

The Auditor-General
Audit Report No.40 2007–08
Performance Audit

Taxpayers' Charter—Follow-up Audit

Australian Taxation Office

Australian National Audit Office

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of Australia 2008

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Canberra ACT
11 June 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Taxation Office in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Taxpayers' Charter—Follow-up Audit*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Contents

Abbreviations.....	7
Summary and Recommendations	9
Summary	11
Introduction	11
Audit scope and objective	12
Conclusion	13
Key findings by chapter.....	14
Summary of agency response	20
Recommendations	21
Audit Findings and Conclusions	23
1. Introduction	25
Background	25
The Tax Office’s approach to self assessment.....	25
Charter guidance.....	30
Charter documents published by other agencies	31
Audit Report No.19 2004–05, <i>Taxpayers’ Charter</i>	32
Recent developments	33
The follow-up audit.....	34
Acknowledgements	35
2. Development and Review of the Charter	36
Introduction	36
Findings from the first Charter audit.....	36
ANAO’s findings from the current audit.....	37
3. Strategic Commitment.....	41
Introduction	41
Findings from the first Charter audit.....	41
ANAO’s findings from the current audit.....	43
4. Charter Support Mechanisms	47
Introduction	47
Findings from the first Charter audit.....	47
ANAO’s findings from the current audit.....	48
5. Quality Assurance	53
Introduction	53
Findings from the first Charter audit.....	53
ANAO’s findings from the current audit.....	54
6. Complaint Handling.....	56
Introduction	56
Findings from the first Charter audit.....	56
ANAO’s findings from the current audit.....	57

7. Monitoring and Reporting.....	63
Introduction	63
Findings from the first Charter audit.....	63
ANAO's findings from the current audit.....	64
Appendices	69
Appendix 1: Implementation of recommendations	71
Appendix 2: Tax Office Response	74
Index.....	78
Series Titles.....	79
Current Better Practice Guides	83

Tables

Table 1.1	Taxpayers' Charter rights and obligations.....	28
Table 2.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 1	37
Table 3.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 2	42
Table 3.2	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 3	43
Table 3.3	Consistency between Tax Office Values and Taxpayers' Charter rights.....	44
Table 4.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 4	47
Table 4.2	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 5	48
Table 4.3	Advice and Guidance issued.....	49
Table 5.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 6	54
Table 6.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 7	57
Table 7.1	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 8	64
Table 7.2	Audit Report No.19 2004–05, <i>Taxpayers' Charter</i> - Recommendation 9	64
Table 7.3	Achievement of Tax Office corporate Client Service Standards.....	66
Table A 1	Tax Office progress in implementing the recommendations from the first Charter audit.....	71

Figures

Figure 1.1	Taxpayers by entity type, for the 2005–06 income year	27
Figure 1.2	Tax Office Compliance Model	30
Figure 1.3	Taxpayers' Charter logo from 1997.....	34
Figure 6.1	Complaints main issues finalised 2005–06 and 2006–07	58
Figure 6.2	Taxation Office complaints made to the Ombudsman, 1996–97 to 2005–06.....	62

Abbreviations

ANAO	Australian National Audit Office
APSC	Australian Public Service Commission
ATO	Australian Taxation Office
Charter	The Taxpayers' Charter
CSS	Client Service Standards
ECMP	Easier Cheaper and More Personalised
ITAA	<i>Income Tax Assessment Act 1936</i>
IQF	Integrated Quality Framework (forthcoming Quality Assurance process to replace TQR)
JCPAA	Joint Committee of Public Accounts and Audit
OECD	Organisation for Economic Co-operation and Development
ROSA	Review of Self Assessment
SMSF	Self Managed Superannuation Fund
SOCAP	Society of Consumer Affairs Professionals
Tax Office	Australian Taxation Office
TDMS	Technical Decision Making System
TQR	Technical Quality Review

Summary and Recommendations

Summary

Introduction

1. The Australian Taxation Office (Tax Office) is the principal revenue collection agency in Australia. It has authority under *the Income Tax Assessment Act (ITAA) 1936* to exercise broad powers in collecting revenue. In 1993, the Committee of Public Accounts (now the Joint Committee of Public Accounts and Audit (JCPAA)) reviewed the *ITAA 1936*, and highlighted concerns about an imbalance of power between the Tax Office and taxpayers.¹ The JCPAA recommended the Tax Office adopt a Taxpayers' Charter (the Charter).²

2. Since its first release, the Tax Office has reviewed the Taxpayers' Charter twice, and made changes to the Charter's presentation;³ however the underlying themes and commitments remain the same as they were in 1997. The current revised version of the Charter consists of two overview booklets⁴ and nine supporting booklets.⁵

3. The Taxpayers' Charter Team, which is part of the Marketing Communications Business Line, manages the Charter and the Compliance Model⁶ within the Tax Office. Its role includes contributing to the Tax Office:

- meeting the commitments made to the community under the Charter; and
- applying the compliance model in its dealings with the community.

4. The Australian Government's *Client Service Charter Principles* (2000), maintained by the Australian Public Service Commission (APSC), provides

¹ Joint Committee of Public Accounts Report No.326, November 1993, *An Assessment of Tax – An Inquiry into the Australian Taxation Office*.

² A charter is a short publication that describes the service experience a client can expect from an agency.

³ The Tax Office revised and republished the Charter in November 2003 and January 2007.

⁴ These are *Taxpayers' Charter—what you need to know*, and *Taxpayers' Charter—Expanded version*.

⁵ The supporting booklets address and provide further explanation about the Charter's principles.

⁶ The Compliance Model (see Fig 1.2 of this Report) summarises a considerable body of knowledge about the reasons why people function the way they do in relation to society's institutional arrangements. The Model shows the most cost-effective compliance strategy that the Tax Office should adopt for a particular group of taxpayers. The Model provides a knowledge based framework for determining the most appropriate strategy to take in relation to a compliance problem, given what is known about taxpayers, their situation, circumstances, and lines of business. The Model was first presented in 1998 in the Second Report of the Cash Economy Task Force, *Improving Tax Compliance in the Cash Economy*, ATO April 1998.

guidance to all Australian Government agencies in the implementation of their charters, and assists those with charters in place to ensure that their charter is a strategic tool for shaping service delivery. All agencies delivering services directly to the public are required to prepare and implement a charter. In addition, agencies with policy development functions are encouraged to develop charters. The APSC has reported that in 2006–07, all agencies that had public contact reported having either quantifiable performance indicators or service standards for the quality of services provided to the public in place or being developed.

5. The Tax Office was the first Australian Government agency to publish a charter of rights and responsibilities for its clients. In this context, a 2004 survey of Organisation for Economic Co-operation and Development (OECD) countries reports that approximately two thirds of all revenue agencies had taxpayers' Charters or statements of service standards.

6. The Tax Office considers its Taxpayers' Charter, Brand, and Compliance Model to be the three pillars of its communications with taxpayers. These pillars form the key relationship tools used to build community confidence, which is essential in a self-assessment taxation system. Given the close linkage of Taxpayers' Charter, Brand and Compliance Model, and their importance to developing community confidence in the tax system, it is essential that the Tax Office ensures that each of these pillars combine and integrate effectively.

7. During 2004–05 the ANAO completed an audit of the Tax Office's performance in meeting its Taxpayers' Charter responsibilities. This first Charter audit concluded the Tax Office was managing its responsibilities under the Charter, and had systems and processes to develop, maintain and review the Charter. In addition, the audit concluded that the Tax Office had shown its commitment to the Charter principles at the strategic level, and was working to fully integrate these principles with its business processes.

Audit scope and objective

8. The objective of this audit was to assess the Tax Office's implementation of the nine recommendations of Audit Report No.19 2004–05 *Taxpayers' Charter*, having regard to any changed circumstances affecting the implementation of the recommendations. This involved an examination of the Tax Office's:

- systems and processes used to develop, maintain and update the Charter;
- strategic commitment to implementing the principles of the Charter;
- integration of Charter principles with its business processes;
- systems for resolving disputes according to Charter principles; and
- monitoring and reporting of its performance against commitments in the Charter.

9. The audit also considered trends in the development of charters by revenue agencies of other countries.

10. As with the previous audit, this audit did not examine the Tax Office's strategies to monitor taxpayers' conformance with their obligations stated in the Charter. These strategies are included in the Tax Office's *Compliance Program*.

Conclusion

11. The Tax Office has progressed well in implementing the recommendations made in the first audit, implementing all recommendations in full or part. A summary of the Tax Office's progress in implementing the recommendations from the first Charter audit is presented in Appendix 1.

12. The Tax Office has also undertaken two reviews of the Taxpayers' Charter since its implementation, with the second in 2005–06 providing information to inform the management of the Charter, and in several cases the broader management of the Tax Office. The Tax Office's commitment to the Charter is now being demonstrated through explicit references to the Charter in its strategic planning processes. New and updated practice statements provide staff with practical guidance on how to meet Charter commitments. In addition, processes are planned which will assist information and guidance products, as well as advice, issued by the Tax Office to comply with Charter principles. Complaints information is now analysed and coordinated between ATO Complaints and the Charter Team, to help identify issues relating to Charter performance. Further, the Tax Office now effectively monitors and reports on its performance against the Charter.

13. During the course of conducting the current audit, the ANAO made four recommendations to improve the Tax Office's management of its responsibilities under the Charter. These involve:

- using future reviews of the Charter to target feedback from specific categories of taxpayers;
- implementing procedures to align future training programs with Charter principles;
- expanding the current complaints reporting and trend analysis function to benchmark current performance; and
- improving the required system functionality for complaints reporting and analysis.

Key findings by chapter

Development and Review of the Charter (Chapter 2)

14. When the Charter was launched in 1997 the Tax Office committed to independently reviewing the Charter every three years. Due to the implementation of A New Tax System, the first independent review was delayed until 2002–03.

