

# Centrelink's Automated Debt Raising and Recovery System

IMPLEMENTATION REPORT

April 2019

Report by the Commonwealth Ombudsman,  
Michael Manthorpe, under the *Ombudsman Act 1976*

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## EXECUTIVE SUMMARY

In April 2017, the Office published a report titled *Centrelink's Automated Debt Raising and Recovery System*. The report identified a range of problems with the fairness, transparency and usability of the online system, and that many of these issues could have been avoided by better project management, design, user testing and support for users of the online system.

The purpose of this investigation was to seek assurance that the Department of Social Services (DSS) and the Department of Human Services (DHS) had implemented the agreed recommendations in the report. We also considered the extent to which implementation action has achieved the outcomes intended by those recommendations.

Our investigation found DSS has implemented the recommendation for which it was responsible, and DHS has made significant progress in implementing the remaining recommendations in our report.

Greater clarity in written and online communication has made the online system and manual handling procedures fairer, more transparent and more user friendly. New policy guidance on the use of information gathering powers to assist customers who cannot obtain income information themselves is now publicly available and reinforced in staff training and communication.

We are satisfied DHS has evaluated and redesigned its online and manual processes. DHS has developed an enhanced online system known as the Check and Update Past Information (CUPI), which was informed by input from stakeholders, user testing and complaints data. People who were sent initiation letters prior to October 2018 will continue to use the Employment Income Confirmation (EIC) online system, while people sent initiation letters on or after 1 October 2018 will use the CUPI online system.

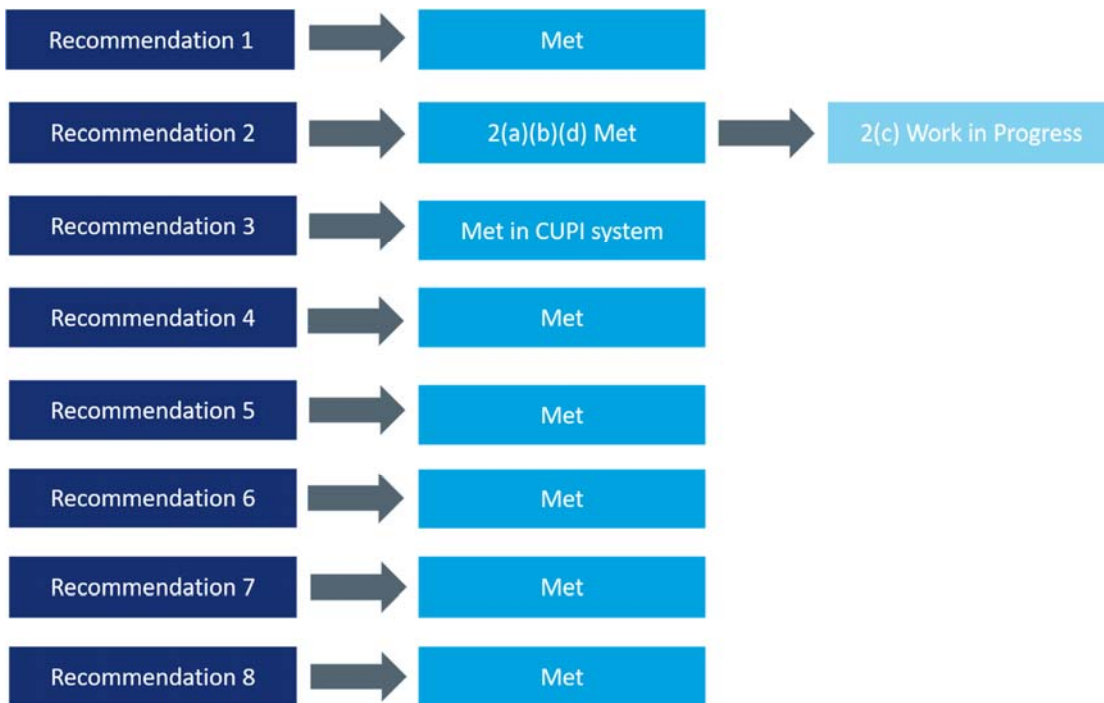
DHS' efforts to identify ways to further mitigate the risk of over recovery of debt, and a more incremental rollout, have resulted in a decrease in the proportion of debts reduced or found not to exist after a person contacts the department, from an average of around 16 per cent prior to publication of our report, to around 8 per cent since publication in April 2017. This is similar to the averages for the department's other non EIC debt raising and recovery measures.

While DHS has made significant progress over the past 18 months, we think some further action is required, therefore we have made four additional recommendations. These recommendations aim to improve transparency and fairness by ensuring customers have clear information about their debt and about the potentially adverse consequences of not providing relevant information.

DHS agreed with these further recommendations in its response to this report. DSS also indicated it supports these recommendations. The responses from both DHS and DSS are published in the appendices of this report.

While the scope of this report is limited to the implementation of previous recommendations, the Office continues to separately monitor new complaints it receives about the program, and conduct investigations where appropriate. The Office liaises regularly with DHS to identify areas for improved administration of the program.

## Summary of implementation findings



## Further recommendations

### 1 – Recovery Fees

For customers who incurred a recovery fee prior to 27 May 2017, DHS should explain in compliance debt recovery correspondence, such as account payable notices and debt outcome letters:

- why a recovery fee was applied
- options for people to advise of personal circumstances affecting their ability to declare income.

### 2 – Debt explanation

DHS should provide an improved debt explanation in all compliance debt outcome letters within the next 12 months, irrespective of whether the customer completed the review online or through the assistance of a compliance officer.

### 3 – Initiation letters

DHS should take steps to ensure that Check and Update Past Income (CUPI) initiation letters warn customers that if they do not check and update past information, DHS may use Australian Taxation Office (ATO) data to calculate any debt, which may mean they have to pay back more than they need to. It should explain, either in the letter itself, or in linked or enclosed materials, such as a flyer, how averaging of ATO income works and the consequences this may have for any debt calculation.

### 4 – Additional messaging

DHS should include clear information in compliance debt recovery correspondence, such as account payable notices and debt outcome letters, about the consequences of using ATO information and options available to customers.

# Part 1: INTRODUCTION

## Background

1.1. In April 2017 the Office published a report into the Department of Human Services (DHS) administration of its Online Compliance Intervention (OCI), later renamed the Employment Income Confirmation (EIC).

1.2. The report, titled *Centrelink's Automated Debt Raising and Recovery System*, found problems with the fairness, transparency and usability of the online system, and that many of these issues could have been avoided by better project management, design, user testing and support for users of the online system.

1.3. The report included eight recommendations which aimed to improve fairness, transparency and usability of the online system. Recommendations focused on:

- written and online communication with customers
- assistance for customers to gather income information in limited circumstances
- service delivery and support for vulnerable customers
- review of recovery fee decisions
- staff communication and training
- complaint information—capturing and using complaint information for continuous improvement
- program evaluation (including how to further mitigate the risk of over-recovery of debts) and an incremental approach to any further rollout.

1.4. DHS and the Department of Social Services (DSS), the responsible policy agency, responded positively to the investigation and agreed to implement all recommendations.

## Scope of implementation investigation

1.5. In September 2017, approximately six months after the publication of our initial report, we commenced an investigation into the implementation of our recommendations. This current report documents the findings and recommendations arising from our implementation investigation.

1.6. We looked at two agencies as part of this investigation: DSS, the policy agency responsible for implementation of recommendation 4(d) and DHS, the service delivery agency responsible for implementation of all other recommendations.

1.7. The investigation focused on implementation from the release of the initial report in April 2017 to December 2018. This enabled a phased approach to the investigation, involving iterative feedback to agencies and assistance to identify further action/s to satisfy recommendations.

## Methodology

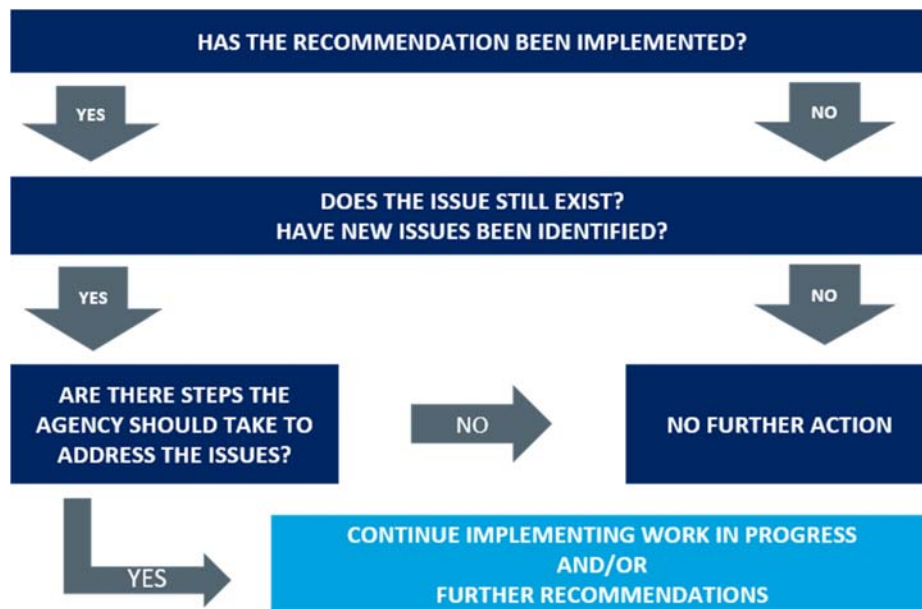
### Investigation

1.8. The investigation began in September 2017, when the Office sent questions and requests for data under s 8 of the *Ombudsman Act 1976* to DHS<sup>1</sup> and DSS<sup>2</sup>. In July 2018, we wrote to both departments advising we were considering the possibility of a public implementation report.

