

**Client Service**  
**Australian Taxation Office**  
**Performance Audit**

Tabled 13 December 1996

Audit Report No. 22 1996-97

**Abbreviations / Glossary**

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<b>AGPS</b>	Australian Government Publishing Service
<b>ANAO</b>	Australian National Audit Office
<b>APS</b>	Australian Public Service
<b>ATO</b>	Australian Taxation Office
<b>CSA</b>	Child Support Agency
<b>DSS</b>	Department of Social Security
<b>ECIC</b>	Enquiries Continuous Improvement Committee
<b>HECS</b>	Higher Education Contribution Scheme
<b>INB</b>	Individuals Non Business
<b>JCPA</b>	Joint Committee of Public Accounts
<b>LBI</b>	Large Business Income
<b>NELP</b>	National Enquiries Learning Program
<b>PABX</b>	Private automatic branch exchange

<b>PAYE</b>	Pay As You Earn
<b>SBI</b>	Small Business Income
<b>TAG</b>	Taxpayer Assistance Group
<b>TOD</b>	Taxation Officer Development
<b>WHT</b>	Withholding and Indirect Taxes

## **Summary**

### **ATO client service**

1. The Australian Taxation Office (ATO) is the Commonwealth's principal revenue collection agency. Its principal purpose is to collect the revenue properly payable, so that the government may fund services and support for the people of Australia.
2. To achieve this, the ATO has implemented a client focus strategy aimed at improving the compliance of taxpayers. This strategy involves gaining an understanding of the needs and behaviour of clients, then determining appropriate approaches including provision of suitable client services to improve compliance based on this understanding.
3. The ATO is currently developing a Taxpayers' Charter to help ensure a more open and responsive approach in its dealings with clients.
4. Some of the client services and products provided by the ATO to assist clients include: distributing tax guides, forms and brochures; handling telephone, counter enquiries and correspondence; and supporting Tax Help community volunteers.

### **The audit**

5. In the public sector, client service generally refers to the interaction between government agencies and the community to provide people with benefits to which they are entitled or which help them meet their legal obligations.
6. Client service has become an increasingly significant issue for government agencies in Australia during the 1990s. The community has heightened expectations that agencies, including the ATO, provide services which are more responsive, relevant, accessible and generally of a higher quality.
7. The ANAO strongly supports the need for the public sector to recognise the rights and obligations of the general public as citizens. However, we appreciate the value of a strategy to ensure agency staff focus on quality service provision using the concept of client or customer as is accepted in the private sector.
8. The objective of the audit was to assess the ATO's approach to client service and the provision of particular client services to Individuals Non Business (INB) clients. The INB

business line deals primarily with the tax affairs of individual taxpayers. Audit criteria were developed which examined the ATO's:

- commitment to client service and understanding of client needs and expectations;
- client service strategy and delivery of client services and products; and
- measurement and achievement of service quality and client satisfaction.

### **Overall conclusion**

9. The audit found that, through its client focus strategy to improve taxpayer compliance, the ATO has made progress over the past decade in becoming a more client oriented organisation. This has resulted in improvements in the quality of service offered to its clients. Recent initiatives include the introduction of a business line structure based on identified client profiles and the development of a draft Taxpayers' Charter.

10. The audit concluded that the ATO could further improve the quality of service provided to clients by:

- increasing its understanding of taxpayer needs and expectations through further client focused research;
- articulating a client service strategy that aims to improve taxpayer compliance and deliver quality service to clients;
- significantly improving the measurement and achievement of service performance and client satisfaction, particularly service responsiveness and the quality of enquiry service advice;
- enhancing the management of client correspondence; and
- implementing an effective complaints handling system.

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## **Key Findings**

### **Client focus**

11. The ATO's client focus strategy has been developed to support and improve taxpayer compliance with tax laws. The ATO considers client service to be one of several operational strategies to achieve taxpayer compliance. This approach is less client oriented than those displayed by many other organisations. The ATO is currently developing a Taxpayers' Charter to help ensure a more open and responsive approach in its dealings with clients. It views the draft Charter as linked with, and aligned to, its client focus strategy. The draft Charter places client service in the general context of assisting taxpayers to comply with their tax obligations. The ANAO sees the Charter providing a more comprehensive statement of client service than previously enunciated in the client focus strategy. There would be benefit in the ATO expressly stating a client service strategy which aims to improve taxpayer compliance and deliver quality service to clients.

### **Taxpayers' Charter**

12. The Taxpayers' Charter being developed by the ATO addresses the rights of taxpayers, the level of service they can expect and their responsibilities as taxpayers. This initiative resulted from a recommendation in Report 326 of the Joint Committee of Public Accounts (JCPA) in 1993. We found the Charter project to be well-managed. The Charter compares favourably with charters of other agencies and demonstrates the ATO's commitment to improve quality client service.

13. During the audit we noted some staff scepticism about whether the Charter is necessary and whether sufficient support will be provided to meet Charter service commitments. When the Charter is ready for release, there would be benefit in the ATO encouraging staff support for the Charter through clear senior management commitment to the Charter, and by explaining fully the Charter and its operational implications to staff, and reinforcing the importance of providing quality service to taxpayers.

### **Client research**

14. Client focused research can provide government agencies with useful information about potential and actual clients, client perceptions of their service needs, and expectations of service quality, client attitudes and client behaviour. Client research has been an important function within the ATO. During the 1990s, the ATO has carried out a significant amount of client research including studies that helped it to delineate its major client segments and to restructure along client business lines.

15. However, the ATO has undertaken only limited recent client research relating to its enquiry services. The audit identified a number of areas where client research work would be valuable to the ATO, including developing a profile of enquiry service users and their frequency of contact with the ATO; identifying the kinds of enquiry services that clients want, including the dimensions of service they value most; and recording and analysing the types of enquiries and client reasons for contacting the ATO.

### **TaxPack**

16. Since its introduction in 1990 TaxPack has been the ATO's principal source of written tax information for individual taxpayers and is an essential publication for the 2.7 million ATO clients who prepare their own tax returns.

17. The ATO has faced a difficult task in providing a single TaxPack product suitable for all clients. Clients have varied information needs and differing capacities to understand tax information. The ATO made significant changes to the 1995 and 1996 TaxPacks to address earlier design deficiencies.

18. While suggesting several further improvements could be made to the annual TaxPack development process, we found that in comparison with the 1995 TaxPack the ATO made considerable improvements to the development process for the 1996 TaxPack. We are also supportive of the ATO's current proposals for simple and shorter tax guides and forms.

### **General enquiry services**

19. The Australian community makes significant use of ATO general enquiry services. In

1995-96 the ATO handled 2.3 million telephone calls and 1.3 million client contacts at public counters in branch offices. The service quality that clients experience in contacting the enquiry function can significantly shape their overall perceptions of the ATO.

20. The ATO has introduced enquiry service improvements including regional workload sharing, advanced call management information systems and a more systematic approach to service planning. The audit found scope for the ATO to improve its general enquiry function through a range of strategies that can help reduce and more effectively manage enquiry workload. This may involve better use of staff and the introduction of more flexible staffing arrangements within existing resources. Better information also needs to be provided to clients regarding the ATO workload situation. In particular the ATO should consider extending the operating hours for telephone enquiry services during the peak tax return lodgment period and improve the service responsiveness of the telephone enquiry function.

21. The ATO has not carried out systematic monitoring of the technical correctness of general enquiry advice to clients and the quality of staff communication with clients. There would be considerable benefit in the ATO instituting call monitoring arrangements for telephone enquiry services, subject to privacy and other legal requirements.

### **Tax Help**

22. The ATO Tax Help function provides assistance to people on a low income who have difficulty in completing their tax returns. Tax Help is a community volunteer support program. The audit found that Tax Help is a small, cost effective service which provides assistance to seniors, people from non-English backgrounds, Aborigines and Torres Strait Islanders, and people with disabilities. The delivery of the program could be improved through setting program participation targets, instituting strategies to increase participation and a more systematic approach to the recruitment, support and monitoring of the work of volunteers. The positive aspects of such an approach would need to be stressed and accepted.

### **Correspondence handling**

23. Correspondence is one of the principal means by which clients communicate with the ATO. At present, most correspondence is in paper form but, in the future, an increasing volume of correspondence is expected to be transmitted electronically.

24. Aspects of ATO correspondence systems do not facilitate efficient and effective operations and have service quality disadvantages. The audit found the ATO lacked a single common system for the registration of correspondence. There are a number of separate systems for various functions within individual branch offices, as well as a number of systems performing similar functions in different branch offices. While noting the ATO has some initiatives under way to better manage correspondence, we consider the ATO should examine fundamentally the need for, and the benefits and costs of, improved systems for handling client correspondence and recording client contact with the ATO.

### **Client service standards**

25. Service standards can foster agency commitment to the provision of quality service for clients and help agencies to focus their effort on key performance areas. Effective

performance information systems can alert agencies to service performance problems and support appropriate operational decisions in relation to particular client services.

26. We conclude that the ATO and clients would benefit from improved arrangements for developing and designing client service standards, measuring service performance and reporting on performance results to agency management and to the Parliament and the public.

### **Client satisfaction measurement**

27. Client satisfaction is a key measure of service performance for client oriented organisations. It is important that agencies delivering client services know whether clients are satisfied with services and products they provide and what improvements clients consider necessary.

28. The ATO has undertaken extensive surveys of tax agents, mainly focusing on the timeliness and quality of ATO advice. However, the ATO has not carried out surveys of perceptions of individual taxpayers and other service users regarding enquiry, correspondence and other services in a systematic manner. We consider that the ATO should develop appropriate strategies and instruments for measuring client satisfaction with its services and products.

### **Complaints handling**

29. Complaints handling processes are agency arrangements for dealing with client expressions of dissatisfaction with services or products. Effective complaints handling can help restore client confidence in, and satisfaction with, agency services. The audit found major deficiencies with the ATO's current complaints system. The ATO did not have statistics on complaints made with the agency. We noted that the Ombudsman received 1948 complaints concerning the ATO in 1995-96. The ATO is now proceeding with the implementation of a new complaints handling process which has the potential to improve this important function considerably.

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## **Recommendations**

*Set out below are the ANAO's recommendations with the report paragraph reference and the ATO's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO recognises the challenges of organisational change, particularly in the context of the planned reductions in ATO staffing levels. Given this, it is important that the ATO focuses its client services carefully and manages them in a cost effective manner, in order to maintain and improve service quality for clients. The ANAO considers that the ATO should give priority to Recommendations Nos.1, 2, 3, 8, 10, 11 and 13.*

Recommendation  
No. 1  
Para. 3.26

The ANAO recommends that the ATO articulate and communicate through key planning documentation and publications a client service strategy which aims to improve taxpayer compliance and deliver quality service to clients. This will assist shared staff understanding and better client awareness of ATO client service.

**ATO response:** The ATO agrees with this recommendation. The ATO's plans for implementing the Taxpayers' Charter already include a comprehensive communications strategy for the benefit of staff and clients, and key planning documentation reflecting appropriate strategies for the ATO to meet its stated commitments.

Recommendation  
No. 2  
Para. 3.37

The ANAO recommends that the ATO encourage staff commitment to the Taxpayers' Charter by:

demonstrating clearly transparent senior management commitment to the Charter;

explaining fully the Charter and its operational implications to staff; and

reinforcing the importance of a commitment to providing quality service when staff interact with clients.

**ATO response:** The ATO agrees and its strategies for implementing the Taxpayers' Charter encompass the points made in this recommendation.

Recommendation  
No. 3  
Para. 3.47

The ANAO recommends that the ATO undertake further client focused research, particularly into the service needs and expectations of clients and their use of enquiry services.

**ATO response:** The ATO agrees that it must increase its client focused research, including research into clients' service needs and their use of enquiry services.

Recommendation  
No. 4  
Para. 4.15

The ANAO recommends that the ATO identify the costs and benefits of providing additional assistance to clients who have straightforward tax affairs to enable them to exercise a real choice, which the ATO itself seeks to provide, to self-lodge or use tax agents.

**ATO response:** The ATO agrees in principle with this recommendation.

Recommendation  
No. 5  
Para. 4.30

The ANAO recommends that the ATO:

cost effectively measure and assess trends in client attitudes to, and usage of, TaxPack as part of the ATO's ongoing client research and evaluation in respect of TaxPack; and

identify and overcome particular TaxPack design problems through focus group based research and consultative processes.

**ATO response:** The ATO agrees with this recommendation.

Recommendation  
No.6  
Para. 4.66

The ANAO recommends that the ATO:  
actively promote client use of telephone enquiry services where telephone contact provides higher service quality for clients and lower costs for the ATO; and  
consider extending the operating hours for telephone enquiry services during the peak tax return lodgment period.  
**ATO response:** The ATO agrees with this recommendation.

Recommendation  
No.7  
Para. 4.84

The ANAO recommends that the ATO:  
strengthen workload analysis and staff resource planning for enquiry services;  
further consider the use of trained part-time and temporary employees as a cost effective option in the ATO's overall staffing strategies to help meet peak enquiry workload pressures; and  
improve the quality of induction training for new enquiry staff.  
**ATO response:** The ATO agrees with the directions of this recommendation.

Recommendation  
No. 8  
Para. 4.110

The ANAO recommends that the ATO:  
improve the service responsiveness of the telephone enquiry function, through cost effective workload management and better information to clients on the enquiry work situation; and  
introduce quality assurance processes, such as call monitoring, independent service appraisal and technical knowledge tests, to measure other important dimensions of enquiry service quality.  
**ATO response:** The ATO agrees and recent analysis of technological strategies commenced by the ATO in 1993 to achieve these improvements indicates clearly improved capabilities.

Recommendation  
No. 9  
Para. 4.124

The ANAO recommends that the ATO stress the positive aspects of an improvement in the delivery of Tax Help services by:  
setting program participation targets and instituting strategies to increase participation in Tax Help, and reporting on results through its annual report;  
preparing action plans and budgets for the program and formalising its staff structure; and  
recruiting, supporting and monitoring the work of volunteers more systematically.



**ATO response:** The ATO agrees with this recommendation.

Recommendation  
No. 10  
Para. 4.137

The ANAO recommends that the ATO examine the need for and the benefits and costs of improved systems for handling client correspondence and recording client contact with the ATO.

**ATO response:** The ATO agrees with this recommendation.

Recommendation  
No. 11  
Para. 5.36

The ANAO recommends that the ATO institute improved arrangements for developing and designing client service standards, measuring service performance and reporting on performance results to agency management and to the Parliament and the public.

**ATO response:** The ATO agrees and notes that some form of public reporting is under consideration in the context of the imminent Taxpayers' Charter.

Recommendation  
No. 12  
Para. 5.46

The ANAO recommends that the ATO develop appropriate strategies and instruments for measuring and assessing client satisfaction with ATO services and products.

**ATO response:** The ATO agrees with this recommendation.

Recommendation  
No. 13  
Para. 5.59

The ANAO recommends that the ATO in implementing its proposed complaints handling system give particular attention to agency culture, staffing, performance reporting and quality assurance, and ensure continued agency commitment to this function.

**ATO response:** The ATO agrees and is directing particular attention to agency culture, staffing, performance reporting and quality assurance, and clearly intends continued agency commitment to this function.

**ATO general comments:** The ATO views the broad thrust of comments made in the report as consistent with the directions toward which the ATO has been moving for some time. While there have been continual improvements achieved in client service, many of which are acknowledged in the report, and while more are in the final stages of implementation, the ATO nevertheless accepts there remains scope for further enhancement.

The ATO's capacity to continue upgrading its client service functions in

line with many of the recommendations is clearly subject to some limitations. This is particularly relevant where improvements carry implications for systems, work and job design, or are otherwise resource-intensive. The ATO has invested significant energy, resources and expectations into its organisational blueprinting process in order to achieve a fundamentally well-designed structure upon which effective functions and efficient processes can be built. This degree of organisational change requires realistic time-frames, intensive industrial consultation and an incremental approach for it to be lasting and successful. It is critical for enhancements in particular functions such as client service to be planned and implemented in conjunction with the broader blueprinting process to ensure consistent outcomes, achieve overall efficiencies, and to minimise staff impacts.