15. The second independent review was conducted in 2005–06. In line with a recommendation made in the first Charter audit, the review was completed in a timely manner, and covered the Charter Principles and the Client Service Standards. The results of the review have been extensively used by the Taxpayers' Charter Team to inform decisions about the management of the Charter. The Tax Office had also developed a Charter measurement strategy, as proposed in its response to the original audit.

16. The ANAO considers that improvements to the administration of the Charter would be assisted if the Tax Office determines the extent to which particular categories of taxpayers are aware of their rights and obligations under the Charter, and whether the Charter is appropriately applied to them. This could be determined when the Tax Office conducts its next review of the Taxpayers' Charter, by seeking feedback from the particular categories of taxpayers.

17. Internationally, revenue agencies have been recognising, either in tax legislation or in administrative documents such as charters, the benefits of explicitly acknowledging the rights and obligations of taxpayers. Revenue agencies such as the New Zealand Inland Revenue agency have a taxpayers' charter; the Canadian Revenue Agency and the USA Inland Revenue Service have developed a Taxpayers' Bill of Rights; and Her Majesty's Revenue and

Customs Department in the United Kingdom is currently in the process of developing a new Taxpayers' Charter.⁷ The OECD's Comparative Information Series on *Tax Administration in OECD and Selected Non-OECD Countries (2006)* reports that in a 2004 survey of OECD countries, approximately two thirds of all revenue agencies had taxpayers' charters or statements of service standards in place. Approximately 80 per cent of revenue agencies had published specific timeliness indicators for service delivery.

18. The Taxpayers' Charter Team informally monitors the charters of other similar agencies. This examination of charters in other countries has revealed ways of improving the Tax Office's Charter, and enables the Tax Office to incorporate better practice from other agencies when updating and managing the Charter. Other revenue agencies have used the Australian Taxation Office's Charter as the basis for developing their own charters, and have sought advice from the Charter Team on consultation processes and the lessons learnt from developing the Charter.

19. The most current guidance available to Australian Government agencies on Charter implementation is the *Client Service Charter Principles* issued by the APSC. Since publication in 2000, the guidelines have not been reviewed to determine whether an update or enhancement is necessary to meet current needs. Given the importance of charters in shaping the culture of an organisation, and to improve service delivery to clients, the ANAO considers there would be benefits if the *Client Service Charter Principles* were reviewed to ensure currency, and promote greater awareness of service charter principles.

20. The ANAO suggests that there could be benefit in the Tax Office, having regard to its experience in this area, offering assistance to the APSC to undertake a review, and subject to competing priorities, update the *Client Service Charter Principles*.

Strategic Commitment (Chapter 3)

21. The success of the Charter depends on commitment and support at the strategic level. The ANAO examined the Tax Office's strategic commitment to the Charter and its principles.

22. The Tax Office's 2006–07 Annual Report acknowledges the Taxpayers' Charter as a key corporate document. The Tax Office's *Strategic Statement* and

⁷ The Centre for Tax System Integrity's *Working Paper No.62 The Taxpayers' Charter: A case study in tax administration* (2005). This paper traces the development of modern charters, and then specifically the development of tax charters internationally and within Australia.

Strategic Statement Overview are the Tax Office's highest level planning documents, and give staff and stakeholders a clear sense of the Tax Offices' strategic direction. As recommended in the original Charter audit, these Strategic Statements explicitly recognise the importance of the Charter principles, as do the Tax Office Sub-Plans. While the Corporate Plan does not refer to the Charter, it does outline Tax Office Values, which are consistent with the principles of the Taxpayers' Charter.

23. The Tax Office has developed a system of Corporate Management Practice Statements to provide guidance for each Charter principle. The Tax Office has developed procedures for writing Corporate Management Practice Statements, which includes consultation with the Taxpayers' Charter Team as mandatory stakeholders. The ANAO reviewed the input provided by the Charter Team for a number of Corporate Management Practice Statements, and notes the Team was able to recommend improvements in order to ensure consistency with Charter principles.

24. The Tax Office advised that it is currently working towards becoming a values based organisation. The Tax Office *Corporate Plan 2007–08* lists the Tax Office 'Values'. These Values are designed to underpin all Tax Office interactions with the community, stakeholders, scrutineers, government and Tax Office staff. The Values are consistent with the Taxpayers' Charter.

25. Given the importance of the three pillars (Taxpayers' Charter, Brand, and Compliance Model) in shaping the broader relationship and communication approach to taxpayers, there may be benefit in the Tax Office including a consideration of these three matters in the next review of the Taxpayers' Charter. This would provide reassurance that all three pillars were appropriately integrated.

Charter Support Mechanisms (Chapter 4)

26. At the time of the previous audit, the ANAO sought to determine whether the Tax Office's strategic commitment to the Charter was reflected in its business processes. The ANAO considered the Tax Office had implemented a coordinated approach to increasing staff awareness of the Charter and its principles, and the Tax Office had systematic processes in place to provide assurance that advice, information and products issued by the Tax Office complied with the Charter principles. However, the ANAO noted the Tax Office's draft Law Administration Practice Statement on the technical clearance of Tax Office publications did not contain explicit references to the Charter.

The ANAO recommended that the Tax Office provide assurance that technical documents published by the Tax Office take into account Charter principles. The Tax Office is still in the process of finalising the Law Administration Practice Statement that takes into account the Charter principles. The ANAO considers that the publication of the proposed Law Administration Practice Statement will achieve the intent of this recommendation.

27. For the Charter to be effective in influencing compliance behaviour, taxpayers should be aware of their rights, obligations and the complaint resolution mechanisms under the Charter. The Tax Office has refined the approach to make sure that Charter principles (e.g. providing avenues for further contact) are adhered to in all client interactions, and to advise taxpayers of relevant rights at the time a decision is made (e.g. providing information on review avenues when an audit is completed). This strategy was explained in the Tax Office response to the original audit.

28. Further, there are Corporate Management Practice Statements, which provide guidance to staff on putting the Charter principles into practice, and additional information is available on the Tax Office Intranet. The Tax Office has indicated that a focus of the ATO Communications Strategy is to reinvigorate the Charter internally.

29. The ANAO considers that there is scope for the Tax Office to ensure the development of future training programs align with the Charter principles, thereby assisting staff to put Charter principles into practice.

Quality Assurance (Chapter 5)

30. Quality assurance processes are designed to provide assurance that business processes conform to an organisation's endorsed policies, procedures and practices.

31. At the time of the initial Charter audit, the Tax Office was conducting quality assurance at two levels: whole-of-Tax-Office quality assurance, and supplementary quality assurance processes at the business line level. The previous audit recommended that the Tax Office implement a systematic approach to its supplementary quality assurance processes. The Tax Office has not implemented this recommended approach. Instead, it has developed a new Integrated Quality Framework (IQF) to manage and continuously improve the quality of its technical processes, products and decisions. The IQF will be applied at the whole-of-Tax-Office and business line level. Business Lines and the Charter Team were consulted during the design of the IQF, to ensure

Charter principles were incorporated. The IQF is currently being implemented in a staged process, and when fully operational, will replace the previous quality assurance process. The ANAO considers this new approach to quality assurance mitigates the need to develop supplementary quality assurance processes as previously recommended.

Complaint Handling (Chapter 6)

32. The Tax Office has committed under the Charter to respect a taxpayer's right to make a complaint. This commitment is designed to improve the Tax Office's relationship with taxpayers and provide an assurance that aggrieved taxpayers will not be subject to discrimination. An effective complaints handling process is a useful tool for monitoring and reporting the Tax Office's performance against the Charter. It can serve as a sound mechanism for monitoring reputation risks, as well as contribute to the Tax Office's continuous improvement process.

33. The Tax Office adapted a component of its Technical Decision Making System (TDMS), as a solution to case-managing complaints across the office,⁸ instead of implementing a specific Tax Office wide complaints management information system. The Tax Office anticipates replacing TDMS in July 2009 with the case management component of the new system, currently being developed by the *Easier, Cheaper and More Personalised* (ECMP) Change Program.

34. The ATO Complaints area produces monthly, quarterly, and ad-hoc reports on complaints and systemic issues. Quality assurance reports regarding the complaints process are produced quarterly. The ATO Complaints area reports analyse monthly and year-to-date trends and performance indicators, including aspects such as finalised cases and common issues. The complaints case-management and reporting systems have been in operation for three years, and it may be timely to expand the complaints reporting and analysis function, to provide for the option of benchmarking performance. The Society of Consumer Affairs Professionals (SOCAP) benchmarking program may provide a useful model. This would allow the Tax Office to determine the effectiveness and efficiency of its complaints handling processes and procedures, and identify potential improvement. The

⁸ TDMS is a workflow system, which electronically routes information according to a process. It was implemented in 2002 in order to achieve consistency in the administration of advice (e.g. private rulings) to taxpayers. It has been adapted for use by a number of areas within the Tax Office, including compliance, disputes (objections), appeals and general correspondence.

understanding gained through benchmarking could be used to inform future decisions in areas such as the potential negative impacts of implementing legislative change, or to facilitate the effective tax administration of particular market segments.

35. ATO Complaints uses TDMS, two databases, and spreadsheets to produce the information used in its complaints, systemic issues and quality assurance reports. There is significant manual work involved in the production of these reports, and the ability to analyse the content of the cases (through the case text descriptions) is severely limited. Due to the small size of the team, the skills required to produce the reports reside with individuals. Members of the ATO Complaints Team also experience difficulties accessing some systems due to network connectivity issues.

36. The ANAO considers there is scope for the Tax Office to improve the system used for complaints reporting and analysis.

Monitoring and Reporting (Chapter 7)

37. Fully informed decisions to improve the Tax Office's Charter system require the timely collection and analysis of performance information. At the time of the previous audit, the ANAO noted that the Tax Office did not have a strategy or a systematic approach to measure its performance against Charter principles. The Tax Office also had limited reporting arrangements on achievements in meeting its Charter responsibilities.