1.9. The investigation included:

- analysis of complaint data
- multiple data and information requests
- several 'walk-throughs' of new online system changes
- provision of draft policy updates, customer facing materials and systems for Ombudsman comment
- user testing of Ombudsman suggestions
- dedicated monthly Employment Income Confirmation (EIC) meetings with DHS
- further discussion at regular liaison meetings, including Senior Executive Service (SES) level liaison meetings with both departments, and quarterly director level debt meetings and internal review meetings with DHS
- ad hoc officer level and SES level meetings on discrete issues
- review of a number of parallel individual complaint investigations.

1.10. The Office assessed implementation of each recommendation holistically using the framework below:



<sup>1</sup> Section 8 questions sent 29 September 2017.

<sup>2</sup> Section 8 questions sent 5 September 2017.



1.11. Each recommendation has been assessed as either 'met, or 'not met'. Where a recommendation has not been met, but the relevant department is taking steps to action the recommendation, we have noted work in progress.

1.12. During the investigation, DHS and DSS worked constructively with our Office, and provided timely and detailed information.

## Part 2: IMPLEMENTATION OF RECOMMENDATIONS

### Recommendation 1—10 per cent recovery fee (DHS)

- 2.1. When the online system originally rolled out, a 10 per cent recovery fee was applied automatically. However, notice of decision letters did not provide sufficient information about why the fee had been applied, or that the fee may be removed if there were personal circumstances that amounted to a reasonable excuse.
- 2.2. When we published our report in April 2017, DHS advised it was no longer applying the fee automatically and had improved its notice of decision letters.<sup>3</sup> We were satisfied with the new explanation about the fee and the invitation to provide information about reasonable excuse for a compliance officer to consider.
- 2.3. However, we remained concerned about people who had a recovery fee automatically applied before April 2017. We therefore recommended:

..... in certain circumstances DHS should reassess those debts already raised by the OCI where the recovery fee was applied automatically, including, where a customer contacts DHS or a mercantile agent to raise a concern, seek information, or seek a re-assessment in relation to an OCI debt which includes a debt recovery fee (whether or not the debt has been repaid). DHS should manually reassess whether the application of the recovery fee was appropriate, taking into account the customer's personal circumstances, including the existence of a reasonable excuse.

#### ***Review of recovery fees***

- 2.4. DHS advised that it sent 114,653 letters to all people who had a debt raised before 26 May 2017<sup>4</sup> letting them know of the following review rights:

Recently you were told that you had been overpaid an amount and needed to repay it. If you believe this decision is wrong you can ask for a review.

A review will also check whether any recovery fees can be removed. You can ask for a review at any time, even if you have repaid the overpaid amount.

If you are already paying the overpaid amount back you can also ask for those payments to be paused until the review is completed.

- 2.5. These letters were sent by ordinary mail or email and were not read receipts.<sup>5</sup>

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<sup>3</sup> The notice of decision, which could be generated for customers from 27 May 2017, reads *'This has resulted in a debt of \${total debt for this assessment}. The amount owing includes a 10 per cent recovery fee because we do not have an explanation for why the employment details were different. However, if there were personal factors that affected your ability to correctly declare your income during the relevant periods, please call us to discuss.'*

<sup>4</sup> Letters were sent to all customers who had a debt raised between 1 July 2016 and 26 May 2017, who had not already had their fee reassessed or waived. DHS response received 22 November 2018.

<sup>5</sup> Correspondence by ordinary post or email is the department's standard practice across its programs.

2.6. We understand people were advised of, and were assisted to access their appeal rights, whether their first point of contact was a mercantile agent or the department.<sup>6</sup> DHS reported that it conducted recovery fee reassessments for everyone who contacted and asked for a formal review.

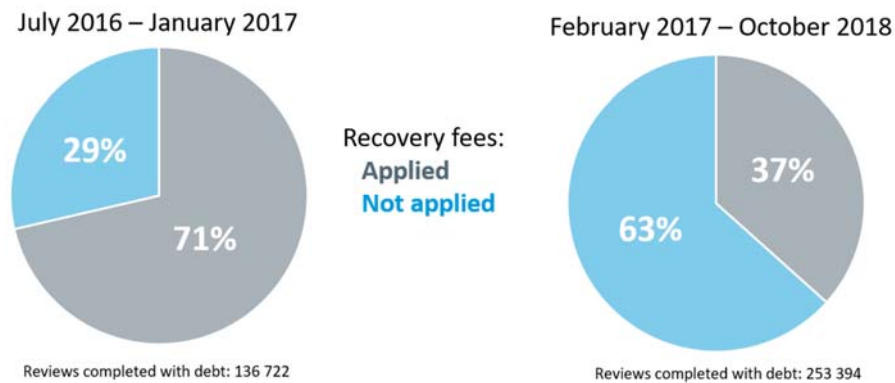
2.7. Of the people who were sent the review rights letter, 4,857 contacted the department and of these, 707 requested a review. For those requesting a review, a compliance officer reassessed the person's whole debt, including the recovery fee, as part of normal reassessment processes. A further formal review by an Authorised Review Officer was also available.<sup>7</sup>

2.8. Importantly, there is no time limit for seeking a reassessment. A person may contact the department at any time after a debt is raised to provide further information about income, such as pay slips or bank statements, or to provide a reasonable excuse. This means people who engage with the department after receiving an account payable notice (for example, because they did not receive or ignored the initiation letter, or the review rights letter) are not disadvantaged by engaging at a later stage.

### **Broader process improvements**

2.9. DHS has implemented a number of broader improvements to the online system and manual processes which have reduced the application of the recovery fee significantly. From July 2016 to January 2017 the recovery fee was applied to approximately 71 per cent of debts, whereas from February 2017 to October 2018 it was applied to approximately 37 per cent of debts:<sup>8</sup>

*Figure 1—Application of recovery fees*



<sup>6</sup> If a customer became aware of their debt through a mercantile agent and asked for a reassessment, the debt was withdrawn from the agent and further debt recovery was paused. DHS response received 22 November 2018.

<sup>7</sup> DHS response, 15 November 2017.

<sup>8</sup> Based on aggregate figures between July 2016 and January 2017, 136,722 reviews were completed with a debt outcome and 97,596 recovery fees were applied. From February 2017 to October 2018, 253,394 reviews were completed with a debt outcome and 92,830 recovery fees were applied.

2.11. DHS no longer applies a recovery fee where a customer engages with the department (online or by telephone) **prior** to raising a debt. A beneficial inference is made, from the customer's willingness to engage and provide information, that they had a reasonable excuse for any errors in their earlier reporting.<sup>9</sup> The same approach is taken when reassessing recovery fees.

2.12. Further, a person who does not engage following receipt of an initiation letter will not have a debt raised, unless:

- the department has confirmation that the letter was received (by registered post or an online read receipt)
- at least two call attempts have been made by a compliance officer (whose role is to explain the process and consequences of not engaging, encourage the person to take more time to provide payslips or bank statements, and explain review rights).

2.13. As a result, DHS will now only apply a recovery fee if the person does not go online, telephone the department, or respond to the department's calls, as no evidence of any reasonable excuse has been provided. If the person subsequently contacts the department seeking reassessment or review, the whole debt is reassessed or reviewed, including any recovery fee.

### ***Outcomes***

2.14. We consider this recommendation has been met, as customers were provided access to review of recovery fees. DHS wrote to every customer in the cohort and advised of their review rights, including for the recovery fee. Customers were advised that if they sought a review, DHS would 'check whether any recovery fees can be removed'. DHS then reviewed recovery fees for customers who requested a review. Additionally, DHS' ordinary reassessment processes mean that anyone who engages and provides information will have their whole debt reassessed, including any recovery fee.

2.15. However, we think DHS' approach to implementation of recommendation 1 has been narrower than our original recommendation envisaged, in the sense that those customers affected had to proactively ask for a review of their debt when they contacted in order for the fee to be reassessed.

2.16. We think it would have been preferable to include more information in the review rights letter about the reasons the recovery fee was applied, including that personal circumstances affecting the customer's ability to report income may be relevant to recovery fee decisions.

2.17. We are also mindful that the 114,653 letters sent by DHS were sent by ordinary mail and email<sup>10</sup>, and were not read receipted. This means there may be people in this cohort who were no longer at the address to which the letter was sent.

2.18. Therefore, we have made further recommendations about debt recovery correspondence in Part 3 of this report to improve messaging about recovery fees.

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<sup>9</sup> This inference may be overridden by a compliance officer if, for example, the person made it clear their intention when reporting had been to defraud.

<sup>10</sup> Use of ordinary mail and email are the department's standard practice.

### ***Quality of debt explanation – broader applications***

2.19. In the course of reviewing debt recovery correspondence about the 10 per cent recovery fee, the Office has also formed the view that DHS should include a more detailed debt explanation in debt outcome letters. This would ensure people are sent a basic debt explanation similar to the explanation available to people who engage online, including:

- debt period
- amount reported
- amount earned
- amount of income support received
- amount of income support entitled
- amount of recovery fee (if any)
- amount owing.

2.20. In our view, DHS should also prioritise similar improvements to its account payable notices in its ongoing program of work to improve its correspondence.

2.21. We have therefore made further recommendations to improve the overall quality of debt recovery correspondence in Part 3.

### **Recommendation 2—Initiation letters (DHS)**

2.22. The initiation letter notifies the customer of an income discrepancy and the possibility of a debt, and invites the customer to go online or call DHS to update their income information. In our original investigation, we were concerned about the quality of communication in initiation letters, resulting in the following recommendations:

The initial contact letters to customers should:

- (a) place the compliance helpline number on the first page
- (b) mention the possibility of a debt earlier
- (c) clearly explain the concept of averaging. In particular, letters should explain that if the customer does not go online or if they accept the ATO data, their income will be averaged over periods for which income has not been verified and debts based on averaged ATO income may be less accurate, especially if the customer's income was fluctuating or intermittent.
- (d) advise people they can ask for an extension of time online or by calling the compliance helpline number.

