

# Data Matching Program Report on Progress 2011 to 2013

## Introduction

In the 1990-91 Budget, the then government announced new measures to detect incorrect payment in the income support system. This involved a program of computer matching of identity and income data held by a limited number of government agencies, including the Australian Taxation Office (ATO).

In order to validate these matches, people claiming Australian government financial assistance have to provide a Tax File Number (TFN) as a condition of grant of pension or allowance.

The legal authority for data matching is contained in the *Data-matching Program (Assistance and Tax) Act 1990* (the Act). The Act provides for participating agencies holding personal data to match that information through a central Data Matching Agency (DMA) located within the Department of Human Services (DHS). The establishment of the DMA is the authorised under section 4 of the Act.

Under section 12 of the Act, each agency is required to table in Parliament a standard report every year and a comprehensive report every three years. A comprehensive report was last submitted in 2010.

This report focuses on the operation of the program within DVA from 2011 to 2013. For a full explanation of the progress of the Data Matching Program within the Department, this report should be read in conjunction with previous data matching annual reports.

## Overview of the Data Matching Program

### *Objectives of the Data Matching Program*

The objectives of the Data Matching Program are:

- identity matching, which;
  1. detects invalid Tax File Numbers (TFN).
  2. detects fictitious or assumed identities.
- payment matching, which detects instances where people are receiving incorrect or dual payments from one or more assistance agencies. Payment matching detects people in receipt of two payments from the same or difference agencies, where the receipt of one precludes or limits the payment of the other
- income matching, which detects instances where the income declared to the ATO varies from the income disclosed to assistance agencies. Income

matching detects instances where the income information disclosed to the assistance agency differs from the income declared to the ATO.

- to detect instances of tax evasion; DVA is not directly involved in this form of matching. Income matching can, however, also detect instances where the client of an assistance agency has disclosed more income to that agency than has been declared to the ATO. DVA provides details of these cases to the ATO for it to investigate.

**There are six steps in each matching cycle. These are detailed in section 7 of the Act.**

### ***Agencies***

The following departments are involved in the Data Matching Program and are known as assistance agencies under the Act:

- Department of Families, Housing, Community Services and Indigenous Affairs
- DHS
- DVA.

The Act defines the ATO and assistance agencies as source agencies.

### ***Specific Data***

The ATO provides details of identity and tax data for people in receipt of income support payment for comparison with the details provided by the assistance agencies.

### ***Types of Discrepancies***

The following types of incorrect payments are detected as a result of payment and income matching:

- Non-entitlement of a client, partner, parent or child to a DHS or DVA payment, where receipt of a payment from one agency would preclude or limit payments from one or both agencies;
- Income disclosed to DHS and/or DVA which has been used to calculate an income support payment is different from that reported to the ATO.

### ***Nature and Frequency of Matching***

Data matching is defined as the use of computer techniques to compare data found in two or more computer files to identify cases where there is a risk of either incorrect payment or tax evasion.

# **Data Matching Investigations**

## ***Invalid Tax File Numbers***

DVA actions all discrepancies from this step by contacting the client and obtaining the correct TFN.

## ***Identity Matching***

DVA actions all discrepancies from this step by correcting administrative errors, investigating anomalies that may potentially be fraudulent or seeking the correct name from the client and providing those details to the ATO for it to correct its records.

## ***Payment Matching***

DVA runs payment matching in one cycle annually solely to confirm the validity of the checks and balances conducted currently within the Department.

## ***Income Matching***

Income matching is run in every cycle by the Department. Income discrepancies are selected during this process for further investigation.

## ***Deselection of Cases***

There are no exclusions from data matching within the Department, however deselection is applied which allows for an even distribution of workload for the investigators.

Deselection is applied to Step 5 income matching only, to ensure that the same case is not picked up in more than one cycle each year.

## ***Critical Analysis***

Critical analysis is conducted on all discrepant cases before being released into production to ensure the integrity of the data provided, to identify areas for improvement of selection, and to ensure all data matching business rules are applied.

## ***Investigations***

Investigations of all data match discrepancies involves examination of the client's computer records and then, if necessary, the electronic or hard copy file. Any administrative errors are corrected at this stage without the client needing to be contacted. An example of this is Step 4 identity matching, where a husband's TFN has been recorded for the wife, or vice versa.