38. A Taxpayers' Charter Performance Report is now prepared semi-annually and provided to the Tax Office Executive. This report includes work-in-progress for Charter activities, select quantitative and qualitative measures of Charter performance, and highlights issues and areas of concern. In gathering the internal data used to prepare the Taxpayers' Charter Performance Report, the Charter Team draws upon the additional qualitative performance indicators suggested in Audit Report No.19 2004–05, *Taxpayers' Charter*.⁹ The report also uses external data collected from the triennial Taxpayers' Charter research, the semi-annual Professionalism and Business Perceptions Surveys, and the annual Community Perceptions Survey.¹⁰ These external surveys are conducted by private sector research organisations, which have been selected through a competitive tendering process.

⁹ See Audit Report No.19 2004–05, *Appendix 7: Charter Measures* for the list of performance measures the ANAO recommended the Tax Office used to monitor Charter performance.

¹⁰ The results from these surveys are available from <www.ato.gov.au>.

39. The internal and external data sources used to produce the Taxpayers' Charter Performance Report are comprehensive in providing the Tax Office Executive with assurance on the performance of the Taxpayers' Charter.

Summary of agency response

40. We are pleased that the Australian National Audit Office report recognises the work that we have done to implement the nine recommendations made in the first audit and our ongoing commitment to the Charter and its effective operation. Our Charter is the way we put our values into meaningful and practical terms for the community. It sets out the relationship we want to have with them – one based on mutual trust and respect.

41. We will continue to review and refine the Charter and its operation. Also, as noted in your report, we are currently working on a more integrated approach, bringing together our three communication pillars being our Charter, Compliance Model and ATO Brand. These pillars working together will help to ensure that we maintain and improve community confidence in our administration of Australia's revenue and superannuation systems and keep the ATO at the leading edge in these areas.

42. We agree with all of your recommendations as suggested improvements to our current practices in relation to the Charter and our approach to complaints handling, although we have qualifications on three. The qualification regarding the Charter research relates to not categorising taxpayers but instead looking at those who are impacted by our compliance activities. And in relation to qualifications for complaints handling, they relate in the main to tools, technology and current organisational priorities implementing our Change Program.

43. The Tax Office's full response can be found in Appendix 2.

Recommendations

Recommendation No. 1
Para 2.8

The ANAO recommends that the Tax Office, when conducting its next review of the Taxpayers' Charter, targets specific categories of taxpayers, to determine the extent to which they are aware of their rights and obligations under the Charter, and whether the Charter is appropriately applied to them.

Agency response: *Agree with Qualification*

Recommendation No. 2
Para 4.16

The ANAO recommends that the Tax Office, to assist in its aim of having staff 'live the Charter', ensures the development of future training programs align with the Charter principles. Where relevant, the training should also include guidance on applying the Charter principles in practice.

Agency response: *Agree*

Recommendation No. 3
Para 6.13

The ANAO recommends that the Tax Office expands the complaints trend reporting analysis function, to provide for the option of benchmarking performance, so as to determine the effectiveness and efficiency of its complaints handling processes and procedures, and identify potential improvements

Agency response: *Agree with Qualification*

Recommendation No. 4
Para 6.18

The ANAO recommends that the Tax Office expands the functionality of the complaints reporting and analysis system to improve the monitoring of complaints.

Agency response: *Agree with Qualification*

Audit Findings and Conclusions

1. Introduction

This Chapter provides an overview of the Taxpayer's Charter. It discusses the findings of the first ANAO audit, and outlines the current audit objectives and methodology.

Background

Cultural change in the Australian Public Service

1.1 In the early 1990's, the then Government initiated a period of reform, in order to increase transparency, and create a more client focused public sector. Charters were identified as a powerful tool to assist agencies, and their management and staff, to improve service delivery to the public. A charter is a short publication that describes the service experience a client can expect from an agency.¹¹ The inaugural framework for Australian Government service charters was launched in 1996.

Rectifying a power imbalance in tax administration

1.2 The Australian Taxation Office (Tax Office) is the principal revenue collection agency in Australia. It has authority under *the Income Tax Assessment Act (ITAA) 1936* to exercise broad powers in collecting revenue. In 1993, the Committee of Public Accounts (now the Joint Committee of Public Accounts and Audit (JCPAA)) reviewed the *ITAA 1936*, and highlighted concerns about an imbalance of power between the Tax Office and taxpayers.¹² The JCPAA recommended the Tax Office adopt a Taxpayers' Charter (the Charter). Certain other measures, most notably the appointment of the Inspector General of Taxation in 2002, have sought to supplement the Charter in addressing the imbalance of power identified by the JCPAA.

The Tax Office's approach to self assessment

1.3 Since 1986–87, Australia has operated a system of self assessment of income tax.¹³ Self assessment requires taxpayers to perform functions and exercise some responsibilities that might otherwise be undertaken by the Tax

¹¹ Department of Finance and Administration, 2000, *Client Service Charter Principles*, p. 6.

¹² Joint Committee of Public Accounts Report No.326, November 1993, *An Assessment of Tax – An Inquiry into the Australian Taxation Office*.

¹³ From 1989–90, the returns of companies and superannuation funds became subject to a system of full self assessment, under which the taxpayer calculates their liability and pays their tax when lodging their return.

Office. Essentially, taxpayers prepare their own tax returns, which are initially accepted at face value by the Tax Office. The Tax Office may subsequently verify the accuracy of the information in the return, and amend the return if necessary, within a prescribed period.

1.4 A Taxpayers' Charter plays a key role in the effective management of a self-assessment tax system:

The promotion of voluntary compliance should be a primary concern of revenue authorities. The ways by which revenue authorities interact with taxpayers and employees impact on the public perception of the tax system and the degree of voluntary compliance. Taxpayers who are aware of their rights and expect, and in fact receive, a fair and efficient treatment are more willing to comply.¹⁴

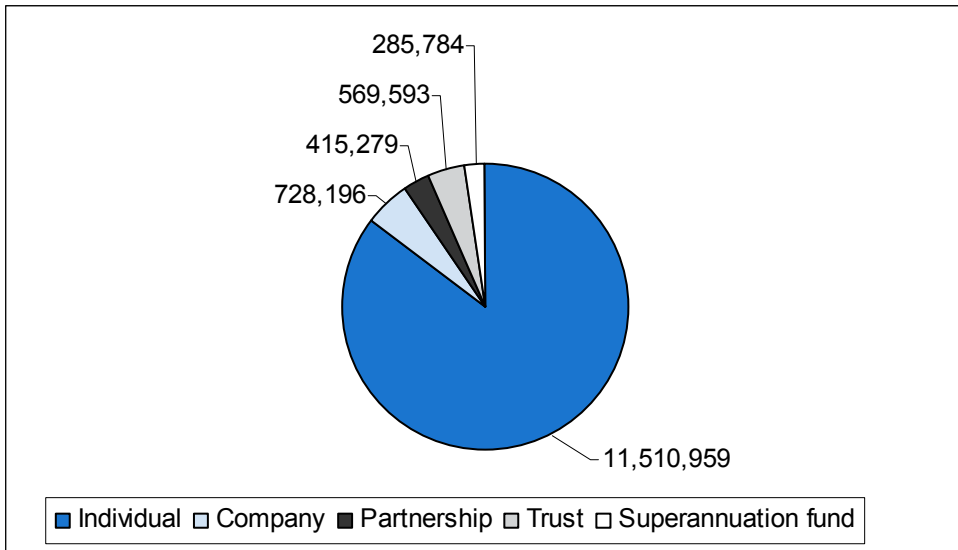
Clients of the Tax Office

1.5 The Tax Office administers the payment of tax and excise, and major aspects of the superannuation system. It also makes a number of transfer payments to taxpayers.¹⁵ According to its *Strategic Statement 2006–10*, the Tax Office's business intent is 'to optimise voluntary compliance and make payments under the law in a way that builds community confidence'.

1.6 The Tax Office expects the Taxpayers' Charter principles to be applied to all of its clients, whether they are individuals, companies, trusts, partnerships or superannuation funds. They are equally applicable to eTax users or taxpayers who lodge through tax agents. They apply to all interactions between the Tax Office and its clients, from answering telephone queries, to providing on-line services, to the conduct of audits and investigations. In order to provide some context for the wide-reaching applicability of the Taxpayers' Charter, Figure 1.1 depicts the number of taxpayers by entity type, for the 2005–06 income year.

¹⁴ OECD, 2001. GAP001 *Principles of Good Tax Administration – Practice Note*, p. 3.

¹⁵ Some examples of the revenue streams under the Tax Office's administration include income tax, the goods and services tax, capital gains tax, fringe benefits tax, luxury car tax, wine equalisation tax, petroleum resource rent tax, petroleum excise, alcohol excise, tobacco excise, the superannuation guarantee, the lost members register, and the Higher Education Loans Program. Examples of transfer payments include family tax benefit payments, private health insurance rebates, and superannuation co-contribution payments. For a complete list of the revenue streams and transfer payments administered by the Tax Office, see <www.ato.gov.au>. or *Taxation statistics 2005–06*.

Figure 1.1**Taxpayers by entity type, for the 2005–06 income year****Notes:**

1. Taxpayers include residents and non-residents.
2. Data for the 2005–06 income year includes data processed up to 31 October 2007.

Source: ANAO analysis of information in Taxation Statistics 2005–06, Table 1.1

1.7 The Tax Office considers its Taxpayers' Charter, Brand and the Compliance Model to be the three 'pillars' supporting its approach to self-assessment, and how it communicates with taxpayers. Together, they provide a set of expectations, behaviours and treatments for the Tax Office to manage its relationship with the community.

The Taxpayers' Charter

1.8 The Taxpayers' Charter was introduced in 1997. It sets out the principles that guide the Tax Office's relationship with the community. It is designed to help taxpayers understand their rights and obligations under the law, and to describe the Tax Office's service, complaint handing and options for review.

