigations; and
- identifying savings, raising debts and managing any appeals as a result of variances to customers' payments and/or debts raised against customers.

4.14 This estimate was incomplete as it did not include costs associated with TORS, the website or the call centre network infrastructure. These costs need to be included to provide a comprehensive estimate which will enable a reliable comparison of different compliance and fraud capabilities and effectiveness.

4.15 Centrelink also estimated the cost of conducting (including TIPS processing) the 52 597 completed tip-off reviews and investigations in 2006–07, was \$13.3 million.¹¹¹ The ANAO again found this estimate did not necessarily capture the total cost as it excluded costs such as branch, property, infrastructure and other corporate costs including the Fraud Analysis Unit.

4.16 The ANAO has previously reported Centrelink has been unable to accurately cost some of its capabilities.¹¹² The ANAO has noted a benefit to Centrelink in maintaining accurate cost data is the ability to identify efficiencies and better practices which may lead to cost savings.¹¹³

4.17 Additional benefits to Centrelink of maintaining accurate cost data include:

- measuring the performance of activities against estimated costs;
- meeting the potential information and reporting requirements of policy departments and Parliament; and
- more accurately projecting and estimating costs of existing and new activities.

¹¹¹ Centrelink was unable to advise the ANAO of the actual cost because cost data was not available.

¹¹² Australian National Audit Office, *Centrelink's Complaints Handling System*, Audit Report No.34, ANAO, Canberra, 2004–05, p. 21; Australian National Audit Office, *Centrelink's Review and Appeals System*, Audit Report No.35, ANAO, Canberra, 2004–05, p. 17 & 20; and Australian National Audit Office, *Centrelink's Review and Appeals System-Follow-up Audit*, Audit Report No.40, ANAO, Canberra, 2006-07, p. 24.

¹¹³ Australian National Audit Office, *Centrelink's Complaints Handling System*, Audit Report No.34, ANAO, Canberra, 2004–05, p. 21; and Australian National Audit Office, *Centrelink's Review and Appeals System*, Audit Report No.35, ANAO, Canberra, 2004–05, p. 17 & 20.

Recommendation No.5

4.18 The ANAO recommends that Centrelink develop and maintain budgetary funding details and accurately identify and attribute all material costs associated with the tip-off process.

Centrelink response

4.19 Agree. Centrelink will attribute details of recent revenue received for tip-offs and will consider affordable options to track costs associated with the delivery of the tip-off process where they may materially impact on measuring the performance of the wider fraud and compliance program.

Savings estimates

4.20 Expected savings estimates often support a government decision to proceed with an initiative, particularly in relation to compliance and fraud activities. Within Centrelink, savings estimates are also used to measure performance and determine future budgets.

4.21 Centrelink uses two main methodologies to calculate savings estimates:

- Benchmark method - calculates savings estimates which are used: internally to measure performance; in reporting to policy departments;¹¹⁴ and in reporting extrapolated savings estimates publicly, for example in annual reports and media releases.
- Finance method - calculates savings estimates which are used for costing programs with, and reporting to, the Department of Finance and Deregulation (Finance), and for reporting to policy departments on savings estimates relating to specific budget measures.

4.22 Both methods use two calculation factors which are:

- the amount of the decrease in the customer's benefit/s or the amount of the customer's cancelled benefit/s, and
- the amount of the debt raised against the customer.

4.23 Both methods calculate savings estimates based on an annual basis, i.e. 26 fortnights. Centrelink does not include the amount of an increase to a customer's benefit as a result of a review or investigation in its aggregate savings estimates calculations.

¹¹⁴ Centrelink uses the Benchmark method to report to policy departments, except in instances when Centrelink is reporting savings in relation to budget measures, when the Finance method is used.

4.24 There are two conditions which affect both methods. The first condition requires that the debt must be recorded and raised in Centrelink's Debt Management Information System (DMIS) before Centrelink can claim the full or part amount of the debts raised against the customer as savings. The second condition relates to the amount of the customer's cancelled or reduced benefits which Centrelink can claim as savings. If the customer's benefit is restored within 6 weeks of cancellation, known as the 'applicable restoration period,' the saving cannot be recognised.

Benchmark method

4.25 The Benchmark method is calculated by taking the amount of the decrease in the customer's benefit/s or amount of the customer's cancelled benefit/s multiplied by 26 fortnights. The resulting figure is then added to the amount of the debt raised against the customer. This is demonstrated in Example 1.

Example 1

Adam receives the single with no children rate of Newstart of \$437.10 per fortnight.

An investigation finds that Adam is ineligible for Newstart payments and has been ineligible for the past 16 weeks (eight fortnights). As a result of the investigation, Adam's benefit is cancelled and a debt is raised against him for the amount of Newstart payments he was not entitled to receive.

Therefore, the savings estimate claimed by Centrelink is:

- \$437.10 multiplied by 26 which equals \$11 364.60; and
- \$437.10 multiplied by 8 (the number of fortnights for which Adam was not entitled) which equals \$3 496.80.