Clients are sent correspondence in accordance with section 11 of the Act requesting further information and documentation to assist with the investigation. Clients are given 28 days under the Act to comply, then a further 7 days based on the *Evidence Act 1995*.

In cases where the initial investigation has revealed potential fraud, the investigator may use section 11(4), where a section 11 letter is not sent as it may prejudice the effectiveness of an investigation into the possible commission of an offence.

Based on the information that the client provides, the payment rate is corrected and where appropriate, overpayments are calculated, raised and recovered.

Further information may be obtained from other Commonwealth, State or private agencies to help ascertain the correct client details.

The client's right to privacy is protected at all times by application of the Information Privacy Principles (*Privacy Act 1988*) which governs the collection, storage, use and disclosure of personal information.

## **Action Taken on Discrepancies**

### ***Information Required as per Act Guidelines 9(i) and 9(vi)***

The Act requires that each source agency report on matters as described in paragraphs 9(i) and 9 (vi) of the *Data-matching Program (Assistance and Tax) Guidelines* such as the number of matches undertaken and the proportion of discrepancies. This appendix contains the details of information required by these guidelines. The comparative three year tables are on the following pages.

### ***Prosecutions***

Reviews of entitlement by the Department may bring to notice cases where an offence may have been committed under the *Veterans' Entitlements Act 1986*, the *Safety, Rehabilitation and Compensation Act 1988*, the *Military Rehabilitation and Compensation Act 2004*, the *Social Security Act 1990*, the *Criminal Code Act 1995*, or the *Crimes Act 1914*.

The Department's role in the prosecution process is to investigate cases where it appears an offence may have been committed and to forward these cases, if warranted, to the Commonwealth Director of Public Prosecutions (CDPP) for a decision as to whether prosecution action should proceed.

Depending on the type of investigation required, a case may be referred to the Australian Federal Police for further investigation. For the last three years, any suspected fraud cases detected were referred to the Business Compliance Section of DVA for an initial case assessment, prioritisation and further action if appropriate.

Where sufficient evidence is obtained from investigation, the Business Compliance Section makes recommendations to the senior management on the appropriateness or readiness of referring the matter to the CDPP.

**Table 1 – Prosecution Statistics**

<b>Detail</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Cases referred to the Business Compliance Section identified through data matching	9	12	7
Cases referred to the CDPP identified through data matching	0	0	0
Successfully prosecuted	N/A	N/A	N/A
Dismissed by the CDPP due to insufficient evidence or not in the public interest	N/A	N/A	N/A
Cases with the CDPP pending consideration	N/A	N/A	N/A
Cases still under investigation by the Business Compliance Section <sup>(1)</sup>	3	2	6
Cases finalised by the Business Compliance Section without CDPP referral	6	10	1

1. Figures may include cases that were identified in previous financial years.

---

## Table C2 – Discrepancy Statistics

Detail	2010-11	2011-12	2012-13
Total number of records read	1,155,698	1,462,236	1,388,748
Matches that resulted in discrepancies <sup>(1)</sup>	18,135	17,129	14,657
Proportion of matches that resulted in discrepancies	1.6%	1.2%	1.0%
Number of discrepancies referred for investigation	750	1,233	2,779
Number of discrepancies referred for investigation that resulted in a notice under section 11 of the Act being sent	223	228	310
Number of cases where the section 11 letter was followed up by action being undertaken <sup>(2)</sup>	143	195	268
Proportion of discrepancies that resulted in action being undertaken	0.8%	1.13%	1.8%
Proportion of discrepancies which did not proceed to action after a section 11 letter was sent	35.9%	14.5%	13.5%
Number of overpayments raised <sup>(3)</sup>	143	91	268
Cases where debt was fully recovered <sup>(4)</sup>	73	37	102
Number of pensions cancelled, suspended or reduced	116	79	318
Number of pensions that were continued	85	106	117
Number of pensions that were increased	27	10	22

1. Discrepancies include those resulting from TFN validity checking, identity matching, payment matching and income matching. The number of discrepancies does not represent the number of pensioners: more than one discrepancy may be detected in respect of the same pensioner.