2.23. DHS has made a number of changes to the initiation letters, with the first page now including the compliance helpline number, information about the possibility of a debt and about seeking an extension of time. We are therefore satisfied that recommendations 2(a), (b) and (d) are met.

2.24. The Office is not satisfied that recommendation 2(c) is met at this time. The aim of recommendation 2(c) is to ensure people receive sufficient information about why it may be in their best interests to provide income related information rather than relying on Australian Taxation Office (ATO) information for the calculation of any debt.

### ***EIC initiation letters***

2.25. In our view, the initiation letter provided to customers up until September 2018 did not clearly explain the consequences of not contacting the department. The letter included the following statement:

Please note, if you don't confirm or update the information within 28 days, we may apply the employment dates and income from the ATO to your record. This may result in a debt you need to repay. For more information, go to [humanservices.gov.au/compliance](http://humanservices.gov.au/compliance)

2.26. This text does not explain that the ATO income will be averaged or that this may affect the amount of any debt. The letter directs customers to DHS' compliance webpage which states:

It is important you engage with us to confirm the dates you worked and the amount you earned. If you don't, we'll use the information we get from the other agency to identify and calculate if we've overpaid you.

For example, if the ATO shows you worked for a period of 5 months, we will equally divide your income over the 5 months. This will calculate the payment you should have got.

2.27. While this text includes an explanation of averaging, in our view it does not explain the consequences averaging may have for any debt calculation.

### ***New initiation letters***

2.28. From October 2018 DHS began a 'soft' rollout of its enhanced online system known as Check and Update Your Income (CUPI). The CUPI initiation letter reads:

If you don't check and update your information, we will use the details we already have, including the information from the ATO. This might mean you have to pay money back.

If you need help, go to [humanservices.gov.au/checkpastincome](http://humanservices.gov.au/checkpastincome) or call us on 1800 061 838.

2.29. The linked webpage includes a video on demand with infographics. The transcript reads:

The third step is to check how much money you earned from each of your employers. The ATO told us how much your employer paid you for the whole financial year.

This amount may be different to what you told us. For example, you may not have been getting payment from us for the whole year. So for the time you weren't on payment, you didn't need to tell us about the money you earned.

If this is the case you'll need to tell us how much you were paid and when. If you don't tell us, we'll use income information from the ATO and average it over the period that you worked – which could result in a debt. Your payslips will help you tell us when you earned your money.

2.30. The webpage also includes a warning:

Don't ignore your letter

It's important you check and update the dates you worked, as well as the amount you earned. If you don't confirm or update your information we'll use the amount the ATO gave you. We'll divide this by the number of fortnights you told us you worked. This will give us an average of your earnings for this time.

This could mean you'll have to pay money back.

2.31. We acknowledge DHS' ongoing efforts to produce clear information. We understand the department has engaged a language and literacy expert to assist with the language in the letters and has user tested a range of new wording.

2.32. However, in our view, the initiation letter messaging (including linked webpage messaging) still does not adequately convey the **consequence** of using averaged ATO information, rather than providing payslip or bank statement information.

***A way forward***

2.33. We appreciate averaging is a complicated concept, particularly in the context of social security law debt calculation, and we understand DHS' concerns about the risk of confusing or scaring people with too much technical information.

2.34. Nevertheless, for the system to be sufficiently transparent and robust in its procedural fairness, the initiation letter needs to clearly inform people of the consequences of relying on averaged income information.

2.35. The inclusion of averaging text in initiation letters has been the subject of close engagement between our Office and DHS. Since November 2017, the department has user tested different averaging wording on several occasions. It has also user tested averaging wording in a separate flyer for inclusion with initiation letters.

2.36. The Office accepts that a fuller explanation of averaging and its consequences may be more suited to a flyer or website content. If so, as matter of procedural fairness, the material on the flyer should be referenced clearly in the letter. Online letters should include links and hard copy letters should enclose the flyer.

2.37. On 28 September 2018, DHS advised it was user testing the following wording for inclusion in the initiation letter:

If you don't check and update your information, we will use the details we already have, including the information from the ATO. Using ATO income information might mean you pay back more money than you need to. For more information, see the flyer included with this letter or go to the below website.

2.38. The flyer content user-tested by DHS clearly explains why it is in the person's best interest to provide the department with better employment information, including employer names, dates worked, and fortnightly income from pay slips and bank statements. At the suggestion of our Office, it also includes a worked example demonstrating the consequences of averaging as follows:

*Option 1 – We average the ATO information*

The ATO tells us Susan earned \$3300 over 3 fortnights while she was getting Newstart Allowance. We use an average of this for every fortnight.

Fortnight 1 \$1100  
Fortnight 2 \$1100  
Fortnight 3 \$1100

Susan needs to pay back \$1015.

*Option 2 – Susan gives us more information*

If Susan tell us the amounts she earned each fortnight, we will use those exact figures. She may not need to pay back as much.

Fortnight 1 \$2000  
Fortnight 2 \$800  
Fortnight 3 \$500

Susan needs to pay back \$995.

2.39. In our view, this new initiation letter paragraph and flyer content would satisfy recommendation 2(c). On 29 November 2018, DHS provided the Office with a copy of the user testing report. We will continue to work closely with the department on the content of initiation letters, including information in flyers or other linked material.

***Comment on post-initiation correspondence***

2.40. We have observed in our complaints work that people who no longer receive Centrelink payments may dismiss an initiation letter without reading it or giving it due regard. On the other hand, they may be more likely to read and consider an account payable notice, for example, as the seriousness of the correspondence is readily evident. We are also mindful that over 1,000,000 initiation letters have been issued to date.

2.41. We have therefore made further recommendations in Part 3 of this report that DHS introduce messaging about the consequences of averaging ATO information into its post-initiation correspondence, such as account payable notices and debt outcome letters.

2.42. This would ensure the department provides information about consequences and debt reassessment options to customers with outstanding debts who did not receive or read their initiation letter, or did not understand why it was in their best interests to respond to the initiation letter.



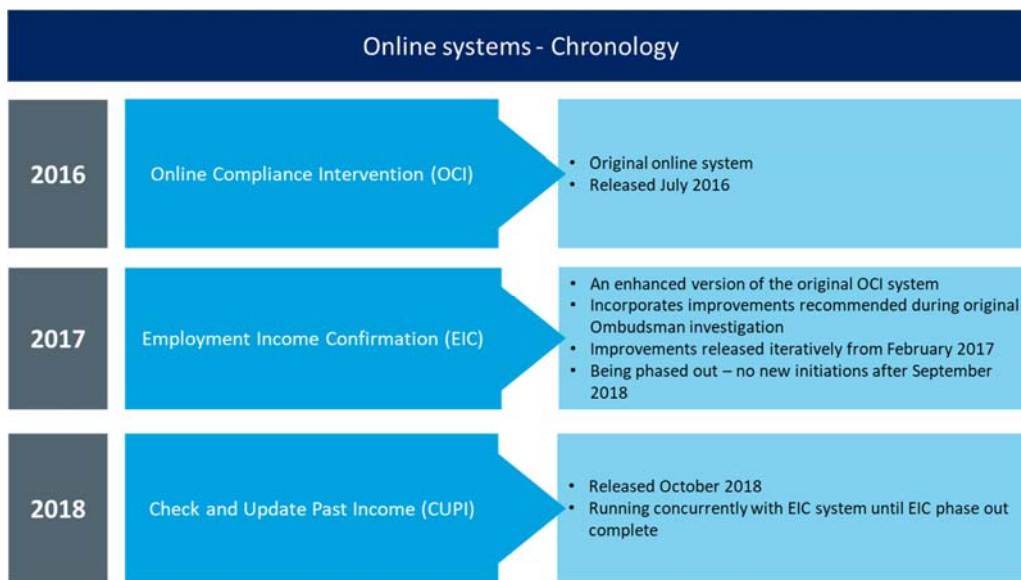
### Recommendation 3—Online messaging (DHS)

2.43. Recommendation 3 was principally concerned with ensuring the online system included clear messaging about the process of averaging and its consequences for debt calculation, particularly where a person only worked for part of the period, or their income varied from pay day to pay day. The Office recommended:

DHS should include a message within the OCI system to clarify that if the customer does not enter their income information, their ATO income will be averaged evenly across the relevant period and this may result in a debt. The message should advise that debts based on averaged ATO income may be less accurate than debts based on actual income, especially if the customer's income was fluctuating or intermittent.

2.44. The Office acknowledges DHS' efforts to improve messaging in its online systems for investigating income discrepancies, and its ongoing engagement with our Office on this issue. DHS' efforts to improve its online systems have resulted in three distinct systems as shown in Figure 2.


Figure 2—Online systems - Chronology



2.45. DHS now has two online systems for investigating income discrepancies running concurrently, the EIC online system and the CUPI online system, which went live in October 2018.

2.46. People who were sent initiation letters under the EIC are required to continue to use the EIC, while people who were sent initiation letters under the CUPI are directed to the CUPI online system. DHS has advised that it is not feasible to transfer people initiated under the EIC system to CUPI due to technology and operational constraints.

2.47. In the EIC online system, if a person indicates 'no' to providing payslips or bank statements, they see the message pictured below:



If you require your payslips or bank statements but don't have them with you, please use the **Save and Close** button above to save your answers and close the questionnaire. Once you have the required documents, you will be able to continue from this screen by logging back into the questionnaire.

You can request more time to complete the questionnaire, in order to obtain your payslips and/or bank statements.

2.48. Whereas in the CUPI online system, if a person indicates 'no' to providing payslips or bank statements, they see a more comprehensive message, which explains both the averaging process and that the result may be different to the amount on the persons payslips or bank statements:

We recommend you get your past payslips or bank statements to continue.

If you can't get your past payslips or bank statements, we can use the details we already have.

We'll use the information from the ATO and compare it to what you told us in the past.