Implementation of improvements in any area will be dependent upon the overall corporate priorities of the ATO and the availability of funding to meet competing needs within the client service function itself. The ATO conducts comprehensive risk assessments as a fundamental stage of its planning process and the balance for resourcing allocated within the agency is determined in accordance with perceived risks to government revenue. There exists a threshold point of diminishing return for resourcing client service which is difficult to quantify. Unlike most private and even public sector organisations, more enquiries do not indicate better business. Rather than resourcing up to meet, and thereby accepting and entrenching these levels, the ATO is committed towards strategies for reducing the volumes, for example, through aiming for clarity in its communication with clients and through its support for tax law simplification, while retaining a reasonable resourcing balance for core volumes of enquiries.

## **1. Introduction**

*This chapter provides background material on the ATO and the main client services it provides to ordinary taxpayers. It also describes the audit approach to ATO client services.*

### **The Australian Taxation Office**

#### **Responsibilities and organisation <sup>1</sup>**

1.1 The ATO is the Commonwealth's main revenue collection agency. In 1995-96 the ATO collected tax revenue totalling \$98.42 billion, representing approximately 81 per cent of government revenue. The main component of tax revenue is individual income tax, followed by company income tax, sales tax and fringe benefits tax.

1.2 The ATO is organised into six main business lines, supported by a number of service lines. Three business lines deal with income tax matters and are organised along client lines: Large Business Income (LBI), Small Business Income (SBI) and Individuals Non-Business (INB). Another business line, Withholding Tax (WHT), deals principally with indirect taxes.

1.3 The INB business line is the main business line that deals with the tax affairs of individual taxpayers. It is the largest business line, with over 5000 staff.

## Taxpayers and client service

1.4 Under the income tax self-assessment system, taxpayers are obliged to disclose their tax liability, lodge returns and pay their tax bill. A sizeable number of individual taxpayers do this themselves, but the majority use the services of professional tax agents.

1.5 The ATO provides taxpayers with a range of client services and products whose main purpose is to help them to meet their tax obligations. These include:

- the distribution of tax guides, forms and other publications;
- the handling of taxpayers' telephone and counter enquiries and correspondence; and
- the support of community volunteers assisting low income taxpayers who have difficulty completing their return (known as Tax Help).

1.6 Client service within the ATO is not confined to these core client services. Most ATO functions related to income tax revenue collection involve interaction between the ATO and taxpayers to varying degrees and, as such, have a client service aspect. These functions include:

- the processing of applications for tax file numbers;
- the processing of returns, the issue of assessment notices and the payment of refunds or the receipt of tax due;
- the handling of taxpayer requests for private rulings on their tax affairs and objections to tax assessments; and
- the conduct of computer checks of tax returns and tax audits.

1.7 The high level of contact between the ATO and individuals and businesses is indicated by the following figures:

Tax Pack guides and forms printed	7.1 million
General telephone enquiries handled	2.3 million
Counter enquiries handled	1.3 million
Total tax return lodgments	11.1 million
Income matching program client contacts	0.2 million

1.8 It is important that the ATO provide quality client service to taxpayers for a number of reasons:

- taxpayers need information and advice to understand the tax system and to know their tax entitlements and obligations under the self-assessment system;
- the ATO believes that assistance to taxpayers, together with enforcement action and changes to tax administration and tax laws where appropriate, contributes to greater taxpayer compliance with tax laws;
- taxpayers expect reasonable levels of service from the ATO and other government agencies;

and

- quality client service provides the ATO with the opportunity to increase the efficiency and effectiveness of its operations.

1.9 The issues of client service, quality and service delivery within the Australian Public Service have been the subject of increased attention of the Parliament, government and agencies in recent years. Internationally, quality client service has been identified as a hallmark of successful private and public sector companies and agencies.

### **ATO operating environment**

1.10 In recent years the ATO has undergone significant change, with the modernisation of its computer infrastructure, decentralisation of operations and reorganisation along client business lines. It sees itself as operating in an increasingly dynamic environment and expects that this level of change will continue and put the organisation under further strain.

1.11 Reasons for change have included the need to strengthen the Commonwealth revenue base, to reduce ATO salary and other operating costs and to respond to community concerns about the costs of complying with tax requirements, the complexity of tax legislation and their fair treatment as individuals. The activities of the ATO have continued to be the subject of considerable parliamentary scrutiny, media attention and public comment.

1.12 We identified the following aspects of the ATO operating environment as being relevant to its delivery of quality service and its ability to improve service performance:

- ATO's main imperative is to collect tax revenues;
- there is strong seasonality in ATO workload;
- the ATO has undergone significant organisational change and is planning substantial downsizing in a sensitive industrial environment;
- the legacy of the ATO's previous strongly enforcement-oriented organisation culture continues to affect attitudes and work practices;
- taxation law has grown in size and complexity;
- there is variation in the complexity of the tax affairs of the taxpayer population;
- some forms of taxpayer interaction with the ATO are of an involuntary nature; and
- individual taxpayers have varied information needs and differing capacities to understand tax information, complete tax returns and pay for the services of tax agents.

### **Key concepts**

1.13 Client service in this report refers to the interaction between agencies and people and organisations in the community, to provide them with benefits to which they are entitled or which help them meet their legal obligations. Such contact can take a variety of forms including personal or telephone communication, media messages, forms and publications.

1.14 Quality client service is defined here as the provision of service which meets identified client needs and expectations, within the limitations of the legislative, policy and budgetary framework of the ATO.

1.15 While the term 'client' and 'customer' are used interchangeably by some Australian Public Service (APS) organisations, the term 'client' rather than 'customer' is used in this audit to describe taxpayers and other recipients of ATO service relating to tax matters. It better reflects the fact that they have tax obligations which they meet through their dealings with the ATO and that their interaction is largely on an involuntary basis. That is, they have no choice.

1.16 The ATO commented that most people recognise their community obligation to pay taxes and do so voluntarily. It noted that there are alternate providers for returns lodgment and some of its services.

1.17 The ANAO strongly supports the need for the public sector to recognise the rights and obligations of the general public as citizens. However, in the context of the discussion in the preceding paragraphs we appreciate the value of a strategy to ensure agency staff focus on quality service provision using the concept of client or customer as is accepted in the private sector.

### **Audit objective and methodology**

1.18 The objective of the audit was to assess the ATO's approach to client service and the provision of client services to INB clients. The audit focused on core client services provided directly to individuals.

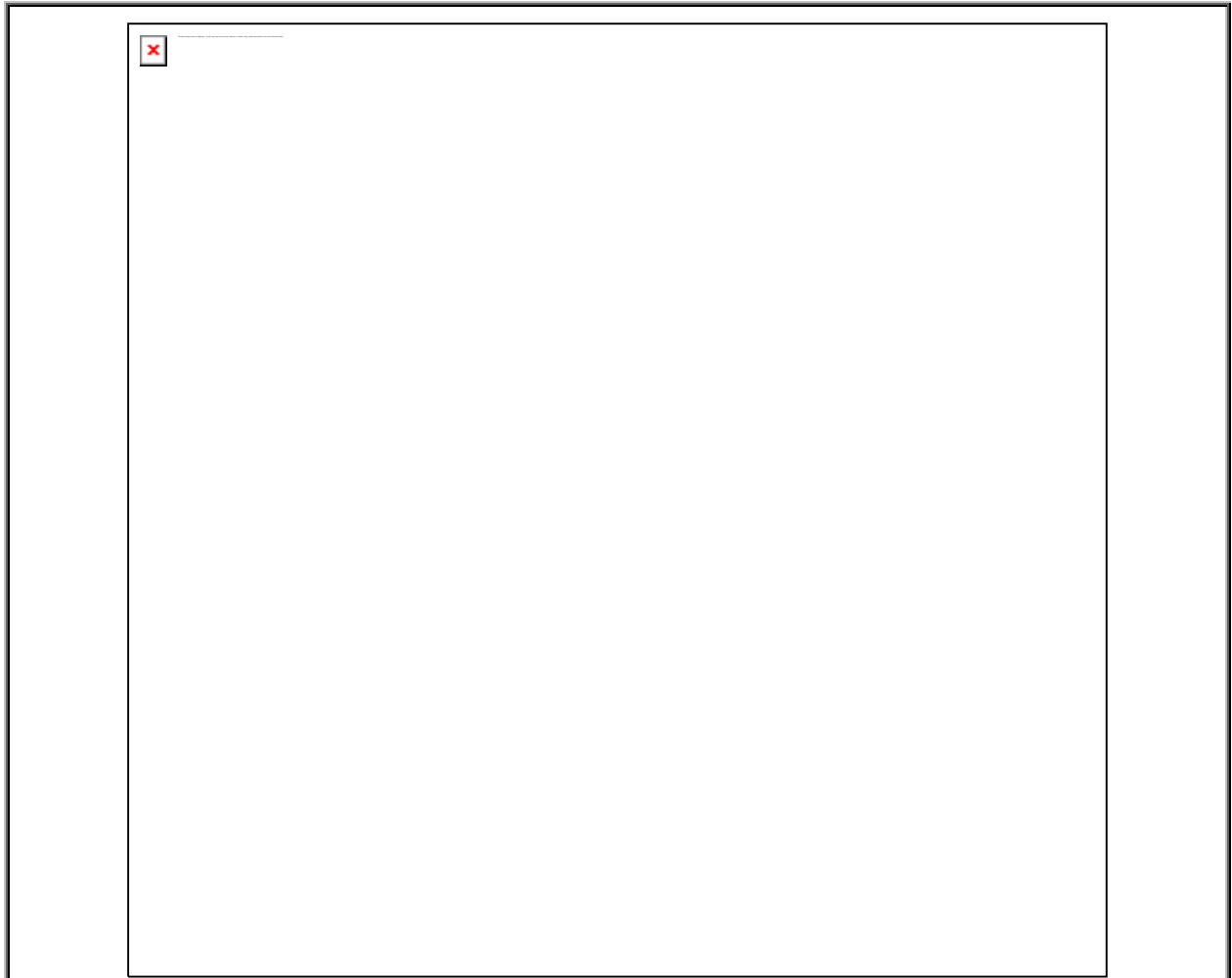
1.19 The audit sought to identify the extent to which the ATO has been improving the quality of client service provided to taxpayers and to add value by identifying areas where further improvements could be made to ATO services and products.

1.20 As part of the audit, criteria were developed to examine the ATO's:

- commitment to client service and understanding of client needs and expectations;
- client service strategy and delivery of client services and products; and
- measurement, assessment and achievement of service quality and client satisfaction.

1.21 Chart 1 shows the audit framework for analysis of ATO client service.

### **Chart 1. Audit framework for analysis of ATO client service**



1.22 Client service has been of increasing importance to the ATO in recent years. The ATO has reorganised along client business lines and adopted a stronger client focus as its primary approach for improving taxpayer compliance. Initiatives such as the ATO's development of a Taxpayers' Charter also have been in train. ATO client service has high public visibility and ATO decisions and actions have significant impact on taxpayers.

1.23 This audit focused on INB taxpayers because they are the largest number of taxpayers and, through PAYE, contribute a large proportion of the tax revenue base. Although we recognise that tax agents play an important role in the tax affairs of many taxpayers, this audit did not examine the ATO's relationship with, and servicing of, tax agents. The ATO has separate delivery systems for tax agent services which may be examined in a separate audit at some future date.

1.24 During the audit we reviewed Australian and international academic papers, public sector reports, benchmarking studies and standards relating to client service issues. We also consulted with a number of taxpayer and professional accounting bodies, and community organisations.

1.25 Interviews were conducted with the Commissioner of Taxation, senior ATO management, operational managers, staff focus groups and individual staff. We also examined key ATO planning documentation, client research studies, ATO performance reports and operational documentation, and observed relevant ATO work processes in its national office and branch offices in three States. Fieldwork was undertaken in the ATO during May to

August 1996.

1.26 The ANAO reviewed selected documentation relating to revenue collection agency approaches to client service in New Zealand, Singapore, Canada, the United States of America and Great Britain. As a result of this review work, some overseas areas of better practice were identified and drawn to the ATO's attention.

1.27 The audit was conducted in conformance with ANAO Auditing Standards and cost \$452 000.

1.28 The ANAO is also conducting an audit of Customer Service in the Department of Social Security (DSS) which addresses some of the broader challenges to public service managers in achieving customer focus in their organisation. Important lessons from the ATO and the DSS audits will be drawn together into a better practice guide at a suitable time in the near future.

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## 2. Contemporary Client Service Issues

*This chapter discusses contemporary client service issues and summarises previous reviews of client service in the Australian public service, as a background to the ATO's approach to client service, examined in chapter 3.*

### Insights from client and customer service literature

2.1 Academic client service studies provide many useful insights into client service issues including:

- the intangible nature of service provision, the problem of ensuring consistent high quality service delivery between work groups and over time, and the difficulties associated with service quality measurement;
- the importance of individual client perceptions in assessing service quality and the range of factors which shape client expectations, including word-of-mouth communications, the nature of personal needs, past experience as well as communications from service providers; and
- the factors giving rise to discrepancies between clients' service expectation and their perception of actual service provision.

2.2 Client research studies <sup>2</sup> have also identified the multi-dimensional nature of client service, with key dimensions being:

<b>Tangibles</b>	The appearance of physical facilities, equipment, personnel and communication materials
<b>Reliability</b>	The ability to perform the promised service dependably and accurately
<b>Responsiveness</b>	The willingness to help customers and provide prompt service
<b>Assurance</b>	The knowledge and courtesy of employees and their ability to convey

	trust and confidence
<b>Empathy</b>	Caring, individualised attention provided to customers.

## **Service provision by government agencies**

### **Reasons for increased attention to quality client service**

2.3 Quality client service has become a more significant issue for government agencies in Australia and overseas during the 1990s. The attention on issues such as client service, quality and service delivery results from a number of developments:

- community expectations that government services should be more responsive, relevant, accessible and of higher quality;
- availability of new information and telecommunications technologies which can automate existing work processes and release staff resources to provide more personalised and innovative services;
- efforts to apply private sector experience in service delivery to public sector agencies;
- improved client service in the private sector which has increased client expectations regarding service provision by government agencies;
- opportunities to foster increased economy, efficiency and greater program effectiveness; and
- challenges for government agencies to be contestable in the cost and quality of their services.

### **Factors affecting agency capacity to deliver improved client service**

2.4 The capacity of particular government agencies to strengthen their relationship with clients and improve client service is affected by many factors including:

- government commitment to client service objectives for agencies and its preparedness and capacity to change priorities or to provide funding for resources to improve client services;
- the nature of agency functions, with some functions such as service assistance and funds disbursement having a clearer or stronger relationship to external clients;
- tensions between agency functions, particularly between service delivery functions on the one hand and regulatory or enforcement functions on the other;
- the legal, policy or administrative basis of the provision of services, service standards and client entitlement to service. Services may be prescribed in legislation, set out in government policy or left to agencies to determine;
- charging arrangements for agency services. Where agencies provide services at no cost or below full agency costs, service cost tends not to be a check on client service demand; and
- staff resources and infrastructure through local offices and outreach-type services to provide client service.



2.5 The nature of the client base of agencies also affects service provision. Factors that tend to assist agencies to meet client expectations regarding service quality include:

- small numbers of clients, allowing more personalised and customised service;
- client segments with similar identifiable interests, values, needs and expectations; and
- clients using services through their free choice. For example, it should be noted that taxpayers are often regarded as the classic involuntary client group.

2.6 The service quality of government agencies has also been affected by broader APS reforms. Initiatives introduced in the Australian public sector in the last decade or so include agency decentralisation and devolution of authority, tighter budgetary resource limitations, user charging, staff and client access and equity policies, and risk management approaches.

2.7 There is some evidence that particular initiatives have affected client service in different ways. As examples, agency decentralisation and devolution may well have improved client access to services and decision-making processes, whereas reductions in agency outlays may well have constrained their capacity to meet client demand for higher quality services.

2.8 More recently, there has been discussion of a purchaser-provider model involving a distinction between the agency purchasing a service and the organisation, public and/or private, providing the service.