The total savings estimate claimed by Centrelink is \$14 861.40.

4.26 Using the Benchmark method, this savings estimate will be claimed in the financial year in which the review or investigation is completed, provided the six-week applicable restoration period has passed. The savings estimates are claimed irrespective of when the investigation or review was completed in the financial year.

Finance method

4.27 The Finance method is similar to the Benchmark method with two notable differences:

- Centrelink claims only 91 per cent of the debt raised against the customer as a saving to allow for potential bad debts in Centrelink's debt stock; and
- Centrelink claims only 13 fortnights of the reduced or cancelled benefit in the financial year in which the review or investigation is completed and the remaining 13 fortnights of savings are claimed in the next financial year.^{115&116}

4.28 An example of a savings estimate calculated using the Finance method is provided in Example 2.

Example 2

Based on the information contained in Example 1, for the financial year in which the investigation is completed, Centrelink claims a savings estimate of:

- \$437.10 multiplied by 13 which equals \$5 682.30; and
- 91 per cent of \$437.10 multiplied by eight which equals \$3 182.09.

The total savings estimate claimed by Centrelink in the current financial year is \$8 864.39. In the following financial year, Centrelink claims another \$5 682.30 in savings for the remaining 13 fortnights of the cancelled Newstart benefit.

The total savings estimate claimed by Centrelink over the two financial years is \$14 546.69.

Applicable restoration period

4.29 The impact of the applicable restoration period can also have an effect on the savings estimate claimed from a review or investigation. The applicable restoration period is taken into account for both methodologies and only applies to a reduction or cancellation of a customer's benefit/s and does not apply to a debt raised against the customer.

Example 3

Based on the information contained in Examples 1 and 2, if after 3 weeks from cancellation Adam has the full amount of the Newstart entitlement reinstated Centrelink cannot claim any savings because it falls within the six week

¹¹⁵ This is to account for the fact that some investigations and reviews will be completed in the first half of the financial year, while some will be completed in the second half of the financial year.

¹¹⁶ For some new initiatives, rather than having a split of 13 weeks, the split is determined by the start date of the initiative. For example, for an initiative that commences on 1 January, the split will be 6.5 fortnights of savings in the first financial year and then 19.5 fortnights of savings in the second financial year.

applicable restoration period.

However, if Adam has the full amount of the Newstart entitlement reinstated 10 weeks after it was initially cancelled, Centrelink will still claim the amount of Adam's cancelled Newstart payment over 26 fortnights towards its overall savings estimate result.

Under both the Benchmark and Finance methods this would mean that Centrelink would claim a total savings estimate of \$11 364¹¹⁷ when in reality only \$2 185.50 should be claimed (for the 10 weeks Adam was off payment). Therefore the savings estimate would be overstated by \$9 178.50 in this example.

Limitations of the savings methodologies

4.30 The ANAO identified four areas where both the Benchmark and Finance savings methodologies had limitations:

- uncollectable debt;
- debt recovery;
- applicable restoration period; and
- extrapolation factor of 26 fortnights.

Uncollectable debt

4.31 The Benchmark method includes 100 per cent of total debt identified in its calculation. However, within the value of debt identified is a component of debt which Centrelink has 'waived',¹¹⁸ and consequently, will not collect. Also, while the Finance method discounts the amount of debt identified by nine per cent to allow for a bad debt provision, the Benchmark method does not include such a provision. Therefore, the Benchmark method does not acknowledge 'waived' debts or bad debts.

Debt recovery

4.32 The Benchmark and Finance savings methodologies do not take into account Centrelink's debt recovery timeframes. Centrelink claims either the full amount or 91 per cent of the amount of debt raised against the customer in

¹¹⁷ Under the Finance Method \$5 682.30 would be claimed in each of the current and next financial years.

¹¹⁸ 'Waived' debt is debt that is not subject to recovery action. In 2006–07, this represented 16.8 per cent of the number of debts identified and approximately two per cent of the value of debt identified through Centrelink's fraud and compliance program.

the current financial year as a saving. However, debts can be repaid by customers over a number of years. ANAO Audit Report No.42 2007–08 *Management of Customer Debt – Follow-up Audit*, found that as at 30 June 2007, 45 per cent of the outstanding debt base was greater than two years old.¹¹⁹ Therefore, Centrelink may only recover a partial amount of the relevant debt in the financial year it is identified. Also, if the debt was raised in late June, Centrelink may not recover any of the debt in the relevant financial year.

Applicable restoration period

4.33 The six-week applicable restoration period increased the potential for savings estimates to be misleading. For example, if a customer’s payment is reinstated, or the customer receives a new benefit type, after the six week applicable restoration period but within a 12 month period, extrapolation of the reduced or cancelled amount of the customer’s original payment can result in overstated savings estimates (refer Example 3).