- We'll divide the ATO amount by the number of fortnights you worked. This will give us an average of your earnings for this time.
- However, if the hours you worked or the amounts you earned changed each fortnight, you need to tell us, including the exact amounts you were paid.
- You should also tell us if you only worked for part of the year, or if the employer names we have don't match your records.
- If you end up owing us money, not providing this information may mean you pay back more than you need to.

Do you want us to use the information we already have to work out if you have received the right amount of payments from us in the past?  Yes  No

2.49. As the above image shows, the customer is then asked if they want DHS to use the information it already has. If the person selects 'no', they are told to ring the compliance line. They are also invited to 'ask for more time'.

2.50. If the person selects 'yes', they see the below pop up message:

### Are you sure?

If you select 'Yes', we'll use the information from the ATO.

We'll divide the ATO amount by the number of fortnights you worked.

This result may be different to the income on your payslips or bank statements.

Select 'Back' to update your past income information.



2.51. We understand that traditional views about communication have evolved, particularly with advances in the application of behavioural insights, and that visual prompts and other tools may be more effective at communicating warnings than simple text. We therefore appreciate that pop up screens, asking people if they are sure they want to proceed without pay slips or bank statements, may be more effective than standard written warnings.

2.52. In any case, we are satisfied that DHS has now developed clear, simple text warnings and information in CUPI screens. **We are satisfied recommendation 3 is met in the CUPI system**, by the combination of:

- an explanation of averaging
- an explanation that the averaging result may be different to the payslip or bank statement amount
- advice to contact DHS if hours or work or pay were changing
- advice to contact DHS if employer names don't match
- an explanation of consequences of not providing the requested information (paying back more than you need to)
- the inclusion of 'are you sure' type pop up warnings.

2.53. **We are not satisfied the messaging in the current EIC system meets recommendation 3.** However, DHS advises these changes could not be implemented in less than 3-4 months, by which time there will be no customers using the EIC to complete their reviews end to end online.<sup>11</sup>

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<sup>11</sup> DHS advises that initiations in the EIC system ceased in mid-September 2018, and between late October 2018 and late November 2018, less than 40 customers completed their reviews online end to end (i.e. without staff assistance). DHS expects this figure to be zero by March 2019.

## **Recommendation 4—Obtaining employment income evidence (DHS and DSS)**

2.54. Recommendation 4 concerned DHS' role in gathering income information. The full recommendation is at Appendix A.

2.55. Recommendations 4(a) and (b) addressed situations where we believed DHS should use its information gathering powers under s 192 of the *Social Security (Administration) Act 1999* to assist people to obtain employment income information.

2.56. In response to our recommendation, DHS developed a new internal guideline for staff covering situations where s 192 powers should be used. A copy of the guideline, titled '*Unable to access payslips or bank statements*', has been in place since 3 May 2017 and was provided to the Office in response to our investigation. The Office made further suggestions to improve the visibility of the guideline among compliance staff, such as including links from other internal guidelines and including the information in core compliance training. DHS provided a copy of amended guidelines and training materials to the Office. We also sought data regarding the use of s 192 and confirmed the department has used its information gathering powers in the EIC context approximately 570 times since April 2017.<sup>12</sup>

2.57. Recommendation 4(c) aimed to ensure that, where a person advised they had stopped working for a particular employer, DHS would consult its historical records for contemporaneous information the person or their employer may have provided at the time. DHS advised it piloted, then rolled out, a process for staff to investigate the department's own records for previously verified information. This process is included in the Operational Blueprint guidelines provided to the Office.

2.58. Recommendation 4(d) was intended to ensure DSS provided publicly available guidelines on the use of s 192 for EIC investigations in its *Guide to Social Security Law*. In early November 2018, DSS published clear guidance on the use of s 192 in the Guide (Appendix B).<sup>13</sup>

2.59. The Office is satisfied the DHS and DSS guidelines give clear information to staff to assist people to obtain income information in a limited range of circumstances, including where the cost of obtaining bank statements may place the person in financial hardship, the person has been unable to obtain information themselves despite genuine and reasonable attempts, or it would be unreasonable to expect the person to obtain the information.

2.60. The Office is satisfied recommendations 4(a), (b), (c) and (d) have been met.

## **Recommendation 5—Communication with customers and staff (DHS)**

2.61. Recommendation 5 concerned the quality of DHS' communication to customers and staff. The full text of recommendation 5 can be found at Appendix A.

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<sup>12</sup> DHS response provided 20 December 2018.

<sup>13</sup> Department of Social Services Guide to Social Security Law at 6.3.9 <http://guides.dss.gov.au/guide-social-security-law/6/3/9> accessed 8 November 2018.

2.63. Recommendation 5(a) said the 1800 compliance helpline number should continue to be adequately resourced. In September 2017 DHS put on 500 extra non-ongoing staff to help with compliance work, and a further 1,000 staff were engaged in early 2018. Wait times on the compliance helpline between July and November 2018 were approximately 50 seconds.<sup>14</sup>

2.64. Recommendation 5(b) said DHS should produce comprehensive publicly available information for customers on how to use the online system. The department's website was updated to include more information about use of ATO income and, since 12 August 2017, links to both written and video information. The website contains comprehensive information on how to use the online system, the helpline number, and information on how to obtain evidence of employment income.

2.65. Recommendation 5(c) sought to improve processes for transferring customers who contacted DHS, from call centres to the compliance helpline. The department's internal guidelines and intranet include instructions to warm transfer<sup>15</sup> callers to compliance staff. We no longer receive complaints about accessing the compliance line.

2.66. Recommendation 5(d) concerned staff training. DHS has developed and delivered training to staff including Video On Demand, e-learning and facilitated learning packages—copies of which were provided to our Office in September 2017. During our investigation, DHS acted on our suggestions to improve the visibility of its guidelines on the use of s 192 information gathering powers, titled 'Unable to access payslips or bank statements', in its online guidance and training packages.<sup>16</sup>

2.67. Recommendation 5(e) sought to ensure DHS had robust processes to capture and record complaint and internal review information, for continuous improvement purposes. In October 2016, prior to the commencement of our original investigation, DHS added an EIC complaints marker to its complaints monitoring system to allow for separate reporting and management of EIC complaints. The department has also created the position of Chief Citizen Officer to capture the citizen perspective and introduced a formal continuous improvement process, including a monthly OCI feedback report.

2.68. The Office is satisfied recommendations 5(a) to 5(e) have been met.

## **Recommendation 6—Customers receiving staff assisted interventions (DHS)**

2.69. The Office recommended that the cohort of people considered vulnerable, and eligible for staff assisted interventions be expanded to include:

- current and former customers with a payment nominee who is either court appointed or an organisation
- customers with a current 'homelessness flag' on their record, who are not already captured under the Vulnerability Indicators.

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<sup>14</sup> Response received 20 December 2018.

<sup>15</sup> Staff are advised 'When a customer contacts via their traditional channel, such as through a Smart Centre, these calls will be warm transferred to Compliance Officers, where they will accept the call and assist the customer .....' DHS response 16 November 2017.

<sup>16</sup> Response received 6 September 2018. DHS provided copies of its amended guidelines and training packages.

2.70. DHS updated its case selection filters, and files containing these filters, effective from 3 July 2017. A copy of these filters was provided to our Office in response to our investigation. We are satisfied recommendations 6(a) and 6(b) are met.

### **Recommendation 7—Assistance to vulnerable customers (DHS)**

2.71. We recommended the department provide additional assistance and support to vulnerable people to engage with the income confirmation process. In particular, we recommended making outbound calls to vulnerable customers, and consultation with relevant stakeholders.

2.72. Vulnerable customers may be at greater risk of not responding to the initiation letters, for example because they did not understand the correspondence, or have barriers making it difficult to respond. DHS has maintained an outbound call strategy since the publication of our report. A trial is further evaluating the impact on vulnerable customers. Currently, when customers have not made contact, staff are required to make two genuine telephone contact attempts on all available numbers prior to raising any debt.<sup>17</sup>

2.73. Vulnerable customers may also be at greater risk of being unable to obtain relevant information. The guidelines developed by DHS and DSS for using information gathering powers to assist where a customer is unable to obtain income information or would suffer financial hardship in obtaining that information, represent important progress in servicing vulnerable customers.

2.74. In July 2017 DHS invited 36 relevant organisations to engage with the department, on a regular basis, to input on the design of its online compliance activities.<sup>18</sup> DHS advises it has met with a number of welfare groups on the issue, including the National Social Security Rights Network and Australian Council of Social Services, and says it will continue to do so.

2.75. The Office is satisfied recommendations 7(a) and 7(b) are met.

### **Recommendation 8—Future implementation (DHS)**

2.76. We recommended that before further expansion DHS should undertake a comprehensive evaluation of the program. We also recommended DHS give further consideration to how it can further mitigate the risk of possible over-recovery of debts.

#### ***Evaluation***

2.77. In February 2017, DHS engaged Price Waterhouse Coopers (PwC) to review the online system processes and implementation strategy and provide a revised implementation strategy. PwC staff were positioned within the department on a contractual basis, working alongside DHS staff, to iteratively review the online system and identify areas for improvement. In addition, the department undertook research into users, including behaviours and motivators, and user tested system improvements.

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<sup>17</sup> Operational Blueprint reference 2110-13090010 Table 11, Step 13 accessed 13 November 2018  
<https://operational.humanservices.gov.au/authenticated/Pages/compliance-and-reviews/110-13090010-03.html>

<sup>18</sup> Response received 16 November 2018.

2.79. The iterative nature of this review process means there is no point-in-time formal or final evaluation report. Nevertheless we are satisfied, from our close engagement with the department, that DHS has evaluated the service and used the findings to implement significant improvements to the overall system, including the CUPI online system.

### ***Steps to mitigate the risk over recovery of debts***

2.80. Many of the recommendations discussed in Part 2 of this report aimed to mitigate the risk of over recovery of debts by ensuring fairness, transparency and accessibility in the processes by which a customer is:

- notified of the income discrepancy
- invited to provide information
- advised of the consequences of not doing so
- assisted to obtain information if needed
- supported to complete the online process.