### **APS reviews**

2.9 A number of agencies have undertaken reviews of client service issues in the Australian public service during the 1990s which are relevant to the examination of ATO client service, including:

- the Joint Council of the Australian Public Service (1993); <sup>3</sup>
- the Management Advisory Board (1993) <sup>4</sup> and (1996); <sup>5</sup>
- the Department of Finance (1995); <sup>6</sup> and
- the Senate Finance and Public Administration References Committee (1995). <sup>7</sup>

2.10 In summary, these reviews identified key quality client service principles including innovation, responsiveness, accessibility, relevance and continuous improvement. The following areas were highlighted as being important considerations in the provision of quality client service:

- ensuring client needs and expectations are identified;
- involving clients in decision-making where applicable;
- obtaining client feedback on service delivery performance;
- developing effective service standards;
- improving performance measurement and reporting mechanisms;

- providing effective staff training;
- ensuring effective use of information technology;
- increasing management commitment to the provision of quality client services; and
- promulgating best practice more widely.

### **JCPA report on the ATO (1993)**

2.11 In addition to the above reviews the ATO's provision of client service was specifically addressed as part of a JCPA inquiry into tax administration in 1992 and 1993. The JCPA examined a number of issues relating to taxpayer assistance including the provision of oral advice through telephone and counter enquiry services and written advice through TaxPack and information brochures.<sup>8</sup>

2.12 The ATO accepted most of the recommendations of the JCPA report relating to taxpayer assistance and has recently indicated that taxpayers can now rely on advice in TaxPack and associated publications to the extent that no penalty or interest will be payable if the published advice has been followed and it proves to be incorrect.

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## **3. Commitment to and Understanding of Clients**

*This chapter discusses the ATO's commitment to providing individual taxpayers with client service and its understanding of their service needs and expectations. It examines the extent to which the ATO's client focus strategy, as well as its organisational structure and recent corporate and INB business line planning, have been oriented to client service. The ATO's development of a draft Taxpayers' Charter and client research activities are also reviewed.*

### **Introduction**

3.1 The ATO's approach to client service has evolved over the last decade and is manifest in its:

- overall client focus strategy for compliance improvement;
- organisational structure, decentralisation of offices and work redesign;
- corporate plans and other planning documentation; and
- development of a draft Taxpayers' Charter.

3.2 The ATO also has undertaken a range of client research activities to support its knowledge and understanding of its client base.

3.3 We examined the ATO's client focus strategy, the broad thrust of ATO organisational change since 1986, as well as its 1995-98 corporate and INB business plans. The work of the ATO Taxpayers' Charter project team during 1995-96 and the main features of client research during the 1990s were also reviewed.

3.4 Australian and international reports, reviews and other literature emphasise that agencies

aiming to provide quality service to their clients should:

- make a clear, strong and practical commitment to their clients, client service and quality;
- communicate this commitment to staff, clients and other stakeholders, and their staff understand and share the agency client service commitment;
- articulate this commitment in corporate and action plans; and
- structure their organisational arrangements to align with their client commitment and their plans.

3.5 Agency commitment to quality client service helps to focus agency effort on desired service outcomes. Client research can provide valuable information that assists agencies to consider the need for existing services and the continuing appropriateness of their design, as well as to assess the effectiveness of service delivery.

### **ATO's approach to client focus**

3.6 An important objective of the ATO has been to improve the extent to which ATO clients comply with the requirements of tax laws. It is generally accepted that the ATO does not collect all tax revenue properly payable due to client non-compliance, although the extent of the shortfall cannot be estimated with precision. The ATO's general compliance improvement approach has entailed encouraging more non-complying clients to meet their tax obligations, while assisting clients who have been complying with the tax laws to continue to do so.

3.7 Since 1993 the ATO has articulated its *client focus* strategy to support and improve compliance. It stated that this involves:

- firstly, gaining an understanding of the needs and behaviour of clients and the reasons for compliance or non-compliance, and
- secondly, determining the appropriate approach to improve client compliance on the basis of that understanding.

3.8 This could be in the form of assistance to clients so that they have a clearer understanding of their tax obligations, enforcement action when necessary, or recommending changes to tax laws to improve collection systems, or a mix of these options.

3.9 From this exposition, it is evident that the ATO has regarded client focus as underpinning its compliance improvement objective and *client service* as one of several operational strategies for maintaining or promoting greater taxpayer compliance with tax laws.

3.10 We did not assess the ATO's past rationale or justification for its provision of client service as part of this audit. However, we noted that the ATO has not fully articulated its view of client focus in corporate and business plans or in its annual reports to the Parliament. The main references to its client focus strategy were made in an internal communication in 1993 and in the ATO 1992-93 annual report. It is important for the ATO to define and elaborate its client focus strategy and provide this to staff and clients in an accessible and justifiable form.

3.11 We noted also that the ATO's client focus strategy regards understanding clients as

important in order to influence the behaviour of clients at risk of non-compliance rather than for the purpose of identifying ways to best meet the perceived needs of all clients within available agency resources. As such, it is less client centred than most client service approaches suggested by previous Australian public service reviews and the broader customer service academic literature.

### **Articulating a client service strategy**

3.12 The ATO is currently developing a Taxpayers' Charter to help ensure a more open and responsive approach in its dealings with clients. The Charter will govern the way the ATO interacts with taxpayers and is also intended to make taxpayers more aware of their rights and responsibilities and the standards they should expect from the ATO. The draft Charter includes a commitment to providing a high level of service and support to taxpayers and to continuously improving service and support levels. The ATO proposes to publish its service standards and to report how well it has done against those standards. The ATO advised the ANAO that the draft Charter has continuity in linkage with, and consistent alignment to, its client focus strategy aiming to improve taxpayer compliance.

3.13 In the ANAO's view, the draft Charter provides a more comprehensive statement on the provision of ATO client service than previously enunciated in the client focus strategy. In particular the draft Charter explicitly acknowledges that ATO clients legitimately have expectations of the standards of service they will receive. We recognise that the draft Charter continues to place the provision of service within the general context of assisting clients to comply with their tax obligations.

3.14 The ANAO considers that there is potential for uncertainty within the ATO and for clients as to the relative emphasis on client service and its relationship to compliance improvement, as expressed in the client focus strategy and the draft Charter. This was reinforced by ANAO observations during fieldwork. The experience of other organisations demonstrates that the alignment of organisational strategies is fundamental for effective client service delivery; without this, client service objectives can fail to be met. It is therefore important that the ATO ensures the alignment of organisational strategies which relate to client service. There would be benefit in the ATO expressly stating a client service strategy which aims to improve taxpayer compliance and deliver quality service to clients. This strategy should be communicated to staff and clients.

### **ATO organisational arrangements**

3.15 Since 1986 the ATO has improved client services through progressive changes to its organisation structure and through decentralisation and devolution.

3.16 The ATO initially established a client service functional group separate from other functional areas, then organised this group on market segment lines and later reorganised all ATO functional areas serving particular client segments into single business lines.

3.17 The Taxpayer Service Group was set up as a new functional group in the ATO national office in 1986-87. It became the Taxpayer Assistance Group (TAG) in 1990-91. TAG's role was to assist clients with meeting their taxation responsibilities through the provision of quality and timely information and to assist other ATO areas with providing a high level of service to their clients.

3.18 The ATO restructured the TAG national office and the first branch office into market segments for individuals, small business, and medium to large business in 1991-92.

3.19 Following an organisational review commenced in 1992-93, the ATO introduced its new business line structure based on particular client groupings in 1993-94. Details of this structure are outlined in appendix 1. The ATO believed that the new structure would improve client focus, as well as productivity, compliance and accountability for outcomes.

3.20 Over time, the ATO has made client services more accessible to clients through the decentralisation of its operations.

3.21 The ATO expanded from 10 to 25 branch offices between 1987 and 1994. Its 1994 restructure also established a matrix organisation that located important management functions in a number of branch offices.

3.22 In 1996, the ATO released proposals to reduce the size of nine offices and regionalise the location of some business line operations. Counter enquiry services, however, are to be retained in all branches. The proposals were part of the ATO Business 2000 package designed to reduce the impact of funding restrictions on the agency. We noted that, in light of expected tighter funding, together with the planned reduction in overall ATO staffing levels, the ATO would need to focus its client services carefully and manage them effectively in order to maintain and improve service quality for clients.

### **ATO planning**

3.23 The ATO corporate plan for 1995-98 provides a comprehensive planning framework for ATO operations. It identifies the ATO's overall purpose and four focus areas, with reference being made to ATO's current situation, longer-term desired position, key strategies and short-term priority initiatives for each focus area. It also includes corporate operational performance standards, some of which relate to client service. These are examined in chapter 5.

3.24 We identified some areas where the ATO could better articulate its commitment to client focus and client service in future plans. The current ATO plan does not expressly state the ATO is a client focused organisation. Nor does it identify 'client service' as a specific focus area, referring instead to the ATO acting fairly and professionally to gain support for its operations and increase community compliance. We noted that the Canadian tax administration has a stronger client service orientation in its corporate plan, identifying 'quality services and client education' as its first goal.<sup>9</sup>

3.25 At the time of the preparation of this report the ATO's 1996-99 corporate plan was still in draft form. The final version of the corporate plan would be enhanced by incorporating management perspectives set out in ATO Business 2000 papers and the current draft Taxpayers' Charter.

### **Recommendation No. 1**

3.26 The ANAO *recommends* that the ATO articulate and communicate through key planning documentation and publications a client service strategy which aims to improve taxpayer compliance and deliver quality service to clients. This will assist shared staff understanding and better client awareness of ATO client service.

## **ATO response**

3.27 The ATO agrees with this recommendation. As the ANAO concludes at paragraph 3.35, the ATO is committed to achieving quality client service and has been carefully developing the Taxpayers' Charter in consultation with the community and staff. It is intended as a key vehicle for defining taxpayers' rights and obligations, articulating the standards of service taxpayers can expect and which the ATO will strive to attain, and for communicating the ATO's service approach to improving compliance for the community. The ATO's plans for implementing the Taxpayers' Charter already include as an essential element a comprehensive communications strategy for the benefit of staff and clients. Key planning documentation will certainly reflect appropriate strategies for the ATO to meet its stated commitments.

## **INB planning**

3.28 In early 1996, the INB business line issued its business plan for 1995-98. Several positive features of the planning process and the plan itself were noted:

- INB consulted with a number of community peak organisations to take account of their views in the formulation of the plan;
- the plan was aligned to the four focus areas of the ATO plan and specified INB's current situation, desired outcomes and proposed strategy in respect of particular issues covered in the plan. Responsibility for specific strategies and outcomes was assigned to individual senior INB managers; and
- INB accorded a high priority in the supporting human resources development plan to the development and training of staff, particularly staff participation in client contact skilling.

3.29 However, we identified some areas where INB planning could be improved:

- only minor references were made in the plan to social justice issues, even though INB has continued to undertake some initiatives in this area, in line with ATO access and equity policies;
- there were some inconsistencies in the priority the ATO and INB plans accorded particular operational performance standards. This issue is examined further in chapter 5; and
- the plan lacked target dates for implementation of particular initiatives within the three year period. Such targets would help the ATO monitor and report on progress against planned time frames.

## **INB blueprinting**

3.30 Following the 1994 restructuring into business lines, the ATO proposed to undertake work and job redesign throughout the organisation.

3.31 The INB business line in 1996 decided that it would establish seven functional groups and undertake a trial of the new arrangements during 1996-97. The ATO expects that the revised INB structure would reduce the number of management layers, provide more direct reporting lines, facilitate greater regional input into national projects and operations, and

establish more flexible multifunctional work teams at branch office level.

3.32 We suggested to the ATO that it would be desirable that the new arrangements should include ways to assist clients who would still have to deal with several INB functional areas to resolve their tax matters. We also suggested that the ATO measure service quality provided to clients under the trial organisation arrangements, compared with that provided under the existing structure.

### **Taxpayers' Charter**

3.33 Some government agencies issue client service charters to state publicly their service commitment to clients. Overseas tax administrations in Great Britain, the United States of America, Canada and New Zealand have taxpayers' charters. Service charters have been issued by many Commonwealth and State public sector agencies in Australia. The ATO issued a Charter for the Child Support Agency (CSA) in 1996.

3.34 The ATO is currently developing a Taxpayers' Charter which addresses the rights of taxpayers, the service they can expect and their responsibilities as taxpayers. The initiative resulted from the recommendation of the JCPA 1993 report on the ATO. <sup>10</sup> The Charter is expected to come into operation in 1997.

3.35 The ANAO's overall findings were that:

- the ATO's development of the Charter has demonstrated the agency's commitment to achieve quality client service;
- the project has been well-managed, although it has taken longer than the ATO expected to reach the current Charter draft stage. The Government accepted the recommendation for a Charter in August 1994; the ATO first invited community and staff input in late 1994 and released a draft Charter for public comment in November 1995;
- there was extensive community and staff consultation during the development of the Charter. In preparing the current draft Charter, the ATO addressed issues raised by the JCPA and took into account the range of community and staff views received on the discussion draft; and
- the current draft Charter has been suitably structured to provide different levels of information on taxpayers' rights, service entitlement and responsibilities to meet particular client needs. We consider it compares favourably with charters of other agencies.

3.36 In our view, there would be benefit in the ATO giving more consideration to encouraging staff commitment to the Charter. Some staff scepticism about whether the Charter is necessary and whether sufficient support will be provided to meet Charter service commitments was evident during the audit. Recent proposals for restructuring and downsizing some branch office operations may well add to the ATO's difficulties in gaining full staff acceptance of the Charter.

### **Recommendation No. 2**

3.37 The ANAO *recommends* that the ATO encourage staff commitment to the Taxpayers' Charter by:

- demonstrating clearly transparent senior management commitment to the Charter;

- explaining fully the Charter and its operational implications to staff; and
- reinforcing the importance of a commitment to providing quality service when staff interact with clients.

### **ATO response**

3.38 The ATO agrees and its strategies for implementing the Taxpayers' Charter encompass the points made in this recommendation.

### **Client research**

3.39 The efficient and effective delivery of appropriate client services requires an understanding of client needs and expectations.

3.40 Client research can provide government agencies with useful information about:

- potential and actual clients, specific client categories and key client characteristics;
- client perceptions of their service needs and client expectations of service quality;
- client views about the profile, reputation and performance of the agency;
- client knowledge and views about the effectiveness and equity of administrative systems and laws relating to particular government functions (such as the tax system) ;
- client attitudes to existing and possible future services, products and communication messages; and
- client behaviour (such as tax non-compliance) that affects agency performance and objectives and other factors that influence client behaviour.

### **General ATO client research**

3.41 Client research has been an important function within the ATO, with several hundred inhouse and commissioned research projects and many minor local research exercises undertaken in the last decade. The ATO spent \$3 million on external market research during 1990 - 1995. At a strategic level, this research has underpinned ATO client segmentation, addressed tax compliance issues and assessed the perceptions of significant service users (tax agents). At an operational level, risk analysis has assisted tax audit work.

3.42 Responsibility for ATO research activity has now largely devolved to individual business lines, although a corporate research and evaluation unit continues to provide some research support. Its maintenance of the ATO market research register, production of a research newsletter and provision of research methodology advice have been useful. The ATO should consider the benefits of expanding this corporate research data base or linking it to a similar proposed INB data base to include smaller, local research projects. There also would be value in disseminating information on research activities more widely within the agency.

3.43 Within the INB business line, a national office research unit was established in 1995. It has carried out some research projects and, at the time of audit, was preparing its first



research work program. It is important that the ATO carefully prioritise and program research tasks, given limited inhouse research resources and the costs associated with major external research.

### **Delineation of client categories**

3.44 During the 1990s the ATO carried out significant client research studies that helped it to delineate its major client segments and to restructure along client business lines. Useful research work linked to audit, policy or outreach work has been done on some client categories that the ATO believed represent higher compliance risk or have particular information or service needs. These include people employed in particular occupations, people who had not complied with requirements to lodge income tax returns, overseas visitors working in Australia and school students with a future need for tax file numbers.

3.45 INB has carried out some recent research on INB client segmentation. The 1995-98 INB business plan presented major INB client categories schematically. Some further work in this area is under way but to date the categories have not been used operationally to address client service issues. In our view, there would be considerable benefit from undertaking more work to identify INB client segments and categories and using this information to consider whether and how particular client services could be streamed or customised for those segments.