1.9 Since its first release, the Tax Office has reviewed the Charter twice, and made changes to the Charter's presentation¹⁶; however the underlying themes and commitments remain the same as they were in 1997. The current

¹⁶ The Tax Office revised and republished the Charter in November 2003 and January 2007.

revised version of the Charter was published in January 2007. It consists of two overview booklets¹⁷ and nine supporting booklets¹⁸. The main overview booklet is also available in 16 languages. It explains the Charter’s principles, which consist of 13 taxpayer rights and six taxpayer obligations. Table 1.1 lists the taxpayers rights and obligations under the Charter.

Table 1.1

Taxpayers’ Charter rights and obligations

Taxpayer Rights	Taxpayer Obligations
<p>Taxpayers can expect the Tax Office to:</p> <ol style="list-style-type: none"> 1. Treat you fairly and reasonably. 2. Treat you as being honest in your tax affairs unless you act otherwise. 3. Offer you professional service and assistance to help you understand and meet your tax obligations. 4. Accept you can be represented by a person of your choice and get advice about your tax affairs. 5. Respect your privacy. 6. Keep the information we hold about you confidential in accordance with the law. 7. Give you access to information we hold about you in accordance with the law. 8. Give you advice and information you can rely on. 9. Explain to you the decisions we make about your tax affairs. 10. Respect your right to a review. 11. Respect your right to make a complaint. 12. Administer the tax system in a way that minimises your costs of complying. 13. Be accountable for what we do. 	<p>The Tax Office expects taxpayers to:</p> <ol style="list-style-type: none"> 1. Be truthful in your dealings with us. 2. Keep records in accordance with the law. 3. Take reasonable care in preparing your tax returns and other documents and in keeping records. 4. Lodge tax returns and other required documents or information by the due date. 5. Pay your taxes and other amounts by the due date. 6. Be cooperative in your dealings with us.

Source: Taxpayers’ Charter 2007

Corporate Client Service Standards

1.10 The Tax Office has set a number of corporate Client Service Standards (CSSs). The CSSs cover a range of business activities including registrations; lodgements; refunds and payments; enquires; amendments and objections; audits; errors; and complaints. The Tax Office reports achievements against the

¹⁷ These are *Taxpayers’ Charter—what you need to know*, and *Taxpayers’ Charter—Expanded version*.

¹⁸ The supporting booklets address and provide further explanation about the Charter’s principles.

CSSs, and in 2006–07 and 2007–08, the Tax Office had 24 corporate CSSs relating primarily to timeliness. The corporate CSSs were originally integrated into the Charter, and detailed in an explanatory Charter booklet. In 2007 the Tax Office sought to clearly distinguish the corporate CSSs from the standards of service taxpayers can expect from the Tax Office under the Charter. The former are primarily quantitative timeliness measures, while the latter are commitments with respect to professionalism, accuracy, accountability, privacy and respect, among other elements.

The Charter Team

1.11 The Taxpayers' Charter Team, which is part of the Marketing Communications Business Line, manages the Charter and the Compliance Model¹⁹ within the Tax Office. Its role includes contributing to the Tax Office:

- meeting the commitments made to the community under the Charter; and
- applying the compliance model in its dealings with the community.

Tax Office Brand

1.12 The Tax Office 'Brand' is the experience the community has with the Tax Office. It includes all the factors that come together to form the Tax Office's image and reputation. This includes its logo and advertising slogans, as well as the way people respond when they hear the words, 'Australian Taxation Office'. Brand management involves managing the quality of the taxpayer's experience with the Tax Office, and using consistent messages when communicating with them.

Compliance Model

1.13 Australia's taxation system of self assessment places responsibility on taxpayers to declare all of their assessable income and claim only deductions and/or offsets to which they are entitled. This system of self assessment has inherent risks of taxpayers not complying with their registration, lodgement, reporting, and payment obligations. The Tax Office aims to manage these risks

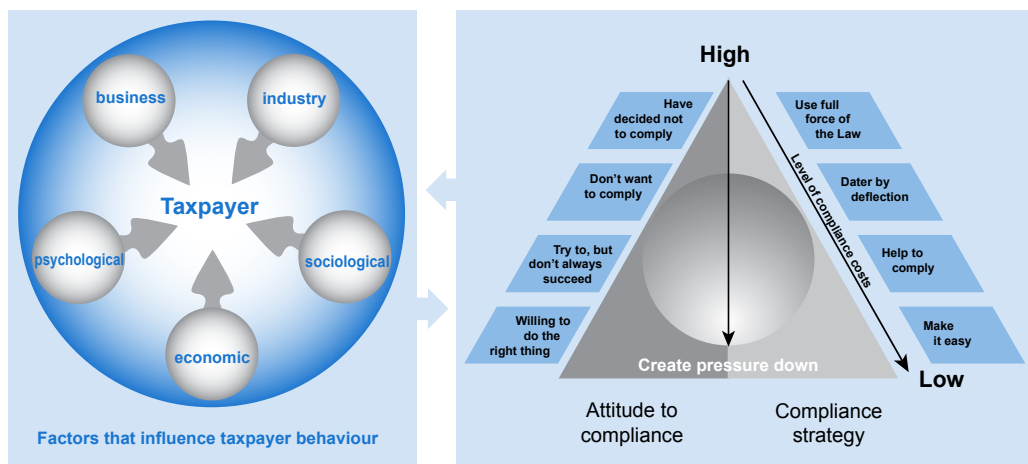
¹⁹ The Compliance Model (see Fig 1.2 of this Report) summarises a considerable body of knowledge about the reasons why people function the way they do in relation to society's institutional arrangements. The Model shows the most cost-effective compliance strategy that the Tax Office should adopt for a particular group of taxpayers. The Model provides a knowledge based framework for determining the most appropriate strategy to take in relation to a compliance problem, given what is known about taxpayers, their situation, circumstances, and lines of business. The Model was first presented in 1998 in the Second Report of the Cash Economy Task Force, *Improving Tax Compliance in the Cash Economy*, ATO April 1998.

through its compliance activities.²⁰ The Tax Office publishes its Compliance Program annually.

1.14 The Compliance Model is the Tax Office’s method of understanding the factors that influence taxpayers’ compliance behaviour. The Tax Office also applies the Compliance Model to payers of excise duties, and individuals and entities with superannuation obligations. The Compliance Model was introduced in 1997. The model shows a continuum of taxpayer attitudes towards compliance with Australia’s tax and superannuation laws. At the base of the pyramid, taxpayers are ‘willing to do the right thing’. At the apex, taxpayers ‘have decided not to comply’, choosing to evade or opt out of the tax system. The model summarises the support and intervention the Tax Office uses to ensure taxpayers comply with their registration, lodgement, reporting, and payment obligations.²¹ Figure 1.2 depicts the Tax Office Compliance Model.

Figure 1.2

Tax Office Compliance Model



Source: Tax Office

Charter guidance

1.15 The Australian Government’s *Client Service Charter Principles* (2000) provide guidance to all federal agencies and departments in the

²⁰ There is also a range of legislative measures, including withholding taxes, designed to mitigate the risks associated with self assessment.

²¹ Tax Office website, Compliance Model,

<<http://www.ato.gov.au/corporate/content.asp?doc=/content/5704.htm> accessed 9/01/08>.

implementation of their charters, and assists those with charters in place to ensure that their charter is a strategic tool for shaping service delivery. These principles are maintained by the Australian Public Service Commission (APSC). Previously, the APSC's *Service Charters – Awards for Excellence* scheme recognised commitment to charter implementation, however these awards have been discontinued, and service delivery is now recognised through the *Prime Ministers Awards for Excellence in Public Sector Management*.

1.16 The Organisation for Economic Co-operation and Development (OECD) has published a practice note on taxpayers charters, *General Administrative Principles – GAP002 Taxpayers' Rights and Obligations* (2003). This note details the basic rights and obligations present in OECD tax administration systems, and includes an example taxpayers' charter.

Charter documents published by other agencies

1.17 Internationally, revenue agencies have been recognising, either in tax legislation or in administrative documents such as charters, the benefits of explicitly acknowledging the rights and obligations of taxpayers. Revenue agencies such as the New Zealand Inland Revenue agency have a taxpayers' charter; the Canadian Revenue Agency and the USA Inland Revenue Service have developed a Taxpayers' Bill of Rights; and Her Majesty's Revenue and Customs Department in the United Kingdom is currently in the process of developing a new Taxpayers' Charter. The OECD's Comparative Information Series on *Tax Administration in OECD and Selected Non-OECD Countries* (2006) reports that in a 2004 survey of OECD countries, approximately two thirds of all revenue agencies had taxpayers charters or statements of service standards in place. Approximately 80 per cent of revenue agencies had published specific timeliness indicators for service delivery.

1.18 According to the *Client Service Charter Principles*, all Australian government agencies delivering services directly to the public are required to prepare and implement a charter. Agencies with policy development functions are encouraged to develop charters. The APSC has reported that in 2006–07, all agencies that had public contact reported having either quantifiable performance indicators or service standards for the quality of services provided to the public in place or being developed.²²

²² Australian Public Service Commission, 2007, *State of the Service 2006–07* p. 254.

1.19 The Tax Office was the first Australian Government agency to publish a charter of rights and responsibilities for its clients. The ANAO notes that the charters of a number of revenue agencies, particularly in developing nations, have used the Tax Office's Charter principles as basis for designing their charters. In addition, the Tax Office's Charter Team has been asked by international revenue agencies and federal government agencies to provide assistance in the development of their Charters, including advising on lessons learned in the consultation and development process.

Audit Report No.19 2004–05, *Taxpayers' Charter*

1.20 During 2004–05 the ANAO completed an audit of the Charter, and tabled Audit Report No.19 2004–05, *Taxpayers' Charter* (the first Charter audit). The objective of the first Charter audit was to examine how the Tax Office managed its responsibilities under the Charter as an important element of its performance.

1.21 The first Charter audit concluded the Tax Office was managing its responsibilities under the Charter, and had systems and processes to develop, maintain and review the Charter. The Tax Office had shown its commitment to the Charter principles at the strategic level and was working to fully integrate these principles with its business processes.