However, in addition to the steps in recommendations 1–7, recommendation 8(b) required DHS to give further thought to what steps it could take to further mitigate the risks of over-recovery of debts in the EIC system.

### ***Further steps – improved case selection and filtering***

2.81. DHS has analysed data, including from ‘inflight’<sup>19</sup> interventions, and has used these findings to introduce a series of improvements including:

- Better case selection—DHS identifies and filters out more of the complex cases likely to involve manual-handling (for example, 51,000 interventions where the customer had several different kinds of income, not only PAYG income) pending future system releases capable of assessing the additional income types.
- A new online filter—ensures that where a discrepancy is resolved by fixing employer name or dates worked, the person is not required to unnecessarily work through the rest of the CUPI online system. By mid-December 2018, the CUPI online system had filtered out approximately 500 customers.<sup>20</sup>

2.82. DHS’ new assessment tool means it is now able to predict<sup>21</sup> which interventions are likely to result in an outcome of either zero debt or low value debt that the department would not seek to recover, *prior* to initiating a compliance review. Where this is the case, DHS can finalise the intervention without engaging with the customer, as no further compliance review is required and

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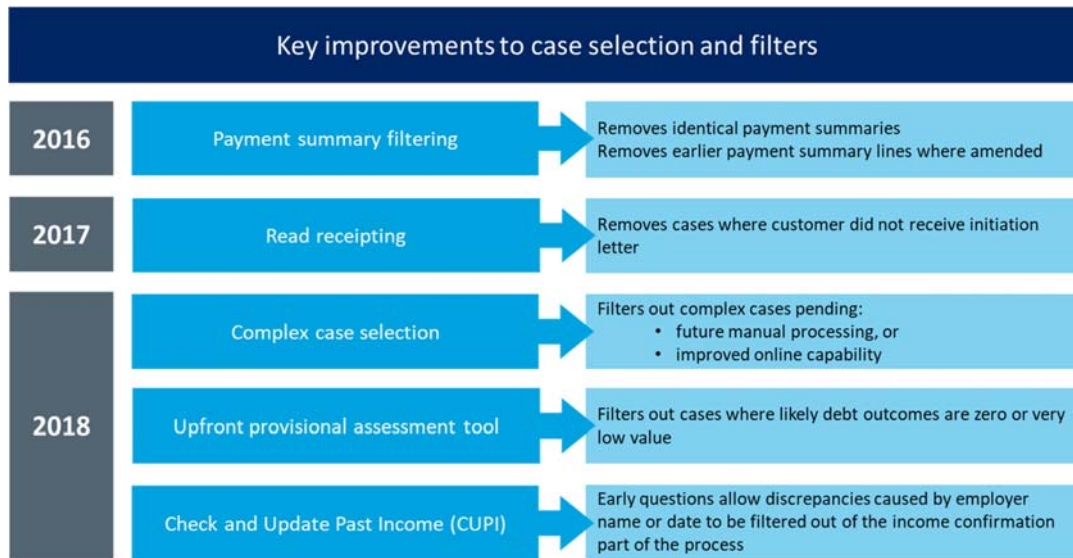
<sup>19</sup> Inflight interventions are interventions that are ‘live’ i.e. interventions that are in progress and not yet finalised.

<sup>20</sup> In a response received 20 December 2018, DHS advised that the online filter, which applies to CUPI only, had filtered out approximately 500 people. DHS expects this number to increase in 2019 as the number of initiations under the CUPI system increases.

<sup>21</sup> In early 2018, a trial of the new assessment tool, the Upfront Provisional Assessment Tool, was undertaken. Using a sample size of 2,155, DHS compared the estimated debt amount produced by the assessment tool with the actual outcome of the compliance intervention. The assessment tool accurately predicted 93 per cent of income discrepancies that resulted in no debt for the customer.

the result is that no debt is to be recovered.<sup>22</sup> A timeline of key improvements to case selection and filtering is outlined below in Figure 3.

Figure 3—Key improvements to case selection filters



2.83. We also recommended further rollout of the OCI should be done incrementally. DHS has provided data on the number of interventions being rolled out, which demonstrate an incremental approach. Rollout to any new groups (for example, the CUPI cohort) have been preceded by trials and user-testing. Since October 2018, the CUPI has gone live with a ‘soft’ incremental rollout.

**Data analysis—decrease in debts being subsequently reduced**

2.84. In September 2018 the Office sought data from DHS about intervention outcomes. In its response, DHS provided monthly outcomes data for the period from commencement of the program on 1 July 2016 to August 2018.

2.85. This dataset contained point in time figures, including numbers of initiations and debts raised, reduced and zeroed. In any given month, the debts reduced may have been initiated or raised in earlier months.<sup>23</sup> This means volumes of initiations and debt raising activities in earlier months may have a flow on effect for the percentage of debts raised or reduced in later months. For this reason, it is preferable to analyse the data using aggregate figures over longer time periods.

<sup>22</sup> Between July 2018, when the new assessment tool was introduced, and December 2018 there had been approximately 67,000 cases finalised without a debt being raised and without needing to contact the customer. Response received 20 December 2018.

<sup>23</sup> This is because there is no time limit for reassessments. A person can have their debt reassessed at any time, even months or years later.



2.86. With that caveat, comparative analysis of the data for the periods before publication of our report (1 July 2016 to 30 April 2017) and following publication of our report (1 May 2017 to 30 August 2018) shows:

- a decrease in the proportion of initiations resulting in a 'no debt' outcome<sup>24</sup> following contact with the customer from an average of 17 per cent to an average of 12 per cent<sup>25</sup>
- a decrease in the proportion of debts being reduced (including to zero)<sup>26</sup> from an average of 16 per cent prior to 8 per cent.<sup>27</sup>

2.87. These figures are broadly in line with the figures DHS has provided for the proportion of debts reduced (including to zero) across non-EIC compliance measures, including AUSTRAC (3 per cent), Student Obligations (10 per cent), Enforcing Welfare Recipient Obligations (4 per cent) and business-as-usual compliance (6 per cent).

2.88. While there has been a decrease in the proportion of debts being reduced (including to zero), there has been an increase in the total number of these debts, particularly since February 2018, when the department began contacting the people who it confirmed had received their initiation letter, but not responded, or had not completed the EIC process. This cohort is referred to as the 'due date processing pool' (Figure 4). The total number of debts may continue to increase over the next 12 months, as DHS works through its pool of people who did not contact the department after receiving their initiation letters.<sup>28</sup>

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<sup>24</sup> In this context, a 'no debt outcome' means no debt is raised.

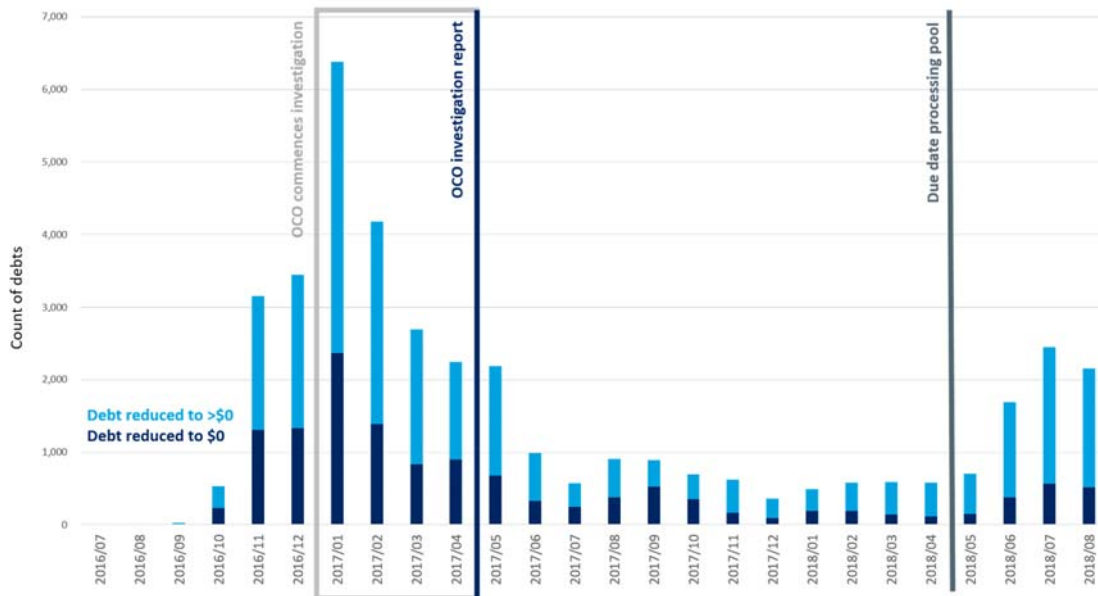
<sup>25</sup> Figures provided in response to questions sent September 2018: For the period 1 July 2016 to 30 April 2017, there were 225,588 initiations and 38,760 assessments completed without a debt being raised. For the period 1 May 2017 to 31 August 2018, these figures were 673,524 and 79,844 respectively.

<sup>26</sup> In this context, a debt has been raised but is subsequently reduced to a lower amount or reduced to zero.

<sup>27</sup> For the period July 2016 to April 2017, 139,613 debts were raised and 22,666 debts were reduced (including to zero), compared with 211,347 debts raised and 16,448 reduced (including to zero) for the period May 2017 to August 2018. The monthly figure for debts reduced to zero has steadily reduced from a peak of 18 per cent in July 2017 to 11 per cent in August 2018.

<sup>28</sup> Until early 2018, the department focussed on actioning interventions where the customer contacted the department, as part of a phased, incremental approach. From February 2018 the department began contacting the due date processing pool. If the department is unable to contact customers in this cohort, it may raise debts using ATO information. These debts can be reassessed and may be reduced if the customer subsequently opts to provide new information.