### **Client service needs**

3.46 The ATO has undertaken little recent client research related to enquiry services. The enquiry function is a major ATO client service activity and generates considerable workload management problems for the agency during the peak income tax return lodgment period (chapter 4 discusses this further). It would be useful for the ATO to undertake client research into:

- the profile of enquiry service users and their frequency of contact with the ATO. Overseas best practice emphasises the importance of identifying any frequent service user categories, with a view to addressing any underlying cause for their contacts;
- the kinds of enquiry services that clients want and the dimensions of service they most value, whether it be branch office accessibility, business hour convenience, service responsiveness or staff courtesy. We drew the ATO's attention to service surveys used by the New Zealand tax administration;
- the particular topics of client enquiries. We noted that several ATO systems to collect data on client enquiry topics have fallen into disuse or have not been adequately utilised;
- client reasons for contacting the ATO (for example, to obtain publications, clarify information in publications or request assistance to complete forms); and
- client decisions to contact the ATO by telephone or visit branch offices and their attitude to possible alternative service delivery systems.

### **Recommendation No. 3**

3.47 The ANAO *recommends* that the ATO undertake further client focused research, particularly into the service needs and expectations of clients and their use of enquiry services.

## ATO response

3.48 The ATO agrees that it must increase its client focused research, including research into clients' service needs and their use of enquiry services.

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1

The ATO's responsibilities and organisation are outlined in greater detail in Appendix 1.

2

Vallerie A. Zeithaml et al, Delivering Quality Service. Balancing Customer Perceptions and Expectations, New York, 1990, p.26.

3

Joint Council of the Australian Public Service, 'A Model for Best Practice in the Public Sector', Canberra Bulletin of Public Administration, No.72, April 1993, pp.59-104.

4

Management Advisory Board, Building a Better Public Service, June 1993.

5

Management Advisory Board, Innovative Ways of Organising People in the Australian Public Service, 1996.

6

Department of Finance, Quality for our Clients: Improvements for the Future, Australian Government Publishing Service (AGPS), 1995.

7

Senate Finance and Public Administration References Committee, Service Delivery by the Australian Public Service, AGPS, December 1995.

8

Joint Committee of Public Accounts, Report 326 An Assessment of Tax, November 1993.

9

Revenue Canada, Corporate Plan 1995-1998.

10

Joint Committee of Public Accounts, An Assessment of Tax , November 1993, p.314.

## 4. Service Delivery Systems

*This chapter examines four important products and services provided by the ATO to INB and other clients: TaxPack, telephone and counter enquiry services, the Tax Help community volunteer support service and correspondence handling.*

### Introduction

4.1 The ATO provides a range of services and products directly to clients to help them to meet their obligations under tax laws. These include:

- guidance and forms for lodging tax returns (TaxPack), publications on various tax topics and forms for specific purposes;
- telephone and counter enquiry services;
- special community volunteer support service for low income clients needing assistance with their tax returns (Tax Help); and
- correspondence handling services.

4.2 We reviewed the evolution of TaxPack since 1990 and examined more closely the ATO's development of the 1996 TaxPack. We assessed the ATO's enquiry services, Tax Help and correspondence services, focusing on management performance and service quality provided to clients in 1995-96.

4.3 Drawing upon Australian and international reports, reviews and other literature, we identified high quality, cost effective client services as having the following features:

- a structured, planned and coordinated approach to service provision and assignment of management responsibilities;
- systems that meet agency and client needs and are managed efficiently;
- publications, forms and advice that make it as easy as possible for clients to understand and provide tax information;
- within the limits of overall agency resources, the alignment of resources to workload and service standards;
- staff with appropriate skills, knowledge and aptitude, who are provided with suitable training and support; and
- special attention to clients with particular needs.

## **TaxPack**

### **Background**

4.4 TaxPack was a significant innovation for the ATO when it was introduced in 1990. It has been the ATO's principal form of providing written tax information to the Australian public and is an essential publication for the 2.7 million ATO clients who prepare their own tax returns.

### **Objectives and usage**

#### **Provision of basic tax information**

4.5 Through TaxPacks from 1990 to 1995, the ATO provided all clients with basic information on the operation of the tax system and their tax entitlements and obligations under tax laws. Provision of such information was regarded by the ATO as an important feature of the system of self-assessment.

4.6 After considering cost effectiveness, concerns about waste, and based on an assessment that sufficient access to basic tax information would continue to exist, the ATO decided that the 1996 TaxPack would not be distributed directly to metropolitan taxpayers who had lodged their returns through tax agents in the previous year. The ATO provided a small pamphlet instead of TaxPack to the affected taxpayers. The pamphlet explained the new distribution arrangements and offered some brief advice on using tax agents to prepare their returns. The taxpayers still could obtain TaxPack from a newsagent or the ATO if they wanted.

### **Reformulating TaxPack objectives**

4.7 The ATO identified a number of objectives for the first TaxPack but in recent years it has not articulated these objectives or used them as a basis for evaluating annual TaxPacks. However, the ATO believes that the purpose and objectives of TaxPack are clear to the community and staff.

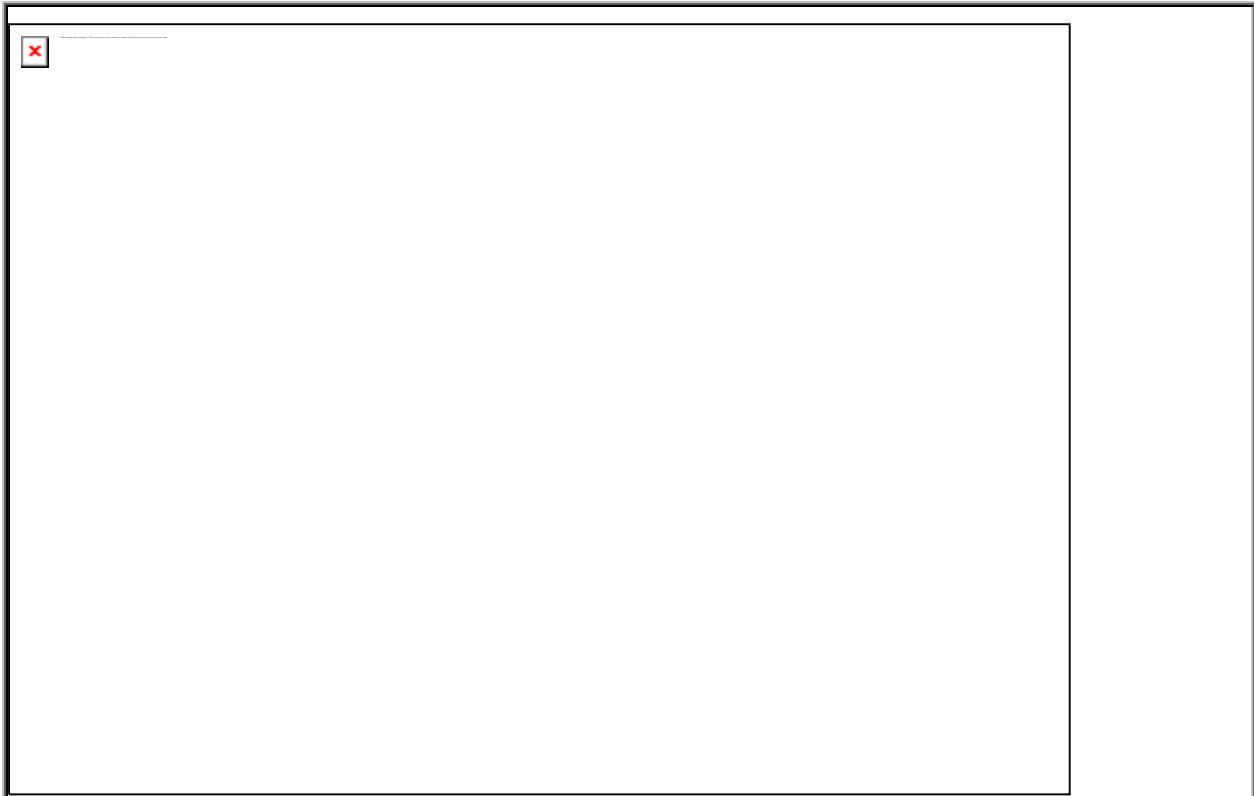
4.8 In our view, it would be useful to reformulate TaxPack objectives and communicate them effectively to ATO staff and clients. The TaxPack has evolved since its inception and several significant changes were introduced for the 1996 TaxPack in particular. The ATO offered clients, in the 1996 TaxPack, some protections against penalties where they used the guide to prepare their returns and made honest mistakes or mistakes resulting from misleading information. These protections were not provided to clients who did not use TaxPack.

4.9 The restricted distribution of the 1996 TaxPack mentioned above was another important change. Setting clear objectives for TaxPack would help to better shape community expectations about the purpose of TaxPack and its usefulness to them, as well as to direct ATO design and marketing efforts on TaxPack.

### **Client usage**

4.10 Only 26 per cent of individual tax returns were self-lodged for 1992, compared with 37 per cent for 1989; this represented approximately one million taxpayers switching from lodging their own returns to using tax agents. Since 1992, there has been a slight increase in the number and proportion of self-lodgers (see Chart 2). In switching from being self-lodgers to agent-lodgers, individual taxpayers have paid tax agent fees they would otherwise have avoided. <sup>1</sup>

### **Chart 2. Returns by self-lodging taxpayers, 1989-1995**



4.11 A number of ATO internal reviews and commissioned research have offered various explanations for the increase in client usage of tax agents to lodge returns. The increasing complexity of tax law since 1985, the introduction in 1989 of the electronic lodgment service for returns (initially available only through tax agents) and community perceptions that tax agents can provide faster and larger refunds and can postpone payment of tax due, have been mentioned as important factors. A range of factors appear to affect client decisions to self-lodge or use tax agents. One of these factors is a community perception that TaxPack is a complex document and many taxpayers see using it as a daunting task. <sup>2</sup>

4.12 ATO client studies have noted that many taxpayers with relatively straightforward tax affairs use tax agents. Some of these clients may not lodge their own returns due to limited literacy and numeracy skills, limited English language competency or lack of confidence in dealing with government agencies.

4.13 The ATO currently provides assistance through the low-cost Tax Help volunteer support service to a relatively small number of clients who have difficulty completing their returns (see paragraph 4.112). More people might be able to self-lodge if they were provided with appropriate additional information, advice or assistance from or through the ATO.

4.14 In our view, there would be benefit in the ATO undertaking client research, policy review and costing studies in this area. These studies could address whether additional assistance to clients who have straightforward tax affairs might better enable them to exercise the choice between self-lodging and agent-lodging. The ATO could then consider whether the provision of such additional assistance would be in the public interest and estimate the cost of any additional services. (ATO action on another possible solution, simpler tax guides and forms, is addressed in paragraph 4.36.)

#### **Recommendation No. 4**

4.15 The ANAO *recommends* that the ATO identify the costs and benefits of providing additional assistance to clients who have straightforward tax affairs to enable them to exercise a real choice, which the ATO itself seeks to provide, to self-lodge or use tax agents.

### **ATO response**

4.16 The ATO agrees in principle with this recommendation and as noted in paragraph 4.37, the ATO currently is directing its major efforts into the development of simple guides, shorter forms and a simple-to-use electronic TaxPack, and will await the outcome of these trial projects before further studies are undertaken.

4.17 In accordance with a corporate objective of minimising compliance costs for the community, the ATO seeks to provide as many taxpayers as possible with a real choice as to whether they engage a tax agent or not. However, the ATO does not seek to influence the consumer choice exercised by those taxpayers who engage tax agents. Independent academic and ATO research indicates that usage of tax agents is due to a variety of reasons, the primary one appearing to be the length and complexity of tax laws. The ATO in conjunction with the tax profession is progressing the Tax Law Simplification Project in an effort to address this problem where it can. The ATO is constantly seeking to improve the clarity of TaxPack, so that it is not perceived as a major reason for taxpayers to use agents. Independent research does not attribute agent usage to TaxPack.

## **Design**

### **Design and content**

4.18 The ATO has faced a difficult task in providing a single TaxPack product suitable for all clients. Clients have varied information needs and differing capacities to understand tax information. Taxation law is complex and expanding. The challenge for the ATO has been to produce a guide that is simple and concise, yet comprehensive and reliable.

4.19 The TaxPack design introduced in 1990 represented a major change in the way the ATO provided clients with their return forms and explanatory material. TaxPack took the place of a number of return forms and separate guides. It was in a magazine format, had a captionless return form, a step by step guide, paid advertising and supplementary information on general tax matters.

4.20 A 1990 inhouse review identified some concerns about the guide. However, TaxPack continued without major changes and any further significant evaluation until 1994. An ATO inhouse review in 1994 found that the TaxPacks had significant design deficiencies. Problems included their cluttered layout, confusing sequencing of questions, technical language, official style and inclusion of external advertising.

4.21 As a result the ATO made significant changes to the 1995 and 1996 TaxPacks to address these criticisms. These guides used simpler English, had improved design and layout and more logical sequencing of questions, and included captions on the return forms. External advertising and tax topics not relevant to most clients were deleted.

4.22 We suggested to the ATO that, space permitting, there could be value in providing in TaxPack a schematic presentation of ATO services and products. This would help clients to understand the place of TaxPack in the full range of ATO services and promote wider client knowledge of their availability. More detailed reference to these services generally has been

scattered through TaxPacks.

### **Accuracy and completeness of advice**

4.23 Since TaxPack was introduced there have been errors in particular TaxPacks, with some consequent reduction of taxpayer confidence in TaxPack and the ATO. This issue gained more prominence with the 1995 TaxPack, when claims that the guide had a sizeable number of errors and omissions received considerable media publicity.

4.24 A subsequent investigation by the special tax adviser to the Ombudsman found that the TaxPack was not fundamentally flawed, although it had contained some errors and they had been the subject of appropriate corrective action by the ATO.<sup>3</sup>

4.25 The ATO introduced enhanced quality control measures for the development process of the 1996 TaxPack, involving closer internal technical checking and innovative use of external technical advice on the draft guide (described below). These measures improved the quality of the product. As the 1996-97 budget is expected to require some complex changes to the 1997 TaxPack, rigorous quality control should continue to be applied.

### **Research and evaluations**

4.26 The ATO conducted or commissioned more than twenty TaxPack studies between 1989 and 1996. Although the ATO decided on the TaxPack initiative without any client research to show that there was clear client demand for the product, it did use research to develop and decide the design of the first TaxPack. However, the ATO undertook no further client testing of proposed TaxPack changes until the design of the 1996 TaxPack. In our view, it is vital that the ATO establishes through testing significant proposed TaxPack changes that clients will understand the guide and find it easy to use.

4.27 Since 1990 the ATO commissioned studies of client attitudes to and usage of the TaxPack in most years and conducted formal inhouse evaluations of the TaxPack in 1990 and 1994. Given the importance of TaxPacks and the associated costs for the ATO and clients, annual reviews of the TaxPack cycle would be justified.

4.28 The ATO used quantitative surveys to measure client views on TaxPack between 1990 and 1993. These surveys generally reported positively on the TaxPacks. It was not until the 1994 inhouse review, that involved community consultations and drew upon some 1990 qualitative studies, that a number of problems experienced by clients in using TaxPack were highlighted. Since 1995 the ATO has given more emphasis to focus group based research. We consider that a mix of research methodologies can be cost effective and appropriate, with focus group studies being useful for examining particular problem areas with TaxPack design. Care needs to be exercised in interpreting the results of any surveys and studies.

4.29 Due to design differences between TaxPack quantitative surveys, the ATO could not have analysed trends in client attitudes towards TaxPack over time. This contrasts with ATO's longitudinal monitoring of tax agent attitudes to ATO services, through retention of a single research consultant and use of standard questions. In our view, there would be value in the ATO considering the longitudinal measurement of client attitudes to TaxPack using some standard questions over a number of years.

### **Recommendation No. 5**

4.30 The ANAO *recommends* that the ATO:

- cost effectively measure and assess trends in client attitudes to, and usage of, TaxPack as part of the ATO's ongoing client research and evaluation in respect of TaxPack; and
- identify and overcome particular TaxPack design problems through focus group based research and consultative processes.

### **ATO response**

4.31 The ATO agrees with this recommendation and is already active in this area. Extensive research is always integral to the annual development process for TaxPack. The ATO focuses its research essentially upon improving TaxPack and resolving issues as they arise. The precise mix of research methodologies employed in any given cycle will always depend upon resourcing, cost-effectiveness, and will be focused on filling information gaps concerning aspects of TaxPack usage or design.

### **Management**

4.32 The annual process of designing, printing and distributing TaxPack is a major operational exercise requiring efficient and effective management. Even minor errors or distribution problems can generate significant negative media coverage, adversely affect client attitudes and result in considerable additional enquiry workload and therefore costs.