1.22 The audit report contained nine recommendations to improve the Tax Office's management of its responsibilities under the Charter, including:

- timely conduct of reviews of the Charter, including a review of the Client Service Standards;
- explicitly documenting how relevant strategies and measures within its sub-plans relate to the Charter principles;
- developing a Corporate Management Practice Statement to provide guidance to Tax Office staff on how they are to meet their responsibilities under the Charter;
- assurance that technical publications take into account the Charter;
- developing appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interaction with the Tax Office;

- implementing a systematic approach to quality assurance processes to enable the Tax Office to focus on broader aspects of the Tax Office's business processes, including compliance with Charter principles;
- improved coordination and analysis of complaint information;
- finalising the Charter measurement strategy using qualitative measures to provide assurance on the quality of the relationship with the taxpayers and the quality of service provided; and
- examining the material available from existing internal reports to develop a framework for regular internal reporting in relation to responsibilities under the Charter.

Parliamentary scrutiny

1.23 The JCPAA did not specifically review *Audit Report No.19 of 2004–05*. The JCPAA is currently inquiring into Certain Taxation Issues in Australia. This inquiry has investigated aspects of the Charter, and a report is forthcoming.

Recent developments

Taxpayers' Charter 10 year anniversary

1.24 On 30 August 2007, the Tax Office celebrated the 10th anniversary of the Taxpayers' Charter. While the Tax Office used this anniversary as a means to remember the history of the Charter, and to thank stakeholders for their contribution to the development, review and revision of the Charter, it also used the milestone as an avenue to heighten awareness internally and externally about the Charter.

Figure 1.3

Taxpayers' Charter logo from 1997



Source: Tax Office

Tax Office Values

1.25 The Tax Office is working towards becoming a values based organisation. The Tax Office *Corporate Plan 2007–08* lists the Tax Office ‘Values’. These Values are designed to underpin all Tax Office interactions with the community, stakeholders, scrutineers, government and Tax Office staff. The Values are discussed further in Chapter 2, *Development and Review*.

The follow-up audit

1.26 Follow-up audits are recognised as an important element of the accountability processes of Commonwealth administration. Parliament looks to the Auditor-General to report, from time to time, on the extent to which Australian Government agencies have implemented recommendations of previous audit reports. Follow-up audits keep Parliament informed of progressive improvements and current challenges in areas of Australian Government administration previously subject to scrutiny through performance audits.

1.27 The objective of this audit was to assess the Tax Office’s implementation of the nine recommendations of Audit Report No.19 2004–05 *Taxpayers’ Charter*, having regard to any changed circumstances affecting the

implementation of the recommendations. The audit also considered any trends in the charters of revenue agencies of other countries.

1.28 As with the previous audit, this audit did not examine the Tax Office's strategies to monitor taxpayers' conformance with their obligations stated in the Charter. These strategies are included in the Tax Office's *Compliance Program*.

1.29 The ANAO conducted fieldwork between December 2007 and February 2008. Interviews with Tax Office staff took place in Canberra (head office) and Perth (where the Charter Team is located). Relevant documentation, systems, and files were examined.

1.30 The ANAO also consulted with:

- the Ombudsman's office, to obtain feedback on the Charter and the complaints process within the Tax Office; and
- Professor Duncan Bentley, regarding taxpayers' rights in revenue agencies in an international context.

1.31 The audit was undertaken in conformance with ANAO auditing standards and cost \$156 000.

Acknowledgements

1.32 The ANAO would like to thank Tax Office management and staff for their assistance in the conduct of the audit. In particular, we would like to thank the Taxpayers' Charter Team, for their assistance in the conduct of the audit.

1.33 The ANAO would also like to thank the Ombudsman's office and Professor Bentley, for providing input into the audit.

2. Development and Review of the Charter

This Chapter discusses Recommendation 1 from Audit Report No.19 2004–05, Taxpayers' Charter. This recommendation is about the timely conduct of reviews of the Charter, including reviewing Client Service Standards.

Introduction

2.1 When the Charter was launched in July 1997, the Tax Office committed to independently reviewing the Charter every three years. Due to the implementation of A New Tax System, the first independent review was delayed until 2002–03. The second independent review was conducted in 2005–06.

Findings from the first Charter audit

2.2 The first review of the Charter commenced in 2001, and took over two years to complete. The ANAO considered this review to be thorough and involved research to gauge staff and community impressions of the Charter. However, the ANAO noted qualitative measures were not used in the original review, as the Charter Team was in the process of developing a measurement strategy.²³ The ANAO considered qualitative measures, when developed, should also form an integral part of future reviews of the Charter. The 2001 review did not examine the CSSs, and the ANAO considered that as there was an ongoing role for taxpayers in providing input when the CSSs are developed and updated, this approach should form an integral part of future reviews of the Charter. As the first review did not include a review of the underlying Charter principles, the ANAO also considered there was merit in formally revalidating these with the community.

²³ See Chapter 7, Monitoring and Reporting, for further discussion of performance measurement.

Table 2.1**Audit Report No.19 2004–05, Taxpayers' Charter - Recommendation 1**

Recommendation	Tax Office Response
<p>The ANAO recommends that, the ATO when undertaking future reviews of the Charter, consider:</p> <ul style="list-style-type: none"> revisiting Client Service Standards and Charter principles as part of the review, including their revalidation with the community; and taking necessary action for timely completion of reviews to increase their relevance and to allow for more effective implementation of recommendations. 	<p>Agreed.</p> <p>The future review strategy for the Charter has been developed. This strategy includes both ongoing and periodic review processes.</p> <p>There will be an ongoing review of the Charter's content which will be conducted approximately every twelve months or when an event triggers the need for change. A periodic review, which will include revisiting the principles and standards with the community, stakeholders and our people, will be conducted approximately every three years.</p> <p>Focussing on different elements of review at different times will make the review process more efficient and timely.</p> <p>The timeframes for review are: early 2005 for the first review of Charter content and the 2005–06 year for the first periodic review.</p> <p>This approach conforms with the Client Service Charter Principles and meets the commitment we make to the community in the Charter.</p>

Source: Audit Report No.19 2004–05

ANAO's findings from the current audit

2.3 In 2005 TNS Social Research conducted a review of the Taxpayers' Charter on behalf of the Tax Office.²⁴ This review was completed in February 2006, at a cost of \$189 775.²⁵ Taxpayers and stakeholders were consulted in undertaking the review, however unlike the first review, this review did not research staff impressions of the Charter.

2.4 The review in 2005–06 highlighted the Tax Office's strengths in treating people fairly, reasonably and as individuals, helpfulness of staff, clarity of verbal communication, preparedness to escalate queries, and acknowledgement and resolution of errors. The review also identified some areas for improvement including written communication, accountability, and the area of complex queries. The ANAO found that the results of this review

²⁴ The report of this review is available on the Tax Office website <www.ato.gov.au>.

²⁵ Australian Taxation Office, 2006. Commissioner of Taxation Annual Report 2005–06, p. 317.

have been used extensively by the Taxpayers' Charter Team, and has informed decisions about the management of the Charter.

2.5 In line with a recommendation in the first Charter audit, the 2005–06 review was completed in a timely manner, and covered the Charter Principles and the Client Service Standards. The ANAO found the Tax Office had developed a Charter measurement strategy, as noted in its response to the original audit.

2.6 The Taxpayers' Charter Team informally monitors the charters of other similar agencies. This examination of charters in other countries has revealed ways of improving the Tax Office's Charter, and enables the Tax Office to incorporate better practice from other agencies when updating and managing the Charter. Other revenue agencies have used the Australian Taxation Office's Charter as the basis for developing their own charters, and have sought advice from the Charter Team on consultation processes and the lessons learnt from developing the Charter.

2.7 The Charter applies to all taxpayers, payers of excise duties, and individuals and entities with superannuation obligations. It is equally applicable to all individuals and organisations, from eTax users, to large businesses, to trustees of Self Managed Superannuation Funds (SMSFs). The ANAO considers the Tax Office would receive benefit from using future reviews of the Taxpayers' Charter to more specifically target categories of taxpayers and stakeholders of the Charter. The ANAO suggests that groups the Tax Office could consider targeting for consultation are:

- complainants – given that a complaint is an expression of dissatisfaction with the Tax Offices administration, arising from failure to meet expectations or to meet Charter commitments;
- debtors – given the Ombudsman and the Tax Office receive a number of complaints relating to the collection and repayment of debts, and a recent ANAO audit report identifying issues in the area;²⁶
- trustees of SMSFs - given the recent expansion in the numbers of Self Managed Superannuation Funds, two recent ANAO audit reports identifying issues in the area, and that SMSFs have been identified in

²⁶ ANAO Audit Report No.42 2006-07, *The ATO's Administration of Debt Collection-Micro-business*.

the 2007–08 Compliance plan as a continuing compliance challenge;²⁷ and

- Tax Office staff responsible for the relationship with the targeted groups – for example, this may include Superannuation and Debt staff. Consulting staff would also give the Tax Office the option to conduct comparative analysis with the original Charter research, which consulted staff. Given that charters are most effective when the people within an organisation ‘live the Charter’, targeting Tax Office staff could also provide assurance to the Tax Office that staff are continuing to live the Taxpayers’ Charter.

Recommendation No.1

2.8 The ANAO recommends that the Tax Office, when conducting its next review of the Taxpayers’ Charter, targets specific categories of taxpayers, to determine the extent to which they are aware of their rights and obligations under the Charter, and whether the Charter is appropriately applied to them.

2.9 Tax Office response: Agree with Qualification. The Tax Office's approach to dealing with the community is to be visible to those who need attention and invisible to those who don't. While it would be an ideal state that every citizen knows about the Charter, the Tax Office takes the view that it is more important that:

- the organisation is committed to it; and
- where taxpayers are impacted by our compliance activities, they:
 - are aware of their rights and obligations under the Charter; and
 - the organisation treats them in accordance with the Charter.

2.10 The Tax Office will ensure that future independent relevant research includes groups of taxpayers who are impacted by our compliance activities to check that they are aware of their rights under the Charter and that the Charter has been applied appropriately to them.