Figure 4—Number of debts reduced (including to zero)<sup>29</sup>



2.89. It is an important feature of the system that a person is able to provide information for reassessment even after a debt is raised. This means it is likely there will always be some debts reduced after a person contacts, because those customers are exercising their option to provide better information to support a reassessment. There may also be cases where new information provided by the customer results in DHS increasing the debt. This is an indicator that the reassessment process, an important procedural fairness and system safeguard, is functioning as it should.

2.90. The further recommendations in this report also support the reassessment process, as they are designed to improve customer awareness of the importance of providing information, consequences of not contacting DHS, and reassessment options available to them.

2.91. We are satisfied recommendations 8(a) and 8(b) are met. DHS has evaluated the online system and income confirmation process, identified ways to mitigate the risk of over recovery of debts, and taken an incremental approach to further rollout.

<sup>29</sup> 'Increased DHS compliance activity' refers to the period, from May 2018, when DHS scaled up processing of interventions in its 'due date processing pool' (see footnote 28).

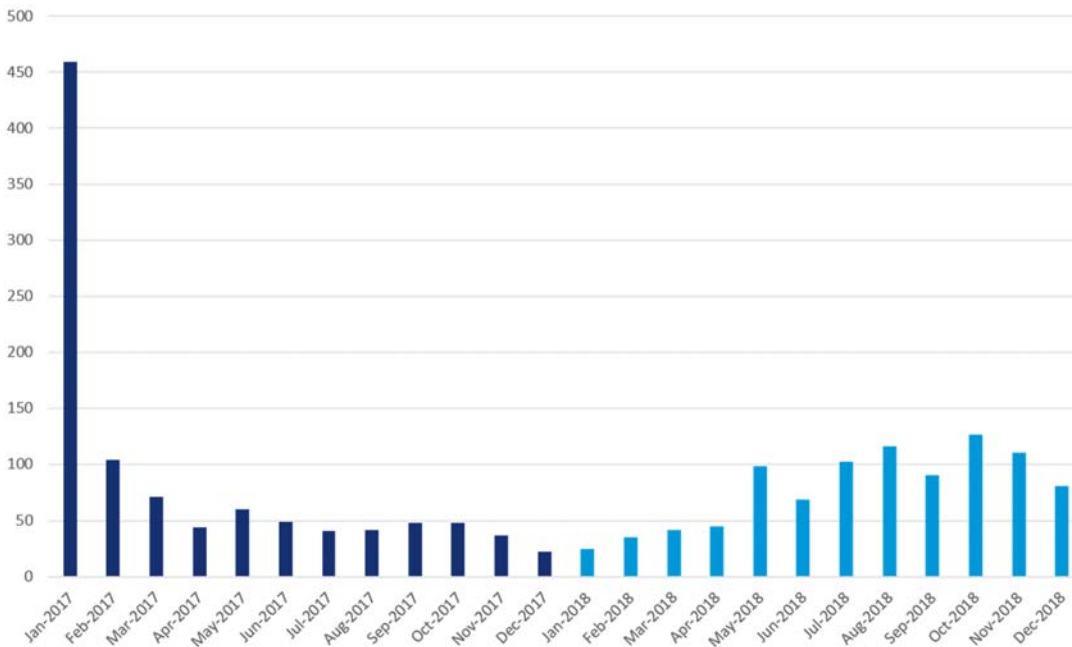
## Part 3: COMPLAINTS DATA

3.1. The Office records EIC complaints as ‘automated data matching’ complaints. The trend in automated data matching complaints reflects both an overall decrease in complaints due to improvements to the system after February 2017; and a more recent increase in complaints in line with increased DHS compliance activity, as shown in Figure 5 below.

3.2. Debt data-matching complaints have fallen from a peak of 459 in January 2017 to 80 in December 2018.

3.3. In early 2018, DHS began following up people who received the initiation letter, but did not respond, or did not complete the process. DHS makes several attempts to contact people by telephone before raising any debt. DHS began processing this pool of people slowly from February 2018, then scaled up to 8000 a week from May 2018. This increased activity resulted in a corresponding increase in automated data matching complaints to the Office, which peaked in October 2018, with 126 complaints.

*Figure 5—Complaints about data matching 2017–18*



## Qualitative analysis

3.4. A qualitative analysis of a sample<sup>30</sup> of automated data matching complaints for the period July 2018 to December 2018 showed:

- most complaints did not raise new systemic issues, or raised issues that were not specific to the EIC (for example, complaints about timeframes for review by Authorised Review Officers)
- most complaints were referred back to DHS in the first instance, to access DHS review and complaints mechanisms, with an invitation to return to the Office if still unsatisfied with DHS' response.

3.5. While individual complaint investigations found instances where procedures had not been followed, these were attributable to human error rather than EIC systemic issues. Where the Office considers an example of human error may reflect a wider issue, for example with staff training or clarity of operational guidelines, we will continue to make formal comment and suggestions to DHS to improve administration.

3.6. In the case study below, DHS responded to one such issue by taking steps to provide feedback to staff and improve its training and guidance to staff.

### Case study

Mr A received a letter asking him to verify his employment income. His carer contacted DHS to explain that Mr A has a disability and has never worked. However, another family member, who does work, lived at the same address and has never received Centrelink payments. The compliance officer advised Mr A's carer that Mr A should contact the other family member's employer for documentation to confirm the income was not earned by Mr A. His carer lodged a complaint with Centrelink, but Mr A continued to receive reminder letters asking him to confirm his income.

In response to our investigation, DHS confirmed that its compliance officers did not follow procedural guidelines for referring suspected anomalies for investigation (which will stop further correspondence including reminder letters) and meant Mr A did not need to supply employer information in the circumstances. DHS provided feedback to the staff involved in Mr A's review, including the line manager. DHS also updated the relevant internal guideline and sent communications to staff to remind them of the correct process. DHS also made improvements to its training package on the circumstances where contact with employers on the customer's behalf should be used.

3.7. We have also seen complaints that raise broader issues which are not confined to the EIC (for example, complaints about a misunderstanding between the department and customer about whether a review is on foot, which in the EIC context, can affect whether debt recovery is paused). We will continue to work with the department on broader service delivery issues in our regular engagement about review and complaints handling processes.

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<sup>30</sup> For the period October to December 2018, the sample comprised 50 per cent of Category 2 complaints and 100 per cent of Category 3 and above. For the period July to September 2018 the sample comprised 20 per cent of Category 2 complaints and 100 per cent of Category 3 and above.

3.8. Other complaint investigations have demonstrated DHS' compliance with relevant procedures, as in the following case study:

**Case Study**

Mr B was sent an initiation letter by email in May 2017, for which the department received a 'read receipt'. Mr B did not recall receiving the letter.

DHS sent Mr B two reminder letters in May 2017 and October 2017. In April 2018 a compliance officer rang Mr B and spoke to him about the debt, encouraged him to get bank statements and offered an extension of time. Mr B declined and chose to accept the ATO information instead. He was advised of the amount of the debt to be raised, and of his review rights.

The department's debt recovery officers attempted unsuccessfully to call Mr B twice in May 2018. Later in May 2018, after Mr B had received his debt notice, he spoke with DHS saying he disagreed with the debt and wanted to provide bank statements. He uploaded some of his bank statements the same day and the rest two weeks later. His debt was reassessed by the department and no recovery fee was applied.

3.9. Overall, DHS' steps to implement the recommendations from our April 2017 report has resulted in a reduction in complaints, and we are satisfied fairer processes are in place. While the Office is seeing some increase in complaint volumes more recently, the increase appears to be a direct result of increased DHS compliance activity, rather than significant new systemic issues. Nevertheless, the Office will continue to conduct individual complaint investigations where appropriate, and make suggestions to the department to improve its administration where a systemic remedy is identified.

## Part 4: CONCLUSION AND FURTHER RECOMMENDATIONS

### Conclusion

4.1. DHS has made significant progress in implementing recommendations from our report *Centrelink's Automated Debt Raising and Recovery System*.

4.2. The income confirmation process, including online and manual interventions, is now fairer and more transparent. Greater clarity in written and online communication mean the process is now more robust in its procedural fairness and usability. Improved policy guidance, staff training and communication mean that staff are authorised and trained to use information gathering powers to assist people who would be unfairly disadvantaged by their own inability to obtain income information. Better internal communication, and enhancements to the service offer (for example, making outbound calls prior to raising debts and promoting direct access to a well-staffed dedicated hotline) have improved accessibility to compliance officers and bolstered the fairness of the process.

4.3. DHS has put in place processes to capture complaint information which is analysed and used to identify further improvements to the online system and manual-handling procedures. DHS is engaging regularly with external stakeholders to obtain feedback, including with our Office, and has evaluated and redesigned its online and manual processes. Its efforts to further mitigate the risk of over recovery of debt appear to have resulted in a decrease in the proportion of debts reduced or found not to exist after a person contacts the department from an average of around 16 per cent prior to publication of our report, to around 8 per cent since publication. This is broadly in line with the figures DHS has provided for its other non EIC debt raising and recovery measures.

4.4. The Office is satisfied recommendations 4, 5, 6, 7 and 8 have been implemented. In relation to recommendation 1, we are satisfied the recommendation has been implemented, but think further improvements should be made to letters to ensure customers receive better information about debt recovery fees and the information used to calculate their debt. In relation to recommendation 2, we are satisfied parts a, b and d have been implemented, but think part c is a work in progress. We are satisfied recommendation 3 has been met in the CUPI system, but are not satisfied it has been met in the EIC system. However, as there will be no customers using the EIC system without staff assistance by March 2019, the value in implementing recommendation 3 in the EIC online system is minimal.

4.5. The Office will continue to monitor any new complaints it receives about the program, conducting investigations where appropriate and regularly liaising with DHS to further improve administration of the program.

4.6. Our recommendations for further action are set out below.

#### ***10 per cent recovery fee***

4.7. DHS has met recommendation 1 in respect of the 10 per cent recovery fee, by improving messaging in letters and sending 114,653 letters explaining recovery fee review rights to people who had already incurred a recovery fee. However, we are mindful that 114,653 letters were sent by ordinary mail and email, so were not read receipted and may not have been received if customers were no longer at the last known address held in DHS records.