4.33 From our examination of the ATO's management of the development of the 1996 TaxPack, we concluded that the ATO had a structured approach to the exercise and had made several improvements to the development process, compared with the previous year.

4.34 The ATO prepared a management plan and established committees and work structures to manage and coordinate development work. There was wider consultation with ATO operational areas and with community and industry peak organisations. The ATO also commissioned research into client experience with the 1995 TaxPack and client views on some proposed 1996 TaxPack changes. The ATO's establishment of a technical advisory panel, including external practitioners, made a significant contribution to improving the 1996 TaxPack.

4.35 Further improvements could be made to TaxPack development processes, by:

- mapping the overall development process for the forthcoming TaxPack year, including the range of related support activities, and preparing milestone plans and reports;
- integrating work structures for managing and coordinating TaxPack development and Tax Time planning and implementation;
- consulting internally with operational areas and the tax technical and counsel networks and externally with the advisory panel and community and industry peak organisations earlier and more often during the TaxPack year; and
- providing channels for client views to be taken into account in TaxPack design.

### **Future directions**

4.36 A simpler, shorter tax guide with fewer questions could take taxpayers much less time to complete than the current TaxPack. United States tax administration experience indicates that its simple form can be prepared in less than half the time of its main form. <sup>4</sup>



4.37 A number of ATO reviews and client studies since 1990 proposed that the ATO produce a simpler tax guide and return form for taxpayers with straightforward tax affairs. However, the ATO took little action on the design of a simple return form until 1995. The ATO is currently trialling in Victoria an optional short form that shows common income, deduction and rebate items only. This form may be introduced nationally in 1997. The ATO considers it paramount that any such forms and guides enable taxpayers to comply exactly with present tax laws and that they must not be capable of misleading - through their very simplicity - by omission of reference to particular tax declarations, regardless of such omission carrying implications of tax concession or liability on the part of users.

4.38 A problem with the short form on trial is that it still requires clients to use the full sized TaxPack guide. As a result, it is unlikely that client time and effort required to complete the return will be reduced. Therefore, there would be value in the ATO giving consideration to the development of a short guide for issue with the simple form to overcome this problem. Support arrangements for direct mail out of appropriate forms to taxpayer addresses also will need to be in place if proposals for simple tax guides and forms proceed.

4.39 The ANAO supports the ATO's development of simple tax guides and forms, as these initiatives have considerable potential benefits for taxpayers, but emphasises the importance of addressing the need for an effective guide and mail out arrangements.

## **General enquiry services**

### **Background**

4.40 The Australian community makes significant use of ATO general enquiry services. In 1995-96 the ATO handled 2.3 million telephone calls and 1.3 million client contacts at public counters in branch offices.

4.41 The ATO employs more than 500 full time staff on general enquiry services and uses modern telecommunications technology to handle telephone call workload. In a resource constrained operating environment, it is important that the ATO optimises enquiry service performance and minimises costs through:

- efficient management arrangements, advanced technological infrastructure, and sound strategic planning and service design;
- effective workload analysis and staff resource management, and staff training and support; and
- service quality measurement.

4.42 As the community's primary point of initial contact with the ATO, general enquiry services are the ATO's 'public voice' and 'public face'. The service quality that clients experience in contacting the enquiry function matters to them and to the ATO. Their experience can significantly shape their overall perception of the ATO's general performance. The ATO also believes that enquiry and other client services have a favourable impact on the extent to which taxpayers voluntarily meet their tax obligations.

## **Management and infrastructure**

### **Management structure**

4.43 The enquiry function has been managed through a complex agency matrix structure involving the national office, regional coordinators and branch offices. The ATO plans to overhaul this structure as part of the INB blueprinting process. We observed that:

- the ATO has provided limited staff resources for the national direction and oversight of the enquiry function, given that it is one of the ATO's major client services;
- regional coordinators have become more pivotal in managing enquiry workload and harmonising procedures across branches in ATO regions;
- an Enquiries Continuous Improvement Committee (ECIC), comprising national, regional and branch representatives, has operated since 1993 as an important forum for discussion of enquiry service issues and an engine for change. Similar groups of enquiry supervisory managers exist at the regional level; and
- external consultancy services have recently assisted with the implementation of telephone call centre management information systems.

### **Reviews**

4.44 The ATO has carried out a number of useful internal reviews of general enquiry services since 1992. However, we considered that:

- the ATO took too much time to finalise a series of major studies in 1993 and 1994;
- the reviews could have been improved by more extensive performance benchmarking, workload and staff resource analysis, and assessment of client views and technological options; and
- there was little evidence of action on some key review recommendations, particularly those relating to client research and performance information.

4.45 There would be benefit from the ATO monitoring the implementation of review recommendations more closely and broadening the scope of any future enquiry reviews which should be finalised in a timely manner.

### **Telephone enquiry systems**

4.46 The ATO handles most telephone enquiries through seven regional networks of interlinked branch automated call distributors, associated management information systems equipment and private automatic branch exchanges (PABX). Major systems networking and equipment upgrading was completed in the largest two regions (NSW/ACT and Victoria/Tasmania) in 1995 and 1996.

4.47 The new systems aimed to improve service performance and operational efficiency by distributing client calls to the next available enquiry officer within the region, spreading the enquiry workload more evenly between branch offices and providing more comprehensive call management performance information. In developing proposals for the new systems, more attention could have been given to the preparation of cost estimates and consultation with regional management and other parties.

4.48 We noted that past ATO business decisions had significantly constrained a possible option to establish national enquiry service networking and had also added to the cost and

time to implement the new systems. The ATO had four makes of incompatible equipment in different regions, so it could not consider moving to a national system with existing equipment. In some regions there were PABXs not compatible with other equipment. Some equipment also could not meet ATO management information needs.

### **Telephone call centres as a future option**

4.49 The ATO operates telephone enquiry services integrated as part of its branch office structure, rather than as separate telephone call centres. The ATO arrangement facilitates flexible staff allocation to handle variable counter and telephone enquiry workload and encourages linkages between frontline enquiry staff and ATO specialist areas. The ATO also has a significant investment in existing telephone enquiry infrastructure in branch offices.

4.50 Telephone call centres can potentially achieve efficiencies through economies of scale and siting in lower cost accommodation locations. Their single focus on telephone enquiries can also improve service quality. However, there can be problems with the operation of such centres, including their inadequate integration with other agency services.<sup>5</sup>

4.51 In developing proposals for its new systems configuration, the ATO did not give close consideration to telephone call centres, although ATO costings indicated that a small number of these centres was a cost effective option. The ATO advised that it decided against telephone call centres due to persuasive industrial considerations. In our view, there would be value at some future date in the ATO exploring possible benefits of establishing a regional telephone call centre in one or more State capital cities. Such centres could help meet peak enquiry workload during Tax Time seasons particularly if they focused on handling enquiries specifically relating to simpler TaxPack topics.

### **Strategic planning and direction**

4.52 Through the operation of the ECIC and reviews of enquiry services, the ATO has gained an understanding of the main challenges facing its general enquiry services and introduced initiatives such as national '13' telephone numbers, regional workload sharing and improved call management information systems.

4.53 During 1995 and 1996 the ATO developed a more systematic approach to planning for its general enquiry services, culminating in the preparation of a strategic plan for 1996-97. We noted that the ATO's current strategy concentrates on enquiry workload management. This emphasis understandably reflects the ATO's experience with severe workload pressures in this area in 1995. Future strategic planning for the enquiry function could be improved by a stronger external client orientation on service delivery and improvement. There also would be benefit in preparing action plans to direct and monitor progress on initiatives.

### **Service design and delivery**

#### **Role and services statement**

4.54 The ATO currently does not have an authoritative statement of the role and objectives of its enquiry services. It has not specified the types of services provided through the enquiry function, nor those ATO-related services not offered (such as completing tax returns for clients). The ATO also has not stated any particular dimensions of quality service it aims to meet in providing enquiry services. A role and services statement would provide a focus for the enquiry function, foster staff commitment to quality service and help to shape client

expectations about enquiry services. Service quality dimensions are being addressed in the draft Taxpayers' Charter and could be incorporated in such a statement.

### **Closer integration of enquiry services**

4.55 Particular modes of client contact can be more advantageous to the ATO in terms of service unit costs and workload management, and offer superior service to clients depending on the nature of their enquiries.

4.56 There are efficiency gains and potential service benefits for the ATO in encouraging clients with simple enquiries to make telephone rather than counter or mail enquiries. The ATO is now able to manage its telephone enquiry workload more responsively through regional workload sharing. The average queuing time and average client contact duration for telephone is shorter than for counter enquiries, however, the ATO is conscious that the duration of an enquiry is not the only measure: it is critical in terms of service quality to determine if the enquiry has been satisfactorily resolved. While counter or mail enquiries may be significantly more costly than telephone contact, they deliver superior service quality for more complex enquiries.

4.57 Lengthy counter queues in ATO branch offices generate immediate and highly visible pressures on enquiry services and it would be beneficial for counter and mail enquiry services to be concentrated upon more complex enquiries with the more simple enquiries being dealt with by telephone. There would be value in the ATO publicising its preferred modes of client contact for different enquiries, for example, through TaxPack, telephone directory entries and signage in ATO counter areas.

4.58 The ATO has operated general enquiry and correspondence handling services as separate enquiry channels, although there are similarities in the services. There appeared to be some scope for integration of simple mail enquiry handling with general enquiry work. This could include offering clients the service option of discussing their written enquiries over the telephone with enquiry staff.

4.59 Community use of facsimile and internet services is increasing and it would be opportune for the ATO to consider ways of integrating these modes of client contact into the general enquiry function in order to improve the cost effectiveness of operations.

### **Enquiry operating hours**

4.60 The ATO has not widely publicised operating hours for enquiry services, nor has it advised clients of periods of high demand for these services. Wider publicity of operating hours and busy times could benefit the ATO and clients by encouraging a wider spread of service demand across working hours.

4.61 There would be value in the ATO considering the case for extending its telephone enquiry operating hours, particularly during the peak tax return lodgment period. Clients worldwide increasingly expect organisations to provide teleservices after normal business hours. We noted that the Canadian tax administration operates longer hours than the ATO throughout the year and extended hours during the peak tax return period. The ATO provided some extended enquiry services between 1990 and 1993. It may now be possible for the ATO to operate special after hours telephone enquiry services more cost effectively through regional workload sharing arrangements.

## **Enquiry telephone numbers**

4.62 The ATO offers clients a '13' general enquiry telephone number and other '13' or local telephone numbers for enquiries on specific topics. Arrangements for specific topic enquiry lines vary between metropolitan areas. There would be benefit in reviewing the range of regional and branch office practices for streaming telephone enquiries for particular topics, with a view to the wider use of best practice arrangements where appropriate.

4.63 The ATO could improve client knowledge and access to various special services, such as its outsourced publication distribution service, Tax Help and complaints handling, by listing these telephone numbers in public telephone directories. The ATO commented that its experience indicates that multiple telephone number listings in public directories can tend to have effects of causing misunderstanding and misuse (the 'try them all' approach regardless of the nature of the enquiry). While the ANAO acknowledges the potential for misuse, multiple numbers are preferable as they assist clients in selecting the service they want.

## **General enquiry services and specialist functional areas**

4.64 ATO general enquiry services aim to finalise most enquiries without referring clients to functional areas that specialise in those tax topics. These enquiry arrangements have client service and efficiency benefits but their successful operation depends on most enquiries being routine, the limits of enquiry staff competency being clearly defined and specialist staff being available when needed.

4.65 The ATO has not identified the incidence of more technical enquiries nor clearly delineated the responsibilities of general enquiry services and specialist areas for handling them. General enquiry staff also have had difficulties in arranging for specialist areas to deal immediately with more complex enquiries. In our view, it would be desirable for the ATO to research the incidence of more technical enquiries, provide general enquiry staff with practical guidance on types of enquiries to be referred to specialist areas and institute appropriate local working arrangements for referring client enquiries between general enquiry and specialist areas.

## **Recommendation No. 6**

4.66 The ANAO *recommends* that the ATO:

- actively promote client use of telephone enquiry services where telephone contact provides higher service quality for clients and lower costs for the ATO; and
- consider extending the operating hours for telephone enquiry services during the peak tax return lodgment period.

## **ATO response**

4.67 The ATO agrees with this recommendation.

## **Workload analysis and staff resource management**

### **Workload analysis**

4.68 The ATO has not undertaken national analysis of enquiry workload data during the

1990s to identify trends in client demand for enquiry services and to assist future service planning. The limited available data indicate that there has been a decrease in telephone enquiries and an increase in counter enquiries since 1991-92.

4.69 The ATO carried out only limited analysis of 1995-96 enquiry workload and provided regions and branches with little information to assist them plan their enquiry staff resource requirements for 1996-97. In our view, more comprehensive workload analysis and forecasting would be beneficial and likely to produce more cost effective outcomes overall.

### **Staff resource planning**

4.70 The ATO has made some use of an accepted telecommunications industry formula (Erlang C) <sup>6</sup> for determining staffing resources for enquiry services. However, we observed that the national office did not provide guidance on key planning parameters required in the formula. As a result, regions and branches have prepared their staffing estimates using different parameters. There would be benefit in setting key national parameters to be used in the Erlang C formula and adopting more consistent methods for calculating staffing requirements across regions and branch offices. The ATO advised that in August 1996 it implemented this suggestion.

### **Flexible staffing arrangements**

4.71 There are strong seasonal and daily variations throughout the year in client demand for telephone and counter enquiry services. In this regard we noted that some 44 per cent of attempted calls to the national '13' general enquiry number during 1995-96 were made in July and August 1995, the first two months of the peak tax return lodgment period.

4.72 The ATO currently employs a number of flexible staffing arrangements for general enquiry services, including the temporary assignment of staff from other ATO areas to enquiry duties for the peak period. However, these arrangements have not provided sufficient resources to cope with high enquiry volumes during the peak season and are also becoming more difficult to continue due to work requirements in other functional areas.

4.73 In our view, there would be benefit in the ATO giving closer consideration to the use of trained part-time and temporary staff on enquiry duties during peak client demand as part of its staffing strategies to meet seasonal enquiry workloads. This would be in line with its formal commitment to increasing part-time and temporary employment. We note that the ATO would need to address sensitively and proactively any industrial relations implications flowing from the proposal.

### **Staff morale**

4.74 ATO reviews have highlighted uneven staff commitment, high occupational stress and low morale as personnel problems facing ATO enquiry services. The lack of control over work volumes, heavy peak workloads, less flexible work hours than other areas and perceived low status of the enquiry function within the ATO have been identified as contributing factors. In our view the ATO should continue to address these issues through various approaches, including team building and stress management learning, staff transfer and career planning, and management recognition of creditable work group performance.

### **Staff training and support**

#### **Training and development**

4.75 The ATO has developed a national enquiry learning program (NELP) for the enquiry function and is running a client contact skills program for all INB staff, including enquiry staff. Enquiry staff can also participate in ATO-wide tax technical development programs, such as the Taxation Officer Development (TOD) program.

4.76 The ATO has released enquiry staff from normal duties to undertake training for 10 per cent of their work time. Telephone enquiry workload has been redirected between branches to allow the scheduled closure of enquiry areas for work group training sessions.

4.77 We found that the ATO has made a significant resource commitment to enquiry staff training. However, there was little national or regional direction of the use of this training time. It was not scheduled flexibly to avoid peak workload periods and the duration of training times varied considerably between branches.

4.78 NELP has not gained wide acceptance as the core learning product for enquiry services, with many branches using only part of the full range of learning modules and some branches not using it at all. NELP does not adequately meet what branches regard as their major enquiry training need, that is, brief induction training for staff temporarily assigned to enquiry areas during the Tax Time season. NELP is closely linked to training material in TOD which many enquiry staff have not undertaken. It is designed for individual self-paced learning, rather than trainer-directed presentations or group study generally preferred by enquiry staff.

4.79 Branch offices have made local arrangements for training new enquiry staff. The quality of this induction learning and post-induction support has been variable. In our view, there would be benefit in the ATO developing a new national induction training package that would provide new enquiry staff with brief, focused learning to enable them to deal with commonly asked TaxPack enquiries.

