

Inquiry into Centrelink's Compliance Program

Friday 31 July 2020

1.00pm – 4.30pm

**Opening statement**

**(current reading time – approx.6 minutes)**

Chair and Senators thank you for the opportunity to make a brief opening statement.

1. Compliance is a fundamental activity in administering the Social Security system. This has been the case over many decades under a range of integrity measures including the Income Compliance Program. The key changes under the program were: greater emphasis on customer engagement; the introduction, from 2016, of an online portal to help customers engage more readily; and an increase in the number of reviews undertaken annually.
2. Since the program commenced it iterated over a number of years in response to feedback.
3. In November 2019 Minister Robert announced changes to the program on the basis that averaged ATO income by itself was insufficient to raise a debt. Under that change, in order to raise a debt other proof points are required.
4. I appreciate the opportunity to appear today to provide as much information as I can about the program and about how we are moving forward.
5. On 11 June 2020, the Prime Minister apologised for any hurt or harm in the way that the government had dealt with debt recovery.
6. He went on to focus on how government could best undertake debt recovery and in particular apply the lessons learnt from the Income Compliance program.
7. The department and agency also apologise for any hurt or harm and are focused on applying the lessons learnt in the future.

8. The background associated with what has lead the Government to make refunds for debts that were raised solely or partially on the use of income averaging is important to understand.
9. Australia has a targeted social security system where recipients are subject to eligibility, income and assets tests, so assistance is provided to those who need it most.
10. Compliance measures ensure people receive correct payments and help them to meet their obligations. This includes checking discrepancies, identifying potential overpayments, and appropriately recovering debts. This protects the integrity and sustainability of the welfare system.
11. There is a legal obligation to ensure people are paid correctly according to their individual circumstances and, where an overpayment has been made, that a debt is raised and recovered. [Under the *Public Governance, Performance and Accountability Act 2013* the Agency is required to pursue recovery of debts owed to the Commonwealth].
12. ATO income data matching identifies differences between information advised by a person to Centrelink and information held by the ATO.
13. People have always been asked to clarify these differences. Averaging of ATO information has been used to calculate overpayments for many years, as a last resort when other information was not available, or where people did not engage with the agency.

### **Overview of compliance program**

14. The Income Compliance Program which commenced on 1 July 2015 was designed on the basis that averaging of ATO income data was sufficient to determine a debt where other information was not available or people did not engage with the (then) DHS.
15. We now know this was a flawed assumption.
16. The program significantly increased the number of compliance reviews undertaken by Services Australia and also asked people to engage in new ways.
17. When the Online Compliance Initiative was initially rolled out it had shortcomings. Based on feedback, including from the Commonwealth

Ombudsman's Office, significant improvements were made to improve the usability, transparency and fairness of the online system.

18. Of course, some people did engage throughout the process and it is very important people understand debts have been raised that did not involve ATO income averaging.
19. In November 2019, changes were made to the way debts from welfare payments were raised. Debts will no longer be raised solely using averaged ATO income data.
20. The portfolio has also been focused on improving accuracy up front and on enhancing the customer experience. Going forward, Simplified Income Reporting, combined with Single Touch Payroll will mean recipients have access to information that reduces error, and where there is error, leads to more timely resolution of these errors.

## **Refunds**

21. Following the Government announcement about refunds on 29 May, Services Australia and the Department of Social Services have worked to implement that decision as quickly as possible.
22. The refund process has been designed to be as simple and transparent as possible.
23. Information about the process has been made available on the Services Australia website and through social media, and commencing from 1 July 2020, through correspondence to customers ahead of and following payment of a refund.
24. We have tabled a suite of products today.
25. It is expected that the majority of refunds will be processed by November 2020.
26. There is Federal Court litigation currently on foot related to the program. For that reason there may be some matters which we cannot address in detail today.
27. However, we will endeavour to provide as much information as we can.

## **Conclusion**

28. In concluding I would like to reflect again that the department and agency apologise for any hurt or harm and that we are focused on applying the lessons learnt in the future.
29. Thank you