4.8. For people who were sent debt notices prior to 27 May 2017, we recommend DHS include messaging in its debt recovery communication similar to the messaging included in improved notice of decision letters sent since 27 May 2017.

**Further Recommendation 1 (Recovery Fees)**

For customers who incurred a recovery fee prior to 27 May 2017, DHS should explain in compliance debt recovery correspondence, such as account payable notices and debt outcome letters:

- why a recovery fee was applied
- options for people to advise of personal circumstances affecting their ability to declare income.

***Debt explanation***

4.9. The Office considers DHS should provide a more detailed explanation of debt outcomes to customers in all compliance debt letters.

**Further Recommendation 2 (Debt explanation)**

DHS should provide an improved debt explanation in all compliance debt outcome letters within the next 12 months, irrespective of whether the customer completed the review online or through the assistance of a compliance officer.

***Initiation letters***

4.10. Despite DHS' efforts to improve the quality of information in these letters, as at November 2018, the messaging (including linked online messaging) does not adequately explain the **consequence** of not contacting Centrelink and choosing to rely on averaged ATO information.

4.11. We are satisfied that DHS is on track to implement this recommendation for initiation letters in the CUPI system, based on the messaging that was user tested. However, as implementation is not finalised, we have made the following further recommendation.

**Further recommendation 3 (CUPI initiation letters)**

DHS should take steps to ensure that Check and Update Past Income (CUPI) initiation letters warn customers that if they do not check and update past information, DHS may use Australian Taxation Office (ATO) data to calculate any debt, which may mean they have to pay back more than they need to. It should explain, either in the letter itself or in linked or enclosed materials, such as a flyer, how averaging of ATO income works and the consequences this may have for any debt calculation.

***Earlier initiations***

We are mindful that more than 1,000,000 EIC initiation letters, which do not satisfy the original recommendation 3, have been sent to customers. There may be people in this cohort who did not go online or contact the department because they did not understand the consequences of not doing so. However, if made aware of the consequences, these customers may commence engagement with the department at any time, as there is no time limit for reassessments if new information is provided.

4.12. We therefore recommend the department provide information about the consequences of averaging in the next key contact point in the process—debt recovery correspondence.

**Further recommendation 4 (Additional messaging)**

DHS should include clear information in compliance debt recovery correspondence, such as account payable notices and debt outcome letters, about the consequences of using ATO information and options available to customers.



## **APPENDIX A—RECOMMENDATIONS FROM APRIL 2017 REPORT**

### **Recommendation 1—Ten per cent recovery fee**

We recommend that in certain circumstances DHS should reassess those debts already raised by the OCI where the recovery fee was applied automatically, including, where a customer contacts DHS or a mercantile agent to raise a concern, seek information, or seek a re-assessment in relation to an OCI debt which includes a debt recovery fee (whether or not the debt has been repaid). DHS should manually reassess whether the application of the recovery fee was appropriate, taking into account the customer's personal circumstances, including the existence of a reasonable excuse.

### **Recommendation 2—Initial contact letters**

The initial contact letters to customers should:

- (a) place the compliance helpline number on the first page
- (b) mention the possibility of a debt earlier
- (c) clearly explain the concept of averaging. In particular, letters should explain that if the customer does not go online or if they accept the ATO data, their income will be averaged over periods for which income has not been verified and debts based on averaged ATO income may be less accurate, especially if the customer's income was fluctuating or intermittent.
- (d) advise people they can ask for an extension of time online or by calling the compliance helpline number.

### **Recommendation 3—Messaging within the OCI**

DHS should include a message within the OCI system to clarify that if the customer does not enter their income information, their ATO income will be averaged evenly across the relevant period and this may result in a debt. The message should advise that debts based on averaged ATO income may be less accurate than debts based on actual income, especially if the customer's income was fluctuating or intermittent.

### **Recommendation 4—Obtaining employment income evidence**

- (a) DHS should take into account the potential cost to some customers of obtaining bank statements. Where this cost would cause financial hardship to the person, DHS should use its powers to request the evidence directly from the financial institution.
- (b) Where a person contacts DHS for assistance in relation to the OCI, DHS should use its information gathering powers to assist the person to obtain income information from a third party, such as a former employer or bank, if:
  - despite genuine and reasonable attempts to do so, the person has been unable to obtain income information, or
  - it would be unreasonable, in the circumstances of their case, to expect them to obtain such information.
- (c) Where customers advise they had stopped working for a particular employer, DHS should consult its own records to confirm if that information had previously been verified with the employer and/or if the customer had notified DHS at the time.

- (d) The Department of Social Services should include clear guidelines about the process for obtaining employment income evidence in the *Guide to Social Security Law*.

### **Recommendation 5—Communication to customers and staff**

DHS should:

- (a) ensure its 1800 compliance helpline number continues to be adequately resourced
- (b) produce comprehensive publicly available information for customers on how to use the OCI system, which includes the compliance helpline telephone number and how to obtain relevant employment income evidence. This information may include video on demand (VOD) resources and fact sheets
- (c) modify the standard message in customer records to refer them to their online account, to reflect that customers can be referred for assistance if required
- (d) continue to provide comprehensive training as required to specialist compliance staff and regular messaging to all service delivery staff on the OCI system, in particular, ensuring customers are directed to, and assisted by, the specialist compliance staff
- (e) systematically capture and record information obtained from complaints and internal reviews and use this information to continuously improve the OCI system from the customer's perspective.

### **Recommendation 6—Expansion of customers who are offered a staff assisted intervention**

Before the OCI system is rolled out further, the following groups should be included in the current vulnerable (staff assisted) cohort for OCI purposes:

- a) current and former customers with a payment nominee who is either court appointed or an organisation
- b) customers with a current homelessness flag on their record who are not already captured under the Vulnerability Indicators.

### **Recommendation 7—Assistance to vulnerable customers**

DHS should provide additional assistance and support to vulnerable people to engage with the OCI system. In particular:

- (a) DHS should consider making outbound calls to vulnerable customers where they do not respond to the initial or reminder letters, to explain what is required and start the staff assisted service offer
- (b) DHS should consult with relevant stakeholders about the difficulties vulnerable groups may face when engaging with the OCI.

### **Recommendation 8—Future implementation of the OCI**

Before further expansion of the OCI, DHS should:

- (a) undertake a comprehensive evaluation of the OCI in its current form
- (b) give further consideration as to how to mitigate the risk of possible over-recovery of debts.

Further rollout of the OCI should be done incrementally.

## APPENDIX B—DSS POLICY ON USE OF S 192

### Social Security Guide

Version 1.250 released 5 November 2018

#### 6.3.9 Confirming Employment Income

##### Summary

As a part of a regular compliance program, [DHS](#) undertakes activities to identify incorrect payments, adjust payments or recover money owed where required.

As part of this process DHS matches data with the [ATO](#) and other government agencies.

Letters may be sent to a recipient (former or current) where a potential discrepancy is identified between the income details provided by the ATO and the details the recipient reported to DHS.

The recipient may be required to check, and confirm or update, the employment information. This may include employer details, dates worked and income for each fortnight.

The [DHS website](#) provides detailed information regarding confirming or updating employment details. A phone number is also provided for those who require help.

##### Employment income evidence

Any employment income that a recipient and/or their partner earn may affect the rate of payment.

The recipient may be required to obtain and provide DHS with further documentation to confirm or update any employment details, such as:

- payslips,
- employer reports,
- separation certificates,
- group certificate or payment summary,
- bank statements for the account or accounts the employer pays the income into - noting bank statements can be accessed through the financial institution for up to 7 years.

In circumstances where income is identified and it is considered not to be employment income, such as income protection payments or compensation, the recipient may be required to obtain and provide DHS with further documentation to confirm or update the details. This may include:

- a copy of compensation claim,
- a statement from payer regarding income protection payments,
- a statement from each superannuation policy.

DHS may consider requests from the recipient for additional time and/or the provision of alternative documentation, to provide the required income information.

Where a recipient advises DHS that they cannot obtain the required information due to exceptional circumstances, DHS should make an assessment as to whether to use the information gathering power under SS (Admin)Act section 192 to obtain the required information directly from third parties, such as banks, financial institutions and employers.

When assessing whether exceptional circumstances exist, DHS should review each case on its own merits, taking the following factors into consideration:

Whether the recipient has made genuine and reasonable attempts to obtain the required information. For example, the recipient has been unable to obtain the required information because the third party no longer operates, has been uncontactable, or is being uncooperative.

Whether the cost of obtaining the required information themselves would cause financial hardship to the recipient.

The nature of the relationship between the recipient and the employer. For example, there was a conflict or breakdown in the employer-employee relationship.

Whether it would be unreasonable to expect the recipient to obtain the information themselves given the nature of their particular vulnerabilities. Vulnerabilities to be considered include, but are not limited to:

- disability or illness,
- homelessness (or risk of),
- personal crisis, for example, bereavement, recent trauma, family or domestic violence or other issues causing severe emotional distress,
- language and/or literacy issues,
- geographically or socially isolated, for example remote Indigenous.

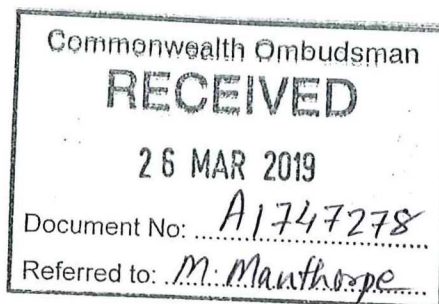
Other special circumstances considered unusual or exceptional. For example, records were destroyed in a fire, or where the person says they did not work for that employer (e.g. mistaken identity).

**Act reference:** [SS\(Admin\)Act](#) section 79 Rate reduction determination, section 80 Cancellation or suspension determination, section 192 General power to obtain information **Policy reference:** SS Guide [1.1.E.102](#) Employment income.