4.80 In the longer term, there could be advantage from the regionalisation of induction training for branch enquiry staff in the larger metropolitan areas. This could raise the profile of enquiry staff training, achieve economies of scale through training larger intake groups and provide call simulation facilities that would assist staff learning.

### **Staff guidance and support tools**

4.81 The ATO has produced a number of national, regional and branch manuals and training guides for the enquiry function. Staff also have access to a suite of computer-based technical support tools (Toolkit). At their workstations they usually keep various ATO and general tax guides and publications, as well as their own folders or flipcharts of accumulated reference material.

4.82 With the introduction of regional worksharing arrangements, some differences in branch work practices have become evident and regions have responded positively by drafting new procedures manuals aimed at improving procedural consistency. We identified scope for greater cooperation between regions in the development of these new manuals. There also would be benefit in the national office providing authoritative guidance on taxation and tax administration policy matters of significance for enquiry areas. This national enquiry policy manual would help to promote common understanding of key issues.

4.83 Branch offices generally have made little use of Toolkit. The ATO needs to establish that Toolkit applications are demonstrably superior to other means of answering client enquiries, before considering marketing the support tool and providing appropriate staff training to

promote its possible wider use. There is also scope for the ATO to encourage good workstation design features including flipcharts and to produce standard documentation for these tools.

### **Recommendation No. 7**

4.84 The ANAO *recommends* that the ATO:

- strengthen workload analysis and staff resource planning for enquiry services;
- further consider the use of trained part-time and temporary employees as a cost effective option in the ATO's overall staffing strategies to help meet peak enquiry workload pressures; and
- improve the quality of induction training for new enquiry staff.

### **ATO response**

4.85 The ATO agrees with the directions of this recommendation. The need to improve workload analysis and staff resource planning has been recognised by the ECIC, following guidance provided by external telephone call handling consultants, and a variety of initiatives are under development.

4.86 The problem of peak enquiry workload pressures in one albeit vital part of the ATO as against the competing priorities of other parts of the organisation has attracted consideration of different proposals. Assignment of trained part-time and temporary employees is one such strategy although not the only potential solution. Ultimately, cost-effectiveness will be a major criterion but service quality, staff job satisfaction and career development are also important. The work and job design phase of the ATO's organisational blueprinting process is considered an integral part of determining the most appropriate strategy for addressing the essential seasonality of enquiry workloads.

4.87 A national strategy is under development to improve the quality of enquiry staff induction training.

### **Service responsiveness**

4.88 Service quality encompasses many dimensions of service provision and client experience, including responsiveness, reliability and the tangible appearance of facilities and staff.

4.89 The ATO has focused on service responsiveness as its main service quality dimension for the enquiry function. The timeliness of ATO taking queued telephone calls and attending to counter visits are its two main service standards for enquiry services. These measures are examined as part of our overall analysis of ATO corporate service standards in chapter 5.

4.90 This section outlines a wider set of technical indicators for measuring the service responsiveness of telephone enquiry services which we used to analyse the ATO's service performance in 1995-96 at the national level, or NSW regional level where the ATO could not supply national data. The implications of the ATO's performance for future ATO management of enquiry services are also discussed.

4.91 In analysing ATO performance in terms of the technical measures, we recognised that



the service quality that particular government agencies aim to provide their clients is influenced by many factors, including the nature of their business, their overall level of resources, the priority that agencies give to particular services, and the expectations of their clients.

4.92 In this regard, best practice examples cited in Table 1 are drawn from a United States benchmarking study which included highly client service oriented businesses.<sup>7</sup> The extent to which the ATO should aspire to these standards and allocate additional resources or make better use of its existing resources in pursuit of them ultimately is for the ATO, government and the community to decide.

4.93 Three widely accepted technical quantitative measures of service responsiveness for telephone enquiry services are:

- the busy signal rate, where client calls cannot get into the agency telephone system;
- the abandoned call rate, where clients with queued calls hang up before an enquiry officer becomes available to take their call; and
- the service rate, usually defined as the proportion of queued calls taken by an enquiry officer within a specified time.

4.94 The ATO has not set standards for busy signals. As they have a significant impact on service quality experienced by clients, there would be value in the ATO adopting a suitable standard.

4.95 The standards that the ATO has specified for abandoned call rates and service response times aim for much lower service quality than overseas best practice, as shown in Table 1.

**Table 1. Technical measures of service responsiveness**

Technical measure	ATO standard	Overseas best practice
Busy signal rate	No standard	Less than 1 per cent of total calls
Abandoned call rate	10 per cent of queued calls, excluding any calls abandoned within the first 30 seconds	Less than 2 per cent of total calls
Service rate	80 per cent of calls to be taken within two minutes for queued calls	Clients expect calls to be taken within 15 seconds.  Queue waiting time approaching one minute is regarded as unacceptable.
Source for overseas best practice: United States National Performance Review, <u>Putting Customers First. Serving the American Public: Best Practices in Telephone Service.</u> Federal Consortium Benchmark Study Report, February 1995, p.11, p.27.		

**Table 2. ATO service responsiveness, July 1995 to August 1996**

Technical measure	Overall 1995-96 performance	Monthly performance in 1995-96	July 1995	August 1995	July 1996	August 1996
Busy signal rate (National)	35 per cent	Above 15 per cent in six months	71 per cent	42 per cent	35 per cent	25 per cent
Abandoned call rate (NSW only)	12 per cent	Did not meet the ATO standard in six months	21 per cent	16 per cent	10 per cent	12 per cent
Service rate (NSW only) <sup>(a)</sup>	64 per cent	Did not meet the ATO standard in ten months	41 per cent	55 per cent	69 per cent	67 per cent

<sup>(a)</sup> Service rate reported to ATO management has also been expressed in terms of calls answered within two minutes as a percentage of total *answered* calls, not *queued* calls. The ATO national and NSW service rate for 1995-96 was 74 per cent of answered calls.

4.96 Our examination of ATO service responsiveness indicated that it did not meet its two standards for telephone enquiry services in at least the NSW region during 1995-96. We also noted that it performed far below overseas best practice. (National service performance data were not provided by the ATO.)

4.97 ATO service performance in terms of the national busy signal rate and the abandoned call and service rates in NSW was particularly poor in July and August 1995, the first two months of the 1995 tax return lodgment (Tax Time) season. Better results were achieved in July and August 1996, compared with the corresponding months in the previous year. The ATO noted that the better results were achieved despite the effect of direct industrial bans throughout the two months and the inevitable technical problems arising from the introduction of new call centre technology. Key results are summarised in Table 2.

### **Total call service rate**

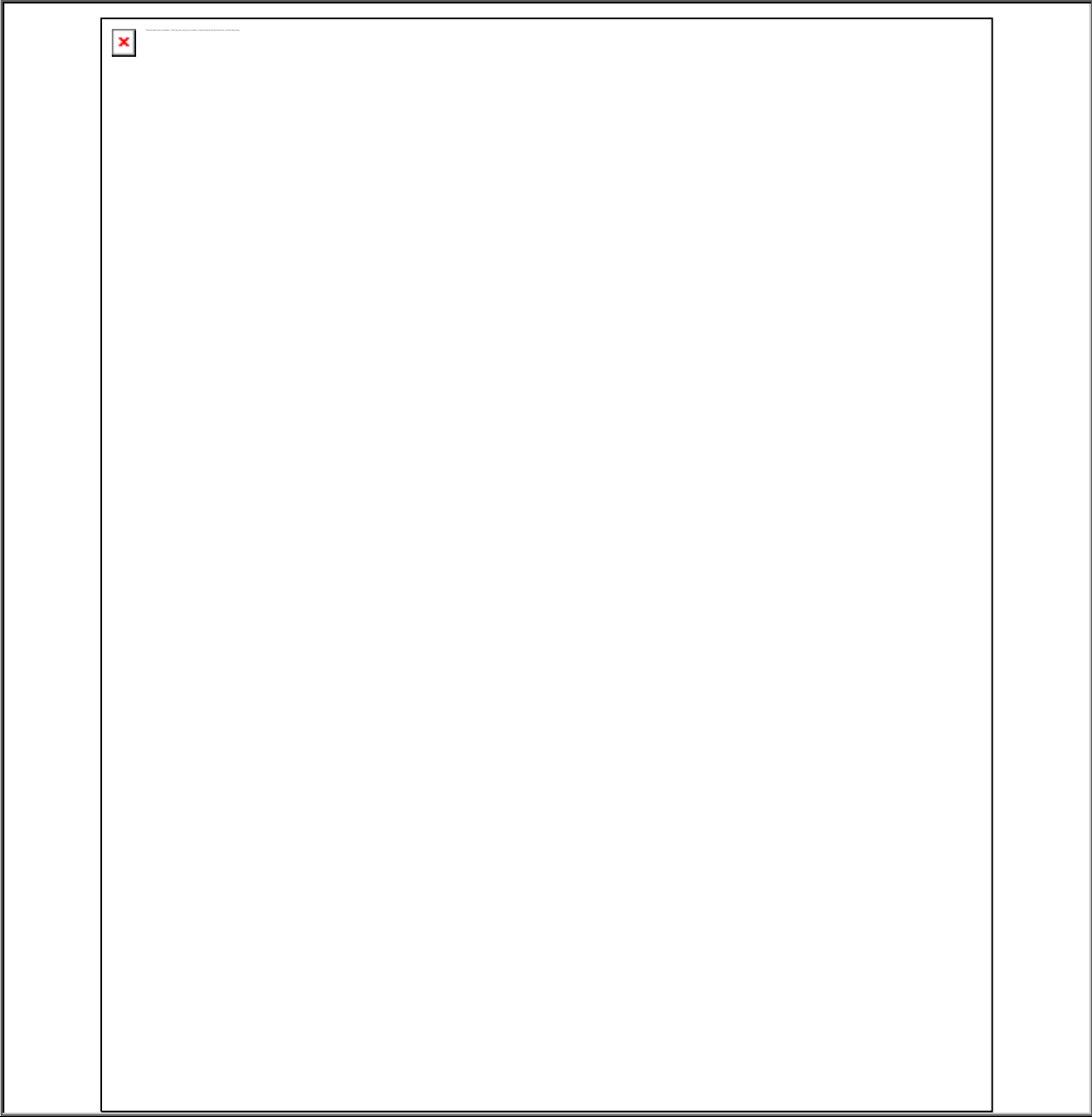
4.98 Calls taken within the ATO standard of two minutes as a percentage of *all attempted calls* was identified by the ANAO as a useful indicator of the ATO's overall service performance. Unlike the service rate mentioned above that uses queued or answered calls as its base, the ANAO indicator takes into account attempted calls that do not reach ATO telephone queues.

4.99 Chart 3 presents the service rate, abandoned call rate and busy signal rate expressed in terms of total calls in NSW in July 1995 and 1996. (Annual data could not be supplied by the ATO.)

4.100 It shows that only 21 per cent of total attempted calls were taken by an enquiry officer within two minutes in NSW in July 1995. The figure improved to 40 per cent of attempted calls in July 1996. It is evident from the figures in the Chart that the main problem area in both months was the difficulty that clients had in getting into ATO telephone enquiry queues.

4.101 We acknowledge that the NSW service performance, particularly in July 1995, was affected by severe workload pressure. The first month of the Tax Time season generally is a busy month for enquiry workload. Adverse media publicity about TaxPack and staff industrial activity in some branches in the NSW region have been identified by the ATO as factors affecting service quality during July 1995. The ATO advised that NSW service performance in July 1996 also was affected by industrial action. The ATO used a recorded message to advise affected clients of the industrial action and operating hours when service would be available.

**Chart 3. Estimated service performance in terms of total attempted calls, NSW, July 1995 and July 1996**



4.102 It is recognised that the figures in Chart 3 are expressed in terms of total attempted calls, not clients: individual clients may try to telephone ATO enquiry services more than once if their first attempt to reach an enquiry officer is unsuccessful. Figures could be adjusted for this factor if call redial estimates were prepared by the ATO.

## **Future directions**

4.103 The achievement of quality service responsiveness for the enquiry function is a significant challenge for the ATO, given the high level of client demand for enquiry advice and information, available agency staff resources to deal with the enquiry workload and the strong seasonality associated with these services.

4.104 However, there are a range of strategies that can help to reduce and manage enquiry workload, such as more flexible use of staffing resources and better informing clients of the workload situation. ATO service performance can be improved by:

- providing additional or clearer written information to clients, thereby reducing their need to make telephone enquiries;
- introducing voice response services that provide clients with recorded general tax information, as well as safeguarded access to records such as their tax liabilities or Higher Education Contribution Scheme (HECS) debts;
- encouraging clients to make their enquiries by telephone;
- streaming telephone calls on particular topics to special enquiry services where appropriate;
- introducing more flexible staffing arrangements, including the potential use of temporary employees;
- routing enquiry workload across time zones, if regions have spare capacity. Although the ATO would bear additional STD telephone costs, these arrangements would provide clients with longer enquiry service hours and help to reduce daily enquiry peak workloads in some regions;
- reconsidering short queue lengths set for telephone enquiries, currently limited to 1.5 queued calls per enquiry officer taking calls. This arrangement can have the effect of artificially improving service performance measured in terms of queued calls but is detrimental to the client experience of service quality through higher busy signal rates;
- publicising time periods when client calls are more likely to successfully reach enquiry officers;
- incorporating queue voice messages advising clients of alternative telephone numbers for services such as publications and forms, tax file number applications and status of their tax assessments; and
- introducing informative queuing messages that let clients know their expected queue waiting time and thereby help them decide whether to stay in the queue or hang up.

4.105 At the time of audit the ATO had incorporated some of these strategies in its 1996-97 strategic plan for enquiry services.

## **Other service quality dimensions**

4.106 The ATO currently does not measure important service quality dimensions, other than service responsiveness, for its enquiry services. Recognised quality assurance processes for

measuring service quality along other dimensions include telephone enquiry call monitoring and independent service appraisal.

4.107 The ATO has not carried out systematic monitoring of the technical correctness of advice to clients and the quality of staff communication with clients. The ATO stated that this was primarily due to past industrial sensitivities towards these sorts of monitoring. The ANAO considers there would be considerable benefit in the ATO instituting call monitoring arrangements, recognising that staff industrial issues, legislative requirements relating to telecommunications monitoring and privacy considerations would need to be addressed.

4.108 The ATO also has not commissioned periodic independent evaluation of the service quality of its enquiry services. Various quality assurance processes could be used, including 'mystery shopper' appraisals. We noted that the New Zealand tax administration has applied this technique to measure some client services.<sup>8</sup> It could be particularly useful for assessing the quality of ATO counter services, including environmental service dimensions such as building access, corporate signage and waiting area layout and facilities.

4.109 Until recently the ATO carried out twice yearly voluntary testing of the correctness of written answers of branch office enquiry staff to a series of technical questions. Results of these tests indicated that most ATO branches had mediocre levels of technical knowledge. However, the design and conduct of the testing system was open to criticism. At the time of audit, testing had been suspended. The ATO proposes to review the system. Given previous test results, there would be merit in resuming some form of testing to establish that branch enquiry services provide reliable technical advice. Tests should focus on the more common enquiry service topics and recent changes to tax laws and tax administration affecting ATO clients.

### **Recommendation No. 8**

4.110 The ANAO *recommends* that the ATO:

- improve the service responsiveness of the telephone enquiry function, through cost effective workload management and better information to clients on the enquiry work situation; and
- introduce quality assurance processes, such as call monitoring, independent service appraisal and technical knowledge tests, to measure other important dimensions of enquiry service quality.

### **ATO response**

4.111 The ATO agrees and currently is implementing strategies to achieve these improvements. Progressive implementation of call centre management technology enabling full regional workload sharing was commenced in 1993 and completed during the course of this audit. Recent analysis confirms the new system's clearly improved capability to deliver better service to enquiry service users. Call centre practices and measurement systems are being standardised, and evaluation of informative queuing and enhanced voice response technologies is under way. Revised quality assurance processes are being examined.

### **Tax Help**

#### **Background**

4.112 The ATO provides assistance to people on low income who have difficulty in

completing their tax returns through Tax Help, a community volunteer support program. Tax Help clients include seniors, people from non-English speaking background, Aborigines and Torres Strait Islanders and people with disabilities.

4.113 The ATO provides the volunteers with training and technical advice on tax matters and reimburses minor costs incurred in providing assistance to clients.