²⁷ ANAO Audit Report No.52 2006–07, *The Australian Taxation Office's Approach to Regulating and Registering Self Managed Superannuation Funds* and ANAO Audit Report No.13 2007–08, *The Australian Taxation Office's Approach to Managing Self Managed Superannuation Fund Compliance Risks*.

2.11 ANAO response: The Tax Office's response satisfies the intent of the ANAO's recommendation.

Charter guidance

2.12 In the course of undertaking the audit, the ANAO noted that the most current guidance available to Australian Government agencies is the *Client Service Charter Principles*. These were originally published in 2000, and have not been reviewed or updated.

2.13 A significant number of agencies have developed and been operating their charters for a number of years, and these agencies need to ensure they are 'living' their charters. Recent machinery-of-government changes have created new agencies, and altered the responsibilities of others. These are appropriate triggers to initiate a review and update of the agency's charter. It is important that public sector agencies have guidance that meets their needs. The contact details within *Client Service Charter Principles*, for agencies to obtain further information and assistance are outdated. Given the importance of charters in shaping the culture of an organisation, and to improve service delivery to clients, the ANAO considers there would be benefits if the *Client Service Charter Principles* were reviewed to ensure currency, and reinvigorated to promote awareness of service charter principles and operational aspects.

2.14 The ANAO suggests that there would be benefit in the Tax Office, having regard to its experience in this area, offer assistance to the Australian Public Service Commission in reviewing, and as necessary, updating the *Client Service Charter Principles*.

Conclusion

2.15 The ANAO considers Recommendation No.1 of Audit Report No.19 2004–05, *Taxpayers' Charter*, has been fully implemented.

3. Strategic Commitment

This Chapter discusses Recommendations 2 and 3 from Audit Report No.19 2004–05, Taxpayers’ Charter. These recommendations are about explicitly documenting how relevant strategies and measures within Tax Office sub-plans relate to the Charter principles, and developing a Corporate Management Practice Statement to provide guidance to Tax Office staff on how they are to meet their responsibilities under the Charter.

Introduction

3.1 The success of the Charter depends on commitment and support at the strategic level. The ANAO examined the Tax Office’s strategic commitment to the Charter and its principles.

Findings from the first Charter audit

3.2 In Audit Report No.19 2004–05, *Taxpayers’ Charter*, the ANAO sought to determine whether Charter principles were explicitly and implicitly recognised in key documents and processes that affect the Tax Office’s operations, such as: Listening to the Community²⁸; Strategic Statement 2003–05;²⁹ Health of the System Assessment reports,³⁰ Tax Office Sub-Plans,³¹ and corporate management practice statements.³² The ANAO concluded the Listening to the Community document and the Strategic Statement explicitly committed to the principles of the Charter, however in the Sub-plans commitment was implicit rather than explicit.

²⁸ The 2002 Listening to the Community program involved working with community groups to develop ideas to make it easier and cheaper for people to comply with their tax obligations.

²⁹ The Tax Office’s Strategic Statement is its highest level planning document and aims to give the Tax Office a clear sense of direction and a framework for its activities over a three-year period.

³⁰ Health of the System Assessment reports address a number of client and community interests, and form the basis for priority decision-making leading into the next year’s planning processes.

³¹ The Tax Office Sub-plans are the plans of its business lines.

³² Corporate Management Practice Statements within the Tax Office provide direction, assistance and a point of reference on the practices to be followed and obligations in performing corporate management duties.

Table 3.1

Audit Report No.19 2004–05, *Taxpayers’ Charter* - Recommendation 2

Recommendation	Tax Office Response
The ANAO recommends that the ATO explicitly document how relevant strategies and measures within its sub-plans relate to the principles of the Charter. This would demonstrate the ATO management’s commitment to the Charter. It would also provide staff with necessary guidance on how the Charter principles are embedded into the ATO’s strategic planning processes.	Agreed. We are examining options for making our 2005–06 planning framework more clearly linked to the Charter. This will assist business and service lines to better integrate the Charter principles into their work plans. More overtly linking our plans with the Charter will also assist our people to be clearer about not only what we plan to deliver, but how we should go about doing it.

Source: Audit Report No.19 2004–05

3.3 Audit Report No.19 2004–05, *Taxpayers’ Charter* also examined whether high level direction on the Charter applied within the Tax Office. At the time of the previous audit, the ANAO noted there was no corporate management practice statement for customer service. The ANAO considered a corporate management practice statement would demonstrate strategic commitment to meeting Charter principles.

Table 3.2

Audit Report No.19 2004–05, Taxpayers' Charter - Recommendation 3

Recommendation	Tax Office Response
<p>The ANAO recommends that the ATO develop a Corporate Management Practice Statement that provides clear guidance to staff on how they are to meet their responsibilities under the Charter.</p>	<p>Agreed.</p> <p>We agree that using the Corporate Management Practice Statement (CMPS) process is a good way to provide direction, assistance and a point of reference on the practices to be followed to ensure that the Charter is being factored into our day-to-day activities.</p> <p>As noted by the ANAO, there are a number of existing CMPSs which cover issues related to various Charter commitments. We will review these CMPSs to ensure that appropriate guidance in relation to the Charter is incorporated and amend any if required.</p> <p>There are also several CMPSs under development which will provide guidance relevant to Charter commitments—for example, a CMPS on complaint handling. Input into these CMPSs has been sought and provided from a Charter perspective.</p> <p>Where specific Charter commitments or related issues are not covered by a CMPS, we will determine whether an issue-related CMPS would address the gap or whether it would be better covered under a more general Charter CMPS.</p> <p>To ensure that the Charter commitments are considered in all our future CMPSs, the development process now includes mandatory consideration of the relevance of Charter commitments to the subject matter.</p> <p>The CMPS process will complement and support the measurement of our performance against the Charter commitments.</p>

Source: Audit Report No.19 2004–05

ANAO's findings from the current audit

Key documents

3.4 The Tax Office 2006–07 Annual Report recognises the Taxpayers' Charter as a key corporate document.

Strategic Statement

3.5 The ANAO reviewed the Tax Office's *Strategic Statement 2006–10*, and *2006–10 Strategic Statement overview*. These are the Tax Office's highest level planning documents, and aim to give staff and stakeholders a clear sense of the strategic direction and a framework for the Tax Office's activities for future years. The ANAO found both documents explicitly recognised the importance of the Charter's principles in administering the tax system.

Corporate Plan

3.6 At the time of the previous audit, the Tax Office did not have a Corporate Plan in place. The *Corporate Plan 2007–08* outlines the Tax Office's corporate priorities for the next 12 months. It does not explicitly refer to the Charter, however it does contain the Tax Office 'Values', which are depicted in Table 3.3. These Values are designed to underpin Tax Office interactions with the community, stakeholders, scrutineers, government and Tax Office staff. The Values are consistent with taxpayers' rights under the Charter.

Table 3.3

Consistency between Tax Office Values and Taxpayers' Charter rights

Tax Office Values	Category of Taxpayers' Charter Rights
Being fair and professional.	Working with Taxpayers.
Applying the rule of law.	
Supporting taxpayers who want to do the right thing and being fair but firm with those who don't.	Helping taxpayers' comply with their obligations.
Being consultative, collaborative and willing to co-design, including at a whole-of-government level.	Working with the community.
Being open and accountable.	Fostering support, respect and confidence from the community.
Being responsive to challenges and opportunities.	Responding to taxpayer concerns.

Source: ANAO analysis. The Tax Office Values are from the *Tax Office Corporate Plan 2007–08*, and categories of taxpayers' Charter rights are from *Tax Office Annual Report 2006–07* p.33.

Sub-Plans

3.7 The Tax Office uses a cascading model for its planning, and under the Corporate Plan, there are six Sub-Plans: Compliance; Easier, Cheaper and more Personalised; Information Technology; Law; Operations; and People and Place.

3.8 In December 2006 the Tax Office revised its Corporate Management Practice Statement on Corporate Planning.³³ This Practice Statement requires sub-plans to ensure alignment to, and support of, the principles of the Strategic Statement and the Taxpayers' Charter. In particular, Sub-Plan Part B (which is how the Sub-Plans allocate resources and accountabilities) must include explicit documentation of how relevant strategies and measures relate to the principles of the Taxpayers' Charter.

3.9 The ANAO reviewed Part A and Part B of the Sub-Plans for 2006–07. The ANAO found all Sub-Plans noted that the Charter and the Compliance Model guide the Tax Offices compliance work. The ANAO further found that all Sub-Plan Part Bs explicitly made reference to the Charter on a number of occasions, and the Compliance Sub-Plan Part B listed maintaining Charter standards as a priority.

3.10 For 2008–09, the Tax Office revised its approach to planning, and published Sub-Plan overviews. The ANAO found the People and Place Overview explicitly mentioned the Charter, by committing to ensuring Tax Office staff 'live the Charter'. The other Sub-Plan Overviews contained the Tax Office 'Values'. The decision to include Values, which relate to all interactions, rather than the Charter principles, which focus on interactions with taxpayers, was a conscious decision by the Tax Office, in order to promote an enterprise wide approach to guiding staff behaviour.

Strategies

3.11 The Tax Office has developed an *ATO Communications Strategy 2007–10*. One of the key goals of this communications strategy is to reinvigorate the Tax Office Charter, Brand and Compliance Model, and communicate them internally and externally to staff and taxpayers.

Clear guidance to staff on how they are to meet their responsibilities under the Charter

3.12 The Tax Office has not developed a Corporate Management Practice Statement on staff responsibilities under the Charter. Instead, existing Practice Statements were updated, and a number of new Practice Statements have been developed to provide guidance to staff on meeting Charter commitments. New

³³ Practice Statements provide direction and assistance to Tax Office employees on the approaches to be taken in employing their duties. There are Corporate Management Practice Statements (for performing corporate duties) and Law Administration Practice Statements (for performing duties involving the application of the laws administered by the Tax Commissioner). Both types of Practice Statement are endorsed corporate policy and must be followed by Tax Office employees.