Extrapolation factor of 26 fortnights

4.34 FaHCSIA commissioned an actuarial report in 2005 in relation to savings methodologies which found that the use of the 26 fortnight extrapolation figure is appropriate as an annualising factor but is unsuitable as an estimate of the mean lifetime of a payment.¹²⁰ The purpose of the Finance method is to measure the impact of savings over the forward estimates period. Therefore, by using an arbitrary figure of 26 fortnights to represent the potential time period a customer may have remained on benefits, without the intervention of a review of investigation, the Finance method may not be providing an accurate reflection of the true savings identified.

4.35 Given the inherent limitations of the savings methodologies, figures calculated with either method have the potential to be misleading.

Public reporting of savings estimates

4.36 The savings estimates that are derived from compliance reviews and fraud investigations are reported publicly through different means. Centrelink and the Department of Human Services use savings estimates calculated with the Benchmark methodology to report publicly in Centrelink’s Annual Reports and Department of Human Services’ media statements.

¹¹⁹ Australian National Audit Office, *Management of Customer Debt – Follow-up Audit*, Audit Report No.42, ANAO, Canberra, 2008, p. 18.

¹²⁰ Taylor Fry Consulting Actuaries 2005, *Family and Community Services: Review of Savings Overhand and Residual methodologies*, Taylor Fry Consulting Actuaries, Sydney and Melbourne.

4.37 In reporting the savings estimates, Centrelink and DHS have used phrasing such as ‘saved’ or ‘saving’ ‘taxpayers.’¹²¹ In one instance, a DHS media release reported tip-offs, ‘resulted in taxpayer savings of \$125.6 million.’¹²² Wording of this nature can be misleading for two reasons:

- there are a number of factors (as outlined above in ‘Limitations of the savings methodologies’) which could influence the accurate calculation of the savings estimates; and
- the figures are not necessarily representative of a monetary amount that will be realised by Centrelink or the Australian Government.

4.38 In the past, these figures have proven to be misinterpreted and reported more broadly in the media. The ANAO found a number of media articles in which Centrelink was reported as having ‘saved’ ‘taxpayers’ millions of dollars. In these articles, the media had used savings estimates calculated with Centrelink’s Benchmark method.

4.39 Due to the inherent limitations of the savings methodologies, it would be desirable that any public reporting of savings estimates is accompanied by appropriate caveats to allow the reader to fully understand the nature and limitations of the figures.

4.40 While savings is only one measure of the effectiveness of a compliance and fraud program, a robust savings methodology is necessary to enable informed decision making, particularly in the allocation of resources. However, limitations with the savings methodologies prevent either method from providing an accurate estimate of the amount of savings likely to be realised by Centrelink or the Australian Government. Also, publicly reported savings estimates are inconsistent and have the potential to be misleading.

Recommendation No.6

4.41 To improve the reliability of savings figures required for reporting purposes, the ANAO recommends that Centrelink, the Department of Education, Employment and Workplace Relations, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of

¹²¹ Centrelink 2006, *Media Release: Taxi investigation saves taxpayer \$2 million*, Centrelink, Canberra, Department of Human Services 2006, *Media Release: Centrelink’s fraud blitz top \$1 million*, Centrelink, Canberra and Department of Human Services 2006, *Media Release: Welfare fraud tip-offs save \$125.6 million*, Department of Human Services, Canberra.

¹²² Department of Human Services 2006, *Media Release: Welfare fraud tip-offs save \$125.6 million*, Department of Human Services, Canberra.

Finance and Deregulation develop a savings methodology that more accurately estimates an amount realisable by the Australian Government.

Centrelink response

4.42 Agree. Centrelink is currently working with the Department of Human Services and the Department of Finance and Deregulation to improve the measurement of fraud and compliance programs, including savings methodologies.

DEEWR response

4.43 DEEWR agrees to the recommendation.

FaHCSIA response

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

Finance response

4.45 Finance agrees with Recommendation 6.



Ian McPhee
Auditor-General

Canberra ACT
16 October 2008

Appendices

Appendix 1: Agency Responses to the Audit

Department of Education, Employment and Workplace Relations

DEEWR agrees with the recommendation to develop and implement a robust savings methodology that more accurately reflects the amounts realisable by the Australian Government. DEEWR looks forward to working with Centrelink, the Department of Finance and Deregulation and other policy departments in developing a revised methodology.

Department of Finance and Deregulation

The Department of Finance and Deregulation supports the findings in relation to savings and agrees with recommendation 6.

Department of Human Services

The Department of Human Services (DHS) welcomes the report by the ANAO. Centrelink is the primary payment agency responsible for the distribution of social security payments to eligible customers. DHS acknowledges the importance of maintaining the integrity of government outlays through an appropriately administered compliance program.

The audit examined Centrelink's management of the tip-off process against two main criteria: whether the tip-off line is an efficient and effective method to identify debt and fraud; and whether the privacy of callers and customers is managed appropriately.

The Department notes the audit conclusion with respect to:

- Management of tip-offs to ensure the best outcome while protecting the privacy of customers and safety of informants;
- Improvement of Centrelink's guidelines and processes that relate to collection and retention of information and contacting customers and informants;
- Improvement of performance measures by the introduction of qualitative measures; and
- Improvement to the estimation of the cost of the program and the amount of savings generated.

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