4.114 The number of clients and volunteers participating in Tax Help has more than doubled since its establishment in 1989 but it remains a relatively small-scale program. In 1995 Tax Help had 1300 volunteers who completed 28 000 income tax returns and 2000 advice forms for clients not required to lodge returns. Assistance was provided at or through 530 community centres across Australia. We noted that a similar program of the Canadian tax administration used 12 000 volunteers in the preparation of 200 000 returns in 1995.<sup>9</sup>

4.115 The efficient and effective delivery of programs such as Tax Help is facilitated by:

- setting objectives, participation targets and strategies for the program, and reporting on results;
- sound program planning and resourcing and appropriate staffing policies and practices; and
- effective recruitment, support and monitoring arrangements for volunteers.

### **Program strategies and results**

4.116 The ATO has set out objectives for Tax Help in program documentation and evaluation reports. Tax Help also links into the ATO's broader social justice and access and equity framework. However, this is not stated in Tax Help documentation. There would be benefit in the ATO highlighting this in relevant Tax Help material.

4.117 The ATO has not set desired annual or longer-term targets for the program, in terms of the number of assisted clients, volunteers or community organisations and centres participating in Tax Help. In our view, there would be merit in the ATO setting program participation targets for Tax Help as a basis for operational planning for the program each year.

4.118 The ATO proposed in its INB business plan to enhance Tax Help during 1995-98 but we saw no evidence of strategies to put this into effect.

4.119 Although the ATO has secured support from many community and ethnic groups in promoting the program and in recruiting volunteers, we considered that there was scope for the ATO to seek more support for the program from relevant national peak community bodies and their constituent associations than has occurred to date. Through closer liaison with these bodies, the ATO could encourage wider community participation in the program.

4.120 The ATO also could give more attention to marketing Tax Help directly to particular community groups, client segments and types of community centres that appear to be less well-represented in the program. The involvement of more migrant resource centres, senior citizen centres and Aboriginal and Torres Strait Islander community centres would help to extend the reach of the program to a larger segment of these client groups.

4.121 Each year the ATO has carried out an internal review of Tax Help. It also describes the program in its annual report but does not include information on the level and cost of

assistance provided to clients.

### **Planning, resourcing and staffing**

4.122 We made the following observations about ATO planning, resourcing and staffing for Tax Help:

- action plans have not been developed at the national, regional or branch office level for Tax Help. Such plans would help the ATO to direct and plan Tax Help activities;
- Tax Help is a relatively low cost program because of its reliance on volunteers. However, its costs have not been separately identified in INB national and branch budgets and there has been wide variation between branch offices in program funding;
- most branch offices have one Tax Help coordinator who runs the program in their area. A national coordinator oversees the program, assisted by regional coordinators. We noted that the commitment and skills of particular officers have made a significant contribution to the program; and
- the ATO has not adequately specified the duties, skills and classification of Tax Help coordinator positions and various informal processes have been used to fill some positions. There also has been high turnover of branch coordinators, which has made it more difficult to build long-term relations with community groups and volunteers.

### **Volunteer recruitment, support and monitoring**

4.123 Effective volunteer recruitment, support and monitoring are crucial to the success of Tax Help. We found that:

- the ATO could adopt a more systematic and targeted approach to recruiting volunteers particularly through personal contact with community centre managers and possible volunteers. We also noted that the Singapore tax administration involved polytechnics and their final year accounting students in a scheme to assist in the preparation of simple tax returns;
- it is important that volunteers receive adequate support from the ATO. Good practices noted within the ATO included branch coordinators available to provide them with guidance and advice, 'hot line' telephone access to ATO technical advice and the preparation of newsletters for volunteers. However, the ATO generally has not been able to provide support to volunteers after business hours and newsletters were produced infrequently during 1995. We noted that the Canadian tax administration has an association of tax volunteers to support their activities;
- the ATO has maintained quality control checks over the accuracy and completeness of returns prepared by volunteers. However, results have not been systematically recorded, reported and used to improve particular aspects of volunteer training ;
- the ATO has not identified key operational performance indicators for measuring its recruitment, training and support in respect of volunteers or the activities of the volunteers themselves; and

- the ATO has not put in place standard reporting routines for the program. Branches have a variety of periodic or ad hoc local reporting arrangements and do not provide information on program operations to the Tax Help national coordinator during the year.

### **Recommendation No. 9**

4.124 The ANAO *recommends* that the ATO stress the positive aspects of an improvement in the delivery of Tax Help services by:

- setting program participation targets and instituting strategies to increase participation in Tax Help, and reporting on results through its annual report;
- preparing action plans and budgets for the program and formalising its staff structure; and
- recruiting, supporting and monitoring the work of volunteers more systematically.

### **ATO response**

4.125 The ATO agrees with this recommendation.

### **Correspondence handling**

#### **Background**

4.126 Correspondence refers here to written communications between individual clients and agencies. At present, most correspondence is in paper form but, in the future, an increasing volume of correspondence is expected to be transmitted electronically.

4.127 Agency services for handling client-initiated correspondence typically include processes for:

- receiving, sorting and registering correspondence;
- allocating correspondence work to action officers;
- monitoring and reporting on the physical location and the current action status of correspondence work; and
- dispatching responses to clients where appropriate when action on correspondence has been completed, and retaining correspondence records.

4.128 Correspondence is one of the principal means by which clients communicate with the ATO. Some clients may prefer to obtain written rather than spoken advice, as correspondence is less prone to misunderstanding by both parties and can be retained as a record.

#### **Correspondence systems**

4.129 The ANAO identified some features of ATO correspondence systems which did not facilitate efficient and effective operations.

4.130 The ATO lacked a single common system for registration of correspondence. Within the ATO there were a number of separate systems for various functions within some individual branch offices and for similar functions in different branch offices. These systems were the legacy of previous organisation arrangements within the ATO, as well as local system development efforts. Other ATO areas such as the cross-business line debt



management area and the Child Support Agency (CSA) had separate systems that were used nationally. The range of current correspondence control systems is not interoperable.

4.131 The ATO's local correspondence systems have several service quality and efficiency disadvantages. Branch offices handling some kinds of client correspondence cannot know from their local records as to whether clients have had previous or concurrent contacts with other branches relating to similar matters. There is considerable variation in the level of detail recorded in particular systems and in the extent to which management information can be readily generated as a by-product of routine operations. Multiple systems also tend to add to staff training and system maintenance costs.

4.132 We observed that general enquiry services lack access to correspondence systems, to respond to telephone or counter enquiries made by clients to ascertain whether their correspondence has been received and when the matter is likely to be finalised. By way of contrast, we noted that the CSA and the Singapore tax administration have systems that enable staff with appropriate access to retrieve readily information relating to correspondence on hand.

4.133 Most ATO correspondence systems do not provide facilities for maintaining accumulated case management records relating to individual clients. However, the CSA system has the facility to keep electronic records of written and oral contact with clients and the debt management system also provides for limited case management. There would be benefit from the ATO considering the costs and benefits of adopting a system such as the CSA's more widely within the ATO. This would address recommendations of JCPA and Senate Finance and Public Administration References Committee reports that agencies such as the ATO keep records of oral advice provided to clients or give written confirmation of such advice upon request.<sup>10</sup>

4.134 ATO processes for handling correspondence require the physical movement of paper records through various work areas, from initial mail receipt to action officers in functional work areas and later to storage. Correspondence handled in this way is at some risk of being lost or misdirected. Where multiple topics are raised in client correspondence, the matters may be dealt with serially rather than in parallel in different work areas. Retrieval of client tax returns lodged at various branches over a number of years may take months to finalise.

4.135 We noted that since 1994 the Singapore tax administration has scanned all correspondence using imaging technology and held these electronic records in individual client files. These arrangements assist document control and workflow allocation, monitoring and reporting. The development and installation of such systems, however, involve considerable outlays.<sup>11</sup> The ATO has under way a project examining the potential application of imaging technology. We support the ATO examination of this issue.

4.136 In our view the ATO would benefit from a comprehensive review of its current correspondence control systems and consideration of possible alternative technological solutions. The review could address ATO functional requirements for correspondence registration, action status monitoring and document control, as well as the case for electronic records of contact with individual clients. As part of this exercise it should examine the applicability of correspondence control and client contact record systems of the CSA and other agencies.

## **Recommendation No. 10**

4.137 The ANAO *recommends* that the ATO examine the need for and the benefits and costs of improved systems for handling client correspondence and recording client contact with the ATO.

#### **ATO response**

4.138 The ATO agrees with this recommendation.

#### **Correspondence workload and performance standards**

4.139 ATO branch offices from time to time have been required to handle significant volumes of unexpected client correspondence that result from mail out exercises initiated by the national office or other branch offices. This has generated workload pressures on affected branch work areas and is likely to have reduced service quality to clients. The ATO is developing a proposal that would require offices generating such work to prepare impact statements and give advance notice of mail outs to other offices. We support this development.

4.140 The ATO has had a number of corporate performance standards for handling various kinds of 'correspondence', including tax returns, requests for rulings, and general correspondence. These standards are discussed in chapter 5.

4.141 We noted that the general correspondence standard relates only to client correspondence requiring an ATO response. The handling of inward correspondence on matters that do not require a response, such as client advice of change of address, is not monitored in the same way. There would be value in the ATO considering whether its actioning of such miscellaneous inward correspondence should be subject to business line technical performance monitoring. This would help to ensure that this correspondence is processed within a reasonable time frame.

#### **Technological developments**

4.142 A number of technological developments have relevance to future ATO client services, including the possible production of electronic 'smart' forms and documents with in-built help packages to assist clients use them and the possible provision of tax information, guides and returns on the internet. We recognise that client access to the required computer services, although growing, is still limited and the transmission of returns over the internet in particular would require resolution of various technical, privacy and data security issues.

4.143 The construction and siting of an ATO home page on the internet indicates that the ATO is embracing new technology which has potential benefits for clients. However, we observed that the ATO was not coordinating its internet efforts at a corporate level, across business and service lines. The ATO should strengthen its corporate approach to the development of the internet.

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## **5. Client Service Standards, Measurement and Performance**

*This chapter examines ATO arrangements for setting client service standards and for measuring and reporting service performance. ATO complaints handling processes are also reviewed.*

## **Service standards**

### **Background**

5.1 Service standards are statements about the expected quality of service provided by agencies delivering services to clients. Typically, service standards include specific delivery targets for key aspects of service. However, a comprehensive service standard framework also identifies the cost of those services and provides complaints and redress mechanisms for clients who believe that stated standards have not been met.

5.2 Effective service standards have a number of common characteristics. They should be limited to a few key measures, linked to the corporate objectives of agencies, be affordable and challenging but attainable for agencies and also be meaningful to clients. Standards should be developed in consultation with clients and staff. Approved standards should be clearly communicated to them. Standards should be readily measurable. Responsibility for service performance against standards should be clearly understood within agencies. Standards also should be reviewed regularly. <sup>12</sup>

5.3 The process of developing and implementing service standards involves agencies:

- identifying their key client services and defining the level of service they expect to provide to clients;
- establishing and operating management information systems to measure service performance in terms of these standards; and
- reporting performance results to agency management and other stakeholders.

5.4 Service standards can foster agency commitment to the provision of quality service for clients and help agencies to focus their effort on key performance areas. Effective performance information systems can alert agencies to service performance problems and support appropriate operational decisions in relation to particular client services. Agency accountability for service performance and the use of resources for service delivery is enhanced through public reporting of performance results.

### **Operational performance standards**

5.5 For a number of years the ATO has had corporate and business line operational performance standards but it has not described any of them as client service standards. It plans to introduce such standards when the Taxpayers' Charter comes into operation, probably in 1997.

5.6 ATO operational performance standards have been the subject of internal review each year. This has resulted in generally minor changes in the form of expression of some standards and in specific service delivery targets.

5.7 For 1995-96 the ATO identified a small number of key corporate operational performance standards in place of the much larger number of performance standards it had set for the previous year. In addition to these corporate standards, the INB business line specified a

sizeable number of operational performance standards covering a wide range of its activities for 1995-96 and then identified some of them as being priority standards.

5.8 At the time of preparation of this report, new corporate operational performance standards for 1996-97 had not been promulgated.

5.9 We consider that eight of the ATO's corporate operational performance standards for 1995-96 constituted de facto service standards, as they were intended to measure key service aspects of core client services. These standards are shown in Table 3.

5.10 We identified a number of deficiencies in the ATO's 1995-96 corporate and INB operational performance standards.

5.11 Corporate service standards were set for four important ATO client services (returns processing, correspondence, enquiries and rulings) and were linked to specific focus areas in the 1995-98 ATO corporate plan. However, the ATO did not set a corporate standard for another significant client service, the issue of tax file numbers to members of the public.

5.12 The ATO stated that it always has had in place an operational performance standard for the issue of tax file numbers, but due to the small scale of this operation, it may not have been represented in every corporate plan. In the ATO's view, this does not indicate that a corporate standard has not been set. The ANAO considers that there is benefit in publishing corporate standards relating to client services so that clients are aware of them and know how well the agency has performed against those standards. The timely issue of tax file numbers is important to the community.

5.13 The corporate service standard for telephone enquiries provided an inadequate measure of this client service, as it had no regard to the service experienced by clients who could not get into ATO telephone queues.

**Table 3. ATO operational performance standards relating to client service for taxation matters, 1995-96**

<b>Operation</b>	<b>Standard</b>
<u>Issue of returns</u>	
Correct Electronic Lodgment Service returns	90% to be issued within 2 weeks
Correct non-electronic lodgment returns	90% to be issued within 8 weeks 100% to be issued within 12 weeks
<u>Correspondence</u>	
Routine cases	100% to be correctly answered within 4 weeks
Complex cases	100% to be correctly answered in a period negotiated with taxpayer

<u>Enquiries</u>	
Telephone calls reaching the ATO	80% to be connected to an enquiry officer within 2 minutes
Substantive personal enquiries	90% to be attended to within 10 minutes
<u>Rulings</u>	
Routine cases	100% to be correctly answered within 7 weeks
Complex cases	100% to be correctly answered in a period negotiated with taxpayer

Source: ATO 1995-98 Corporate Plan

5.14 Five of the corporate standards required clear operational definitions to distinguish 'routine' and 'complex' cases and to define 'substantive' enquiries. However, the ATO did not adequately address these definitional problems. In addition, two of these standards were expressed in terms that made aggregate performance measurement inherently difficult. This was because the time targets for complex correspondence and rulings work were to be determined on a case by case basis.

5.15 Although four of the corporate service standards aimed to measure the correctness of ATO advice as well as the timeliness of ATO administrative action, the ATO did not develop criteria for assessing whether correspondence or rulings were correctly answered and did not put in place any means to record such assessments.

5.16 Five of the corporate standards were expressed in terms that were practically impossible to achieve, because 100% of casework was required to be completed within the defined time limits. We appreciate that it is useful to set standards that cover all cases and consider that the ATO could have resolved this problem by determining that it would regard performance standards as being met where performance results were within a specified percentage of the standard.

5.17 There was poor linkage between the corporate service standards and INB performance standards. Although corporate standards were set for correspondence and rulings work, the INB business line did not regard them as priority areas for performance monitoring.

5.18 In developing future corporate standards, the ATO should ensure as far as practicable that its major service activities are covered, that service as experienced by clients is measured, and that the standards are carefully defined, capable of ready operational implementation and can be practically achieved. ATO corporate and business line standards also should be better aligned so that business lines give effect to corporate priorities.

## **Development of standards**

5.19 ATO processes for developing performance standards in 1995-96 and for drafting service standards as part of the Taxpayers' Charter project could have been improved in a number of respects.

5.20 The ATO did not systematically identify client views on which client services are most important, what aspects of service (such as access, timeliness and accuracy) are most valued and what level of service they expect. Some client feedback on service standards was received during the development of the Taxpayers' Charter. This indicated that some existing standards do not reflect community expectations about reasonable levels of service. Client surveys would assist the ATO to better understand client attitudes to service provision. From such work, the ATO would also be better able to consider what service levels for particular client services would support continued client compliance with tax laws.

5.21 The ATO did not carry out wide formal consultations with staff on the development of service standards although there were extensive staff consultations on the Taxpayers' Charter itself. It is important to gauge staff views, as any widespread staff belief that standards are unattainable can result in negative staff motivation and adversely affect service performance.