## **APPENDIX C – DHS RESPONSE**



Australian Government  
Department of Human Services



Our Ref: EC19-000255

Secretary  
Renée Leon PSM

Mr Michael Manthorpe PSM  
Commonwealth Ombudsman  
GPO Box 442  
CANBERRA ACT 2601

Dear Mr Manthorpe *Michael*

Thank you for the opportunity to comment on the draft Commonwealth Ombudsman's report, *Centrelink's Automated Debt Raising and Recovery System – Implementation Report, March 2019* (the Report).

The Department of Human Services (the department) welcomes your assessment that the department has improved its administration of the income compliance measures, and has made significant progress in implementing the recommendations made in the Commonwealth Ombudsman's April 2017 report, *Centrelink's Automated Debt Raising and Recovery System*.

Over the past year, the department has developed and implemented the Check and Update Past Income system. This online compliance system is improving both customer experience and programme administration. In addition to this, the department is continuing to improve its messaging to customers and values the input provided by your Office in this work.

The department accepts the four recommendations made in the Report; taking action in these areas will further strengthen the online compliance system and improve communication with our customers (Attachment A refers).

The department appreciates the time and effort taken by your Office in conducting this investigation.

Yours sincerely

Renée Leon

21 March 2019

## ATTACHMENT A

### 2019 OMBUDSMAN OWN MOTION REPORT: CENTRELINK'S AUTOMATED DEBT RAISING AND RECOVERY SYSTEM – IMPLEMENTATION REPORT - FURTHER RECOMMENDATIONS

#### Recommendation 1 – Ten per cent recovery fee

For customers who incurred a recovery fee prior to 27 May 2017, DHS should explain in compliance debt recovery correspondence, such as account payable notices and subsequent reminders to pay:

- why a recovery fee was applied, and
- options for people to advise of personal circumstances affecting their ability to declare income.

**DHS response:** Accepted.

DHS will work to update the accounts payable notices and subsequent reminder letters to include this information.

#### Recommendation 2 – Debt explanation

DHS should provide an improved debt explanation in all compliance debt outcome letters within the next 12 months, irrespective of whether the customer completed the review online or through the assistance of a compliance officer.

**DHS response:** Accepted.

DHS has provided an improved debt explanation in current compliance debt outcome letters for customers who complete their review using the CUPI and EIC platforms. Within the capabilities of DHS' legacy systems, DHS is also working on extending this improved debt explanation to all compliance debt outcome letters.

#### Recommendation 3 – Initiation letters

DHS should take steps to ensure that Check and Update Past Income (CUPI) initiation letters warn customers that if they do not check and update past information, DHS may use ATO data to calculate any debt, which may mean they have to pay back more than they need to. It should explain, either in the letter itself, or in linked or enclosed materials, such as a flyer, how averaging of ATO income works and the consequences this may have for any debt calculation.

**DHS response:** Accepted.

DHS accepts the recommendation and has been working closely with the Office to user test a range of explanations to provide customers with a clearer understanding of the use of ATO data.

#### Recommendation 4 – Additional messaging

DHS should include clear information in compliance debt recovery correspondence, such as account payable notices and subsequent reminders to pay, about the consequences of using ATO information and options available to customers.

**DHS response:** Accepted.

DHS will look to implement this change in conjunction with recommendation 1.

## **APRIL 2017 OMBUDSMAN OWN MOTION REPORT: CENTRELINK'S AUTOMATED DEBT RAISING AND RECOVERY SYSTEM – ORIGINAL RECOMMENDATIONS**

### **Recommendation 1 – Ten per cent recovery fee**

We recommend that in certain circumstances DHS should reassess those debts already raised by the OCI where the recovery fee was applied automatically, including, where a customer contacts DHS or a mercantile agent to raise a concern, seek information, or seek a re-assessment in relation to an OCI debt which includes a debt recovery fee (whether or not the debt has been repaid). DHS should manually reassess whether the application of the recovery fee was appropriate, taking into account the customer's personal circumstances, including the existence of a reasonable excuse.

**Status – Met.**

### **Recommendation 2 – Initial contact letters**

The initial contact letters to customers should:

- (a) place the compliance helpline number on the first page
- (b) mention the possibility of a debt earlier
- (c) clearly explain the concept of averaging. In particular, letters should explain that if the customer does not go online or if they accept the ATO data, their income will be averaged over periods for which income has not been verified and debts based on averaged ATO income may be less accurate, especially if the customer's income was fluctuating or intermittent.
- (d) advise people they can ask for an extension of time online or by calling the compliance helpline number.

**Status:** Recommendation 2(a)(b) and (d) met. DHS has been working closely with the Ombudsman's office to develop a viable solution to achieve the intent of recommendation 2c) and will continue in this work to improve customers' experience.

### **Recommendation 3 – Messaging within the OCI**

DHS should include a message within the OCI system to clarify that if the customer does not enter their income information, their ATO income will be averaged evenly across the relevant period and this may result in a debt. The message should advise that debts based on averaged ATO income may be less accurate than debts based on actual income, especially if the customer's income was fluctuating or intermittent.

**Status:** Met in the Change and Update Past Income (CUPI) system.



#### Recommendation 4 – Obtaining employment income evidence

- (a) DHS should take into account the potential cost to some customers of obtaining bank statements. Where this cost would cause financial hardship to the person, DHS should use its powers to request the evidence directly from the financial institution.
- (b) Where a person contacts DHS for assistance in relation to the OCI, DHS should use its information gathering powers to assist the person to obtain income information from a third party, such as a former employer or bank, if:
  - despite genuine and reasonable attempts to do so, the person has been unable to obtain income information, or
  - it would be unreasonable, in the circumstances of their case, to expect them to obtain such information.
- (c) Where customers advise they had stopped working for a particular employer, DHS should consult its own records to confirm if that information had previously been verified with the employer and/or if the customer had notified DHS at the time.
- (d) The Department of Social Services should include clear guidelines about the process for obtaining employment income evidence in the *Guide to Social Security Law*.

**Status:** DHS has met recommendations 4(a)(b) and (c).

#### Recommendation 5 – Communication to customers and staff

- DHS should:
- (a) ensure its 1800 compliance helpline number continues to be adequately resourced
  - (b) produce comprehensive publicly available information for customers on how to use the OCI system, which includes the compliance helpline telephone number and how to obtain relevant employment income evidence. This information may include video on demand (VOD) resources and fact sheets
  - (c) modify the standard message in customer records to refer them to their online account, to reflect that customers can be referred for assistance if required
  - (d) continue to provide comprehensive training as required to specialist compliance staff and regular messaging to all service delivery staff on the OCI system, in particular, ensuring customers are directed to, and assisted by, the specialist compliance staff
  - (e) systematically capture and record information obtained from complaints and internal reviews and use this information to continuously improve the OCI system from the customer's perspective.

**Status:** Met.

#### **Recommendation 6 – Expansion of customers who are offered a staff assisted intervention**

Before the OCI system is rolled out further, the following groups should be included in the current vulnerable (staff assisted) cohort for OCI purposes:

- a) current and former customers with a payment nominee who is either court appointed or an organisation
- b) customers with a current homelessness flag on their record who are not already captured under the Vulnerability Indicators.

**Status:** Met.

#### **Recommendation 7 – Assistance to vulnerable customers**

DHS should provide additional assistance and support to vulnerable people to engage with the OCI system. In particular:

- a) DHS should consider making outbound calls to vulnerable customers where they do not respond to the initial or reminder letters, to explain what is required and start the staff assisted service offer
- b) DHS should consult with relevant stakeholders about the difficulties vulnerable groups may face when engaging with the OCI.

**Status:** Met.

#### **Recommendation 8 – Future implementation of the OCI**

Before further expansion of the OCI, DHS should:

- a) undertake a comprehensive evaluation of the OCI in its current form
- b) give further consideration as to how to mitigate the risk of possible over-recovery of debts.

Further rollout of the OCI should be done incrementally.

**Status:** Met.

## **APPENDIX D – DSS RESPONSE**



**Australian Government**  
**Department of Social Services**

**Kathryn Campbell AO CSC**  
**Secretary**

REF: EC19-000650

Mr Michael Manthorpe PSM  
Commonwealth Ombudsman  
GPO Box 442  
CANBERRA ACT 2601

*Michael*  
Dear Mr Manthorpe PSM

Thank you for your letter of 21 February 2019, providing the Department of Social Services with the opportunity to comment on the draft Commonwealth Ombudsman's Implementation Report on Centrelink's Automated Debt Raising and Recovery System (the draft report), under section 8(5) of the *Ombudsman Act 1976*.

The department is committed to safeguarding the integrity and sustainability of the welfare system, providing a strong safety net for those most at risk.

As noted in your report, the Department of Social Services has fully implemented the recommendation for which we have policy responsibility. The department supports the four remaining recommendations for the Department of Human Services (DHS), to provide further clarity in correspondence in relation to: the recovery fee; the reason for the debt; how averaging of the ATO income information works and the consequences for the debt calculation; and options available to customers.

DHS has responsibility for ensuring that a person who claims a social welfare payment meets the eligibility requirements for that payment. Under the social security law, welfare recipients have an obligation to provide DHS with information to determine their eligibility for payment, and meet ongoing information requirements regarding changes to their circumstances. As part of the compliance program, DHS conducts data matching activities to detect incorrect payments and investigate potential non-compliance; this includes identifying undeclared or understated income.

The department acknowledges the significant improvements DHS has rolled out since early 2017, to improve the fairness, transparency and usability of the online compliance system.

The department will continue to work with DHS, providing policy guidance as required, to ensure a fair and transparent system for social welfare recipients.

I would like to thank your Office for working collaboratively with officers from my department, in developing the findings of the Implementation Report.

Yours sincerely

A handwritten signature in black ink, appearing to read "K. [unclear]". The signature is fluid and cursive, with a long horizontal stroke at the end.

9 March 2019