Corporate Management Practice Statement topics include employee identification, complaint management, providing services in a culturally diverse society, and respecting taxpayers' right to review. The ANAO reviewed these Practice Statements, and was satisfied that explicit references to the Charter enable staff to understand the relationship between the Practice Statements and the Charter, and that Charter principles are embedded within these documents. Corporate Management Practice Statement guidance is provided for each Charter principle.

3.13 The Tax Office has also developed procedures for writing Corporate Management Practice Statements, which includes consultation with the Taxpayers' Charter Team as mandatory stakeholders. The ANAO reviewed the input provided by the Charter Team for a number of Corporate Management Practice Statements, and observed instances where the Team was able to recommend changes in order to ensure consistency with Charter principles.

Taxpayers' Charter, Brand and Compliance Model

3.14 The Tax Office considers its Taxpayers' Charter, Brand, and Compliance Model to be the three pillars of its communications with taxpayers, and form the key relationship tools used to build community confidence, which is essential in a self-assessment taxation system. Both the Charter and the Compliance Model have been used by the Tax Office for over a decade. The ANAO notes that the Charter has been reviewed and audited twice.

3.15 Given the importance of the three pillars (Taxpayers' Charter, Brand, and Compliance Model) in shaping the broader relationship and communication approach to taxpayers, there may be benefit in the Tax Office including a consideration of these three matters in the next review of the Taxpayers' Charter. This would provide reassurance that all three pillars were appropriately integrated. The review could also determine the effectiveness of the Compliance Model as a 'thinking tool' for determining compliance strategies, and whether it needs to be visually updated or enhanced.

Conclusion

3.16 The ANAO considers Recommendation No.2 of Audit Report No.19 2004–05, *Taxpayers' Charter*, has been fully implemented and the intent of Recommendation No.3 has also been fully implemented, given the revised approach by the Tax Office to its planning processes and documentation.

4. Charter Support Mechanisms

This Chapter discusses Recommendations 4 and 5 from Audit Report No.19 2004–05, Taxpayers’ Charter. These recommendations are about providing assurance that technical publications take into account the Charter, and developing appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligation as a normal part of all interaction with the Tax Office.

Introduction

4.1 While the Tax Office demonstrates its commitment to implementing the Charter through its strategic initiatives and planning processes, support mechanisms such as training, clearance processes and marketing and education are also integral to the effective implementation of the Charter.

Findings from the first Charter audit

4.2 At the time of the previous audit, the ANAO sought to determine whether the Tax Office’s strategic commitment to the Charter was reflected in its business processes. The ANAO considered the Tax Office had implemented a coordinated approach to increasing staff awareness of the Charter and its principles, and the Tax Office had systematic processes in place to provide assurance that advice, information and products issued by the Tax Office complied with the Charter principles. However, the ANAO noted the Tax Office’s draft Law Administration Practice Statement on the technical clearance of Tax Office publications did not contain explicit references to the Charter.

Table 4.1

Audit Report No.19 2004–05, Taxpayers’ Charter - Recommendation 4

Recommendation	Tax Office Response
The ANAO recommends that, when finalising the Law Administration Practice Statement on Technical Clearances, the ATO include explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process. This would provide assurance that technical publications issued by the ATO take account the Charter principles.	Agreed. When finalising the Law Administration Practice Statement on Technical Clearances, we will include an explicit reference to the Charter and incorporate its principles into the clearance process. This will provide assurance that technical publications we issue take account of the Charter principles.

Source: Audit Report No.19 2004–05

4.3 Audit Report No.19 2004–05, *Taxpayers Charter* found the Tax Office has systematic processes in place to help provide assurance that all advice, information and products issued by the Tax Offices complied with the principles of the Charter.

Table 4.2

Audit Report No.19 2004–05, *Taxpayers’ Charter* – Recommendation 5

Recommendation	Tax Office Response
<p>The ANAO recommends that the ATO develop appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO. To maintain a consistent and coordinated approach, the protocols and procedures relating to Charter messages could be incorporated in the ATO’s overall strategy for managing marketing and education activities across the ATO.</p>	<p>Agreed.</p> <p>We recognise the importance of ensuring that taxpayers are aware of their rights and obligations in all their dealings with us. As shown by our research, taxpayers do not want to know of the Charter itself but of the levels of service they can expect, what is expected of them and what they can do to seek redress if needed. Therefore, our marketing and education material, while not being explicit about the Charter, must ensure that taxpayers are told what they need to know, when they need to know it.</p> <p>Our marketing and education activities are usually developed along this basis. However, we agree that to ensure consistency, we should integrate the Charter into our overarching marketing and education strategy as one of the key elements. This will ensure the Charter flows through to all business and service line practices.</p>

Source: Audit Report No.19 2004–05

ANAO’s findings from the current audit

Advice and guidance for taxpayers

4.4 The Tax Office publishes a range of advice³⁴ and guidance³⁵ that provides the Commissioner of Taxation’s view on how the law applies (or would apply), to assist taxpayers to understand their rights and entitlements, and to meet their obligations under those laws. Table 4.3 reports the advice and guidance issued by the Tax Office since Audit Report No.19 2004–05.

³⁴ Advice is the Commissioner’s opinion of the application of the law that the Commissioner administers. Advice is binding on the Commissioner and is generally provided in the form of a ruling or administratively binding advice.

³⁵ Guidance is assistance in a form other than a ruling or administratively binding advice that may fulfil a taxpayer’s need for information, without them having to satisfy the conditions that apply to the making of a binding ruling. Examples of guidance include booklets, fact sheets, media releases and speeches.

Table 4.3**Advice and Guidance issued**

Product	2005–06	2006–07
Advice		
Income tax, international, GST, superannuation, excise		
Private rulings and administratively binding advice	13 888	12 398
Public rulings	446	369
Interpretive decisions	301	305
Transfers and regulation of superannuation funds' compliance with retirement income standards		
Private rulings and administratively binding advice	167	220
Public rulings	7	8
Interpretive decisions	45	15
FBT		
Private rulings and administratively binding advice	Not separately reported	325
Guidance		
Income tax, international, GST, superannuation, excise	Not separately reported	20 467
Transfers and regulation of superannuation funds' compliance with retirement income standards	Not separately reported	2 204

Source: Tax Office Annual Reports 2005–06 and 2006–07

4.5 In 2004, Treasury conducted a Review of Aspects of Income Tax Self Assessment (ROSA).³⁶ ROSA examined aspects of Australia's self assessment system for income tax, to determine whether the right balance had been struck between protecting the rights of individual taxpayers, and protecting the revenue for the benefit of the whole Australian community. ROSA made 54 recommendations, which were supported by the Tax Office.

4.6 A key ROSA recommendation was to make Tax Office advice more certain for taxpayers who reasonably rely on information in good faith. When implementing this ROSA recommendation, the Tax Office decided to discontinue the Law Administration Practice Statement on Technical Clearances, and instead, to produce a comprehensive Practice Statement covering the end-to-end production process for issuing public advice and guidance to taxpayers. At the time of audit fieldwork, this Practice Statement was in draft form. The ANAO reviewed the draft, and noted that it includes a

³⁶ See <<http://selfassessment.treasury.gov.au>> for more information.

requirement for the subject matter expert (author) to ensure that advice and guidance aligns with the standards and principles set out in the Charter.

Advice to taxpayers regarding relevant Charter rights and obligations

4.7 For the Charter to be effective in influencing the compliance behaviour of the community, taxpayers should be increasingly aware of their rights, obligations and of the available complaint resolution mechanisms under the Charter. The research undertaken as part of the 2002–03 Review of the Charter found awareness of the Charter itself was very low amongst taxpayers. However, taxpayers felt that information about their rights should be made available on an ‘as needed’ basis rather than informing them of their rights as a matter of course.

4.8 The Tax Office has refined its approach to Charter awareness. The Tax Office aims to make sure that Charter principles (e.g. providing avenues for further contact) are adhered to in all client interactions, and to advise taxpayers of relevant rights at the time a decision is made (e.g. providing information on review avenues when an audit is completed). This strategy was explained in its response to the original audit.

4.9 Further, there are Corporate Management Practice Statements, that provide guidance to staff to implement the Charter principles and information is available on the Tax Office Intranet. The Tax Office has indicated that a focus of the ATO Communications Strategy is to reinvigorate the Charter internally.

4.10 The ANAO also notes the development of the *Respecting clients’ rights of review* Corporate Management Practice Statement by the Taxpayers’ Charter Team. This practice statement sets out the overarching Tax Office policy on how it will respect clients’ rights of review. The Tax Office has committed to reviewing decisions because it helps ensure all clients are treated fairly. It also improves the quality and consistency of decisions, which in turn influences community confidence.

4.11 There are times when the Tax Office has a particular responsibility to ensure Taxpayers are aware of their rights (e.g. clients of Serious Non Compliance, and trustees of SMSFs). The ANAO considers there is scope for the Tax Office to develop protocols and procedures to ensure selected types of taxpayers are made aware of relevant Charter rights and obligations as a part of Tax Office interactions with them. The development of these protocols and

procedures could be informed from conducting research into specific groups (see Recommendation 1).

4.12 The Tax Office has recently finalised its *ATO Communication Strategy 2007–10*. While this document does not contain specific protocols and procedures relating to Charter messages, as suggested in the recommendation from the first Charter audit, one of its key goals is to reinvigorate the Tax Office’s Charter, Brand and Compliance Model.

Commitment to improving Charter performance

4.13 The ANAO sought to determine whether the Tax Office implemented processes and procedures, or initiated training, in areas where poor performance in applying the Charter principles was identified.