5.22 The ATO has undertaken limited reviews of service standards of APS and State government agencies, overseas tax administrations and private sector organisations from time to time. More comprehensive benchmarking of ATO standards particularly against comparable State and overseas revenue collection agencies would be desirable.

5.23 In developing and determining new standards, it was not evident that the ATO carefully calibrated service performance results from previous years. Nor had the ATO determined any improvements in its service performance expected in the forthcoming year and the staff resource and other cost implications of possible service delivery target options.

### **Communication of standards**

5.24 The ATO specified corporate standards for 1995-96 in its 1995-98 corporate plan. However, staff were not provided with a comprehensive explanation of the purpose of the standards and their basis, to help them understand the standards and encourage their commitment to improved service delivery.

5.25 The ATO also generally did not inform clients of key performance standards, through such means as pamphlets or poster displays in ATO offices or TaxPack. We noted that the ATO is proposing to publicise future service standards as part of the Taxpayers' Charter documentation. In our view, this could be supplemented by prominent signage in ATO offices and publicity in TaxPack or other communications to clients.

### **Performance measurement systems**

5.26 Management information systems for measuring service performance operate at the business line level within the ATO. We identified a number of problems associated with these performance systems during 1995-96:

- systems were not established or operating to provide performance data for corporate standards on correspondence and rulings work;
- there were significant differences in branch office systems and procedures used to record performance data related to substantive personal enquiries within the INB business line, casting considerable doubt on the validity of performance data related to this enquiry

corporate standard;

- performance data on various INB operational performance standards was not available for some regions and branch offices in particular months during the year, due to equipment malfunction, staffing difficulties, industrial action or other factors. The replication of data from previous months to fill the gaps would have affected the accuracy of these data; and
- no quality assurance processes were in place to determine the extent to which reliance could be put on performance data across business lines, regions and branches. Such processes are crucial, particularly having regard to the variety of manual processes and computer systems used to record and compile performance data.

### **Performance reporting to ATO management**

5.27 ATO senior management were provided with narrative reports on service performance in terms of ATO operational performance standards several times during 1995-96. Within the INB business line, aggregate statistical reports with some commentary were compiled nationally and for regions on a monthly basis.

5.28 In our view, the capacity of ATO senior management to identify problem areas in service performance and to respond appropriately would have been constrained by deficiencies in the quality of management information in these reports.

5.29 Particular deficiencies noted in corporate reports were that:

- no composite assessment of the ATO's overall service performance against corporate performance standards was presented; performance results were presented by business line only;
- the INB business line was incorrectly stated in one report to have met corporate performance standards for correspondence and rulings, notwithstanding the fact that national performance data related to these corporate standards was not compiled for the business line;
- where business lines did not meet standards, the precise extent of their performance shortfall generally was not disclosed in reports and reasons for not meeting service delivery targets were sometimes not given; and
- performance results were not always reported without delay. Results for 1994-95 were not submitted until September 1995 and at the time of preparation of this report, a report on results for 1995-96 was still being finalised.

5.30 We noted also some discrepancies in performance data provided in national and regional statistical reports for corresponding periods.

### **Performance results**

5.31 The ATO's corporate report for the nine month period to March 1996 indicated mixed performance results in meeting the 1995-96 corporate operational performance standards. The ATO exceeded its 90% target returns processing standards but did not meet the performance standards for telephone and counter enquiries. It could not state whether it achieved the standards set for correspondence and rulings.

5.32 The ATO reported a similar position in respect of the larger number of performance

standards that had been set for 1994-95. The ATO identified that it met or nearly met the majority of performance standards. However, it noted that standards were not achieved in relation to a number of services including amendment of ATO errors on returns, issue of taxation rulings, correspondence, private rulings and issue of tax file numbers.

### **Public performance reporting**

5.33 The ATO has not reported through its annual report on client service performance in terms of its operational performance standards. Nor has it identified the total costs or unit costs of specific client services in its annual report.

5.34 The ANAO sees merit in public reporting of ATO service standards, performance results and service costs. We drew the ATO's attention to more comprehensive performance information reported by the New Zealand tax administration in its annual report. <sup>13</sup>

5.35 The ANAO concluded that there is scope for improvement in the ATO's performance standards, measurement and performance for 1995-96. However, we note that ATO senior management is now committed to inclusion of service standards in the Taxpayers' Charter and to improvement of those standards over time. These developments provide a good basis for further work in this area.

### **Recommendation No. 11**

5.36 The ANAO *recommends* that the ATO institute improved arrangements for developing and designing client service standards, measuring service performance and reporting on performance results to agency management and to the Parliament and the public.

### **ATO response**

5.37 The ATO agrees there is scope for improvement in its performance reporting mechanisms and this is under consideration by the Taxpayers' Charter and Corporate Directions teams in the context of formulating new service standards. Enhanced reporting will enable service performance problems to be more readily identified and met with greater responsiveness by management. The ATO notes that there are stringent parameters for what is to be included in Commonwealth annual reports and this form of operational service performance may be no longer appropriate for the medium. Nevertheless, some form of public reporting is under consideration in the context of the imminent Taxpayers' Charter.

### **Client satisfaction measurement and assessment**

5.38 Client satisfaction is a key measure of service performance for client oriented organisations.

5.39 It is important that agencies delivering client services know whether clients are satisfied with services and products and what improvements clients would like to those services. Client service measurement can help agencies improve the relevance and quality of existing services and optimise use of their resources to meet agency objectives and client expectations. It can also assist agencies considering whether to introduce new services or to discontinue or overhaul existing services.

5.40 Client attitudes about ATO services and products have added significance because the ATO believes that taxpayer experiences of and views about these services contribute to the general level of community compliance with tax laws.



5.41 The ATO has not carried out surveys of perceptions of individual taxpayers and other service users regarding enquiry, correspondence and other services in a systematic manner. By way of contrast, the New Zealand tax administration has made considerable use of client surveys.

5.42 Recent survey work on service perceptions has been confined to tax agent views, mainly about the timeliness and quality of ATO advice. As tax agents have a business interest in and professional knowledge of taxation matters and the ATO provides them with special advisory and liaison services, their views on ATO client service may not represent the attitudes of the community at large.

5.43 Tax agent surveys undertaken between 1991 and 1995 indicated that their perceptions of the ATO generally were favourable and improved during the period. However, tax agent perceptions now appear to be fairly static. The ATO has decided to discontinue the surveys.

5.44 The ATO identified improvements in the provision of accurate and timely advice to clients and favourable community perceptions of the balance of power and equity of treatment as two key measures of success related to the main focus area addressing client service in its 1995-98 corporate plan. It intended that these issues be measured by independent reviews. However, none was commissioned during 1995-96.

5.45 In our view, the ATO would benefit from adopting a systematic approach to the measurement of client satisfaction with core client services and products, as far as practicable leveraging off the work of overseas tax administrations in this area.

## **Recommendation No. 12**

5.46 The ANAO *recommends* that the ATO develop appropriate strategies and instruments for measuring and assessing client satisfaction with ATO services and products.

### **ATO response**

5.47 The ATO agrees with this recommendation.

### **Complaints handling**

5.48 Complaints handling processes are agency arrangements for dealing with client expressions of dissatisfaction with services or products. These processes are distinct from prescribed arrangements for processing objections to or appeals against decisions under relevant agency legislation, although client concerns sometimes cut across these two areas.

5.49 Internal agency complaints handling processes are also separate from the independent review by the Commonwealth Ombudsman in respect of complaints about the administrative actions of agencies. Since 1995 there has been a special tax adviser function within the Ombudsman's office to handle complaints related to the ATO.

5.50 Effective complaints handling can help restore client confidence in and satisfaction with agency services. It can also help agencies to avoid higher costs commonly associated with escalated disputes with clients and assist them to identify and overcome more systematic, underlying problems in their client service delivery. The Senate Finance and Public Administration Committee report on APS service delivery in 1995 recommended that agencies establish appropriate internal complaints mechanisms. <sup>14</sup>

5.51 The key elements of effective complaints handling have been identified in the Australian standard on complaints handling,<sup>15</sup> as well as various overseas benchmarking studies.<sup>16</sup>

5.52 The Australian standard emphasises the importance of agency commitment to complaints resolution and fair treatment of complainants as well as the individuals or organisation units who are the subject of complaint. The complaints handling system needs to be adequately managed and resourced, and should be visible and accessible to clients and provide them with assistance in making their complaints. Complaints should be dealt with quickly and suitable remedies provided to complainants where appropriate. Complaints handling processes should be supported by adequate data collection, reporting and quality assurance and review processes.

5.53 The ATO established a complaints handling process in the late 1980s but did not maintain active commitment to the function. ATO statistics on complaints are not available.

5.54 The Ombudsman received 1948 complaints concerning the ATO (excluding the CSA which was reported separately) in 1995-96. This represented a 37 per cent increase in complaints with 68 per cent being resolved in favour of the complainant.<sup>17</sup>

5.55 During 1995 and 1996, ways to improve complaints handling were considered by the ATO as part of the Taxpayers' Charter project. ATO senior management has now indicated its commitment to the introduction of a new national complaints handling system.

5.56 Particular deficiencies in the current system which we noted included the following:

- there was inadequate national coordination of the function in the ATO national office and across the agency and there were no standard procedures or staff training in respect of complaints handling;
- branch office complaints handling staff generally had limited authority, status and independence to deal with complaints;
- little publicity was given to the function in recent years and information brochures on the topic had not been revised since 1988;
- statistical information on complaints was not systematically maintained and used at branch office level, notwithstanding statements to the contrary by the ATO in its 1994-95 annual report. There also was no national reporting on the incidence and pattern of complaints; and
- systems were not in place to monitor whether the ATO met its standard of ten days for resolving client complaints.

5.57 The ATO is now proceeding with the development of a detailed proposal for a new complaints handling process. We expect that this can be expedited by leveraging off the work that the CSA within the ATO already has undertaken to institute complaints handling arrangements for its clients.

5.58 In developing its proposal it is important that the ATO consider:

- promoting an agency culture that is more accepting of client dissatisfaction and encourages staff to address client concerns before they become complaints;
- instituting appropriate procedures and providing staff training (including conflict resolution

skills development) in relation to complaints handling;

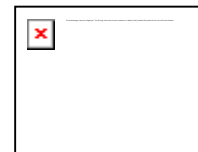
- developing and maintaining the independence and authority of the complaints handling process relative to in-line work processes;
- setting up standard management information systems to record and report on all complaints, including basic statistical data on complaints resolved through initial contact of in-line work areas with clients;
- developing criteria for assessing the quality and timeliness of complaints handling and establishing measurement systems for reporting on complaints handling performance; and
- implementing and maintaining effective quality assurance and review mechanisms for the complaints handling process.

### **Recommendation No. 13**

5.59 The ANAO *recommends* that the ATO in implementing its proposed complaints handling system give particular attention to agency culture, staffing, performance reporting and quality assurance, and ensure continued agency commitment to this function.

### **ATO response**

5.60 The ATO agrees and is directing particular attention to agency culture, staffing, performance reporting and quality assurance, and clearly intends continued agency commitment to this function.



Canberra ACT  
11 December 1996

P. J. Barrett  
Auditor-General

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1

In 1995 the Special Tax Adviser to the Ombudsman prepared a rough calculation suggesting that 300,000 taxpayers each paying \$100 to an agent as new clients would amount to a gross cost of \$30 million with a lower figure applying when the tax deductibility of the agents' fees are taken into account (Commonwealth Ombudsman, Report of the Special Adviser on Taxation. Report under section 15 of the Ombudsman Act concerning allegations of errors and omissions in the 1995 version of 'Tax Pack', 1995, p.11).

2

Commissioner of Taxation, Annual Report 1995-96, p.117.

3

Commonwealth Ombudsman, Report of the Special Adviser on Taxation. Report under section 15 of the Ombudsman Act concerning allegations of errors and omissions in the 1995 version of 'Tax Pack', 1995, p.5.

4

United States Internal Revenue Service, 1994 and 1995 1040, 1040A, 1040EZ Forms and Instructions.

5

The Auditor-General Audit Report No.9 1995-96, Department of Social Security - Teleservice Centres, November 1995, pp.ix-xi, identified problems in the planning and implementation of telephone call centres and their operation in the Department of Social Security.

6

Erlang C predicts the required number of enquiry points based upon the number and pattern of calls received, call and post-call duration time, and the desired service level in terms of the percentage of calls answered within a designated time period. The resultant figure can be converted to actual staff numbers.

7

United States National Performance Review, Putting Customers First. Serving the American Public: Best Practices in Telephone Service. Federal Consortium Benchmark Study Report, February 1995. The benchmarking study was a cooperative undertaking by ten government agencies and eight private companies to identify practices that could be applied in government to raise the level of telephone service to equal the best in business.

8

New Zealand Inland Revenue Department, 1994-95 Annual Report, p.30, p.33.

9

Revenue Canada, Index to Revenue Canada Services - 1996, p. 21.

10

Joint Committee of Public Accounts, An Assessment of Tax, p.232, Senate Finance and Public

Administration References Committee, Service Delivery, p.64.

11

Inland Revenue Authority of Singapore, Annual Report 1994, pp. 21-23.

12

Relevant overseas reports and testimony on service standards and performance measurement include Treasury Board of Canada, Quality and Affordable Services for Canadians. Establishing Service Standards in the Federal Government, 1995 and United States General Accounting Office, Managing for Results. Critical Actions for Measuring Performance (Testimony), 1995.

13

New Zealand Inland Revenue Department, 1994-95 Annual Report.

14

Senate Finance and Public Administration References Committee, Service Delivery, p.80.

15

Standards Australia, Australian Standard. Complaints handling (AS4269-1995).

16

For example, United States National Performance Review, Serving the American People: Best Practices in Resolving Customer Complaints - Federal Benchmarking Consortium Study Report, March 1996.

17

Commonwealth Ombudsman, Annual Report 1995-96, p.103.

## **Appendix 1 - ATO Responsibilities and Organisation**

1. The principal responsibility of the Australian Taxation Office (ATO) is to collect tax on behalf of the Commonwealth. It also has responsibilities for collecting child support maintenance payments, administering superannuation matters and collecting HECS repayments.

2. Tax administration, taxation and child support matters are dealt with in a large number of Acts, including the *Taxation Administration Act 1953*, *Child Support (Registration and*

*Collection) Act 1988, Income Tax Assessment Act 1936, various Sales Tax Acts and the Fringe Benefits Tax Assessment Act 1986.*

3. The ATO is the Commonwealth's main revenue collection agency. In 1995-96 the ATO collected tax revenue totalling \$98.42 billion, representing approximately 81 per cent of government revenue. The main component of tax revenue is individual income tax, followed by company income tax, sales tax and fringe benefits tax.

4. The Commissioner of Taxation, a statutory office holder who has the powers of Secretary of a Department, heads the ATO. He is also the Child Support Registrar.

5. The ATO is a large national organisation and a significant employer within the Australian Public Service. It has a national office in Canberra and a network of 25 branch offices and 17 smaller regional offices throughout Australia. The ATO employs some 18 000 staff.

6. The ATO is organised into six main business lines, supported by a number of service lines:

- four business lines deal with tax matters and two other business lines handle child support and superannuation matters;
- of the four tax business lines, three deal with income tax matters and are organised along client lines: Large Business Income (LBI), Small Business Income (SBI) and Individuals Non-Business (INB). The remaining business line, Withholding Tax (WHT), deals principally with indirect taxes; and
- information technology, financial, tax law and corporate service lines support corporate and business line operations.

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## **Appendix 2 - Performance Audits in the Treasury Portfolio**

*Set out below are the titles of the reports of the main performance audits by the ANAO in the Treasury Portfolio tabled in the Parliament in the past three years.*

Audit Report No.26 1994-95

*Inoperative Staff in the APS*

Audit Report No.27 1994-95

*Studybank*

Audit Report No.28 1994-95

*Insurance and Superannuation Commission*

*Superannuation Industry (Supervision) Act*

*- Administrative Arrangements*

Audit Report No.30 1994-95

*Commonwealth Government Information and Advertising*

Audit Report No.1 1995-96

*Income Matching System*

*Australian Taxation Office*

*Audit Report No.16 1995-96*

*Assessable Government Industry Assistance*

*Australian Taxation Office*

*Audit Report No.13 1996-97*

*Tax Debt Collection*

*Australian Taxation Office*