2. Refers to the action set out in section 10 of the Act – a pension was reduced, cancelled, increased or continued.

3. Overpayments raised include some for cases where section 11 action took place in a previous financial year.

4. This figure includes debts fully recovered from previous financial years.

## Costs/Benefits of the Program

This section discusses the costs and benefits of the Data Matching Program. The Department's involvement in the program has shown there are substantial savings to be gained through comparison of data held by different agencies.

**Table C3 – Departmental Expenses for the 2011-13 Reporting Years**

<b>Detail</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Salary costs	\$462,348	\$198,216	\$174,301
Administrative overheads	\$ 80,522	\$ 37,164	\$ 32,519
Support costs for data matching processing system	\$ 3,172	\$ 5,546	\$ 949
<b>TOTAL</b>	<b>\$546,042</b>	<b>\$240,926</b>	<b>\$207,769</b>

### **Projected Savings**

DVA calculates savings for clients whose payments are suspended, cancelled or reduced. For clients in receipt of a pension, it is assumed that they would have continued to receive the same rate of payment for 52 fortnights. These savings are in line with the methodology used by Department of Humans Services to calculate savings. In the period 2011-13 the Data Matching Program resulted in net savings of \$5,041,545.

**Table C4 – Projected Savings Statistics**

<b>Detail</b>	<b>Number of cases</b>		
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Number of pensions reduced	111	75	299
Number of pensions suspended/cancelled	5	4	19
Total	116	79	318

## Table C5 – Total Savings for the 2011-13 Reporting Years

Detail	Number		
	2010-11	2011-12	2012-13
Pensions cancelled / reduced / suspended <sup>(1)</sup>	116	79	318
Potential overpayments identified <sup>(2)</sup>	86	102	197
Overpayments raised <sup>(3)</sup>	143	91	268
Debts fully recovered this financial year	73	37	102
Detail	Amount		
Value of overpayments raised	\$1,560,389	\$ 769,132	\$1,726,242
Less waivers/write offs	\$ 83,282	\$ 15,680	\$ 252,185
<b>Sub total</b>	<b>\$1,477,107</b>	<b>\$ 753,452</b>	<b>\$1,474,057</b>
Value of projected savings <sup>(4)</sup>	\$ 701,268	\$ 513,811	\$1,104,614
<b>Total gross savings</b>	<b>\$2,178,375</b>	<b>\$1,267,263</b>	<b>\$2,578,671</b>
Less Departmental Expenses	\$ 546,042	\$ 240,926	\$ 207,769
<b>Net Savings</b>	<b>\$1,632,333</b>	<b>\$1,026,337</b>	<b>\$2,370,902</b>

1. The number of cases that result in projected savings. Although a person's pension may be cancelled, reduced or suspended, an overpayment may not necessarily exist.

2. Where a case officer believes there may be an overpayment, a potential debt identifier is registered. The figure reflects the number of potential debts identified.

3. The discrepancy between the number of overpayments identified and the number of overpayments raised is due to the fact that, although a potential debt has been identified, further investigation may result in a determination that no debt existed. Debts may also be raised and consequently recovered separately for both members of a couple. Overpayments raised during each financial year may also have been identified in previous financial years.

## Table C6 – Cumulative Savings for the 2011-13 Reporting Years

Detail	2010-11	2011-12	2012-13
Value of overpayments raised	\$1,560,389	\$ 769,132	\$1,726,242
<i>Less waivers/write offs</i>	\$ 83,282	\$ 15,680	\$ 252,185
Value of projected savings	\$ 701,268	\$ 513,811	\$1,104,614
<b>Total gross savings</b>	<b>\$2,178,375</b>	<b>\$1,267,263</b>	<b>\$2,578,671</b>
<i>Less Departmental Expenses</i>	\$ 546,042	\$ 240,926	\$ 207,769
<b>Net Savings</b>	<b>\$1,632,333</b>	<b>\$1,026,337</b>	<b>\$2,370,902</b>
<b>CUMULATIVE NET SAVINGS <sup>1</sup></b>	<b>\$21,691,265</b>	<b>\$22,717,602</b>	<b>\$25,088,504</b>

1. 'Cumulative net savings' is a rolling total from year to year

**Note:** For full explanation of previous years' savings, this table should be read in conjunction with previous data matching annual reports.