4.14 The ANAO saw clear examples where the Charter Team identified that further work was required, and the Tax Office put processes and practices in place to provide assurance that Charter commitments were adhered to:

- failing to apologise for mistakes³⁷ - the Charter Team lobbied to have ‘making decisions in the spirit of the Charter’ become a mandatory element for a complaints case to pass the Quality Assurance process. Staff became aware that they would be assessed on this element of complaint resolution, and there has been an increase in the number of cases where apologies are made; and
- failing to communicate clearly³⁸ - written communication by the Tax Office was identified as using an impersonal and intimidating tone, and too much jargon. Subsequently, the Taxpayers’ Charter Team agreed to work with the Letters Improvement Project to ensure that the standard letters being created for the new systems being developed by the *Easier Cheaper and More Personalised Change Program* meet Charter commitments. In addition, the Tax Office has introduced a new Correspondence Capability, in order to create a Tax-Office wide process for clearly and appropriately communicating with taxpayers.

4.15 At the time of the original audit, the ANAO was advised that the development of a ‘learning and development’ Corporate Management Practice

³⁷ This issue was identified in the March 2005 *Meeting the Commitments in the Taxpayers’ Charter Report*. This report was prepared by the Taxpayers’ Charter Team in response to Recommendation No.9 of Audit Report No.19 2004–05, *Taxpayers’ Charter*, and was presented to the Tax Office executive.

³⁸ This issue was identified in the 2005–06 Taxpayers Charter Research, and raised with the Tax Office Executive in the March 2007 *Meeting the Commitments in the Taxpayers’ Charter Report*.

Statement was being considered.³⁹ The ANAO was of the view that this could incorporate guidance on integrating ‘living the Charter’ with other skilling and training initiatives. It would help maintain an ongoing approach to education and support, and also assist and encourage Tax Office staff to ‘live the Charter’. The ANAO found that this Corporate Management Practice Statement was not developed. Instead, the Tax Office has been working through a number of approaches to assure the quality of learning and development products. Currently the Tax Office intends to implement an integrated ‘Curriculum Centre’, which will be a consolidated inventory of all learning products. Given that the practice statement was not developed, and the Curriculum Centre is yet to be implemented, the ANAO considers that there is scope for the Tax Office to ensure the development of future training programs align with the Charter principles, thereby assisting staff to put Charter principles into practice.

Recommendation No.2

4.16 The ANAO recommends that the Tax Office, to assist in its aim of having staff ‘live the Charter’, ensures the development of future training programs align with the Charter principles. Where relevant, the training should also include guidance on applying the Charter principles in practice.

4.17 Tax Office response: Agree. The Charter is already incorporated into relevant training products, and for example, in our Corporate Induction program (as part of our work around integrated curriculum) we ask participants to work through different scenarios which help them to apply the Charter principles. Guidance on the appropriate application of Charter principles to learning and development products will continue to be built into our new Integrated Curriculum framework.

Conclusion

4.18 The ANAO considers the intent of Recommendation No.4 of Audit Report No.19 2004–05, *Taxpayers’ Charter*, will be fully implemented on completion of the draft practice statement. Recommendation No.5 has been substantially implemented.

³⁹ Audit Report No.19 2004–05, *Taxpayers’ Charter*, p. 56.

5. Quality Assurance

This Chapter discusses Recommendation 6 from Audit Report No.19 2004–05, Taxpayers’ Charter. This recommendation is about implementing a systematic approach to quality assurance processes to enable the Tax Office to focus on broader aspects of the Tax Office’s business processes, including compliance with Charter principles.

Introduction

5.1 Quality assurance processes are designed to provide useful information and assurance that business processes conform to an organisation’s endorsed policies, procedures and practices.

Findings from the first Charter audit

5.2 Audit Report No.19 2004–05, *Taxpayers’ Charter* examined some quality assurance processes undertaken across three Compliance Capabilities (Provision of Advice, Active Compliance and Client Contact) and within the Operations Line (specifically relating to Debt and Lodgement) to determine whether they provide assurance that Charter principles were embedded into the Tax Office’s business processes.

5.3 The Technical Quality Review (TQR) process used by the Tax Office assisted in providing assurance the Tax Office conforms with Charter principles.⁴⁰ However, the ANAO noted that the TQR results were not used as a Charter measure, and there was no explicit reference to Charter principles in the TQR documentation. The ANAO noted some limitations with the TQR process. The Tax Office also recognised the limited scope of the TQRs, and at the time of the previous audit, some business lines had implemented, or were in the process of implementing, supplementary quality assurance processes to gain additional assurance on their Provision of Advice, Active Compliance and Debt and Lodgement case work.

⁴⁰ Technical Quality Reviews involve an examination of a random sample of completed work items to assess: their conformance with relevant Law Administration Practice Statements; technical correctness; and clarity in delivering the decision or advice.

Table 5.1

Audit Report No.19 2004–05, *Taxpayers’ Charter* – Recommendation 6

Recommendation	Tax Office Response
The ANAO recommends that the ATO consider a systematic approach to its supplementary quality assurance processes. Such an approach would complement the existing Technical Quality Review process by providing assurance on broader aspects of the business processes, including compliance with Charter principles.	Agreed. We are currently examining ways to improve our measurement of technical quality. This should improve our ability to provide consistent assurance of our performance against relevant Charter commitments.

Source: Audit Report No.19 2004–05

ANAO’s findings from the current audit

5.4 Since Audit Report No.19 2004–05, *Taxpayers’ Charter* was tabled, Tax Office Business Lines have continued to use supplementary quality assurance processes in addition to the corporate Technical Quality Review process.⁴¹ In particular, business lines increased the sample size of cases reviewed, in order to increase the robustness of results.

5.5 The Tax Office has not developed a systematic approach to the supplementary Quality Assurance processes used by business lines. The Tax Offices attributes this to misinterpreting the original recommendation. Instead, it focused on developing and implementing a new approach to Quality Assurance, the Integrated Quality Framework (IQF).

Integrated Quality Framework

5.6 The Tax Office has developed an Integrated Quality Framework to manage and continuously improve the quality of its technical processes, products and decisions. Business lines and the Charter Team were consulted during the design of the IQF, to ensure it adheres to Charter principles. The IQF is currently being implemented in a staged process, and when fully operational, will replace the TQR process. Given that the IQF is based on best practice principles (the Business Excellence Framework and ISO 9000:2000), and takes a more encompassing approach to Quality Assurance than the TQR, the ANAO considers this to be a sound approach moving forward.

⁴¹ See ANAO Audit Report No.13 2005–06, *Administration of Goods and Services Tax Compliance in the Large Business Market Segment* (p.46), and ANAO Audit Report No.16 2006–07, *Administration of Capital Gains Tax Compliance in the Individuals Market Segment* (p. 82).

Conclusion

5.7 The ANAO considers Recommendation No.6 of Audit Report No.19 2004–05, *Taxpayer's Charter*, has not been implemented. This was due to a misunderstanding on the part of the Tax Office, regarding what the recommendation required. The Tax Office notes that as the Integrated Quality Framework provides a systematic approach to quality assurance, it has met the intention of the recommendation. The ANAO considers this new approach to quality assurance mitigates the need to develop supplementary quality assurance processes as previously recommended.

6. Complaint Handling

This Chapter discusses Recommendation 7 from Audit Report No.19 2004–05, Taxpayers' Charter. This recommendation is about coordination of complaints information.

Introduction

6.1 The Tax Office has committed under the Charter to respect a taxpayer's right to make a complaint. This commitment is designed to improve the Tax Office's relationship with taxpayers and provide an assurance that aggrieved taxpayers will not be subject to discrimination

6.2 An effective complaints handling process is a useful monitoring and reporting tool of the Tax Office's performance against the Charter. It can serve as a sound mechanism for monitoring reputation risks, as well as contribute to the Tax Office's continuous improvement process.

Findings from the first Charter audit

6.3 At the time of the previous audit, complaints were handled in the Tax Office at three levels: the relevant business line; through the Relationship Management Program; and ATO Complaints. The Tax Office was also in the process of implementing a Tax Office wide single complaints management information system, and had just introduced a quality assurance process for complaints. The ANAO anticipated that these would ultimately enhance taxpayers' experience in their dealings with the Tax Office.

6.4 The ANAO identified opportunities for improvement, including effective coordination of complaints information between Tax Office Complaints and the Charter Team, analysing complaints trends on implementation of the new complaints management information system, and using the results of the complaints quality assurance process as a measure for reporting on the Tax Office's performance against the Charter.

Table 6.1**Audit Report No.19 2004–05, *Taxpayers' Charter* - Recommendation 7**

Recommendation	Tax Office Response
The ANAO recommends that the ATO analyse and coordinate complaints information between ATO Complaints and the Charter Section. This would help identify issues relating to Charter performance and improve its reporting and accountability across the ATO.	Agreed. Complaints information and analysis will provide valuable insight into our performance against the Charter commitments. We will incorporate this data into the Charter measurement process outlined in our response to Recommendation 8.

Source: Audit Report No.19 2004–05

ANAO's findings from the current audit**Tax Office complaints**

6.5 As the purpose of this audit was to follow-up the Tax Office's implementation of the recommendations in Audit Report No.19 2004–05, *Taxpayers' Charter*, the ANAO did not conduct an in-depth examination of the Tax Offices' management of complaints. However, the ANAO notes that in his 2007 review of taxpayers' rights in international revenue agencies, Professor Bentley observes that the Australian Taxation Offices' complaints handling and dispute resolution procedures represent international best practice.⁴²

6.6 The Tax Office did not purchase a dedicated complaints management information system, as was anticipated at the time of the previous audit. Instead, from January 2005 the Tax Office adapted a component of its Technical Decision Making System (TDMS) to case-manage complaints across the office.⁴³ The Tax Office anticipates replacing TDMS in July 2009 with the case management component of the new system, currently being developed by the Easier, Cheaper and More Personalised (ECMP) Change Program.

6.7 ATO Complaints produce monthly, quarterly, and ad-hoc reports on complaints and systemic issues. Complaints quality assurance reports are produced quarterly. The primary audience of these reports is the Tax Office Executive, however business lines also receive selected reports.

⁴² Professor Duncan Bentley, 2007, *Taxpayer' Rights: Theory, Origin and Implementation*, Kluwer Law International p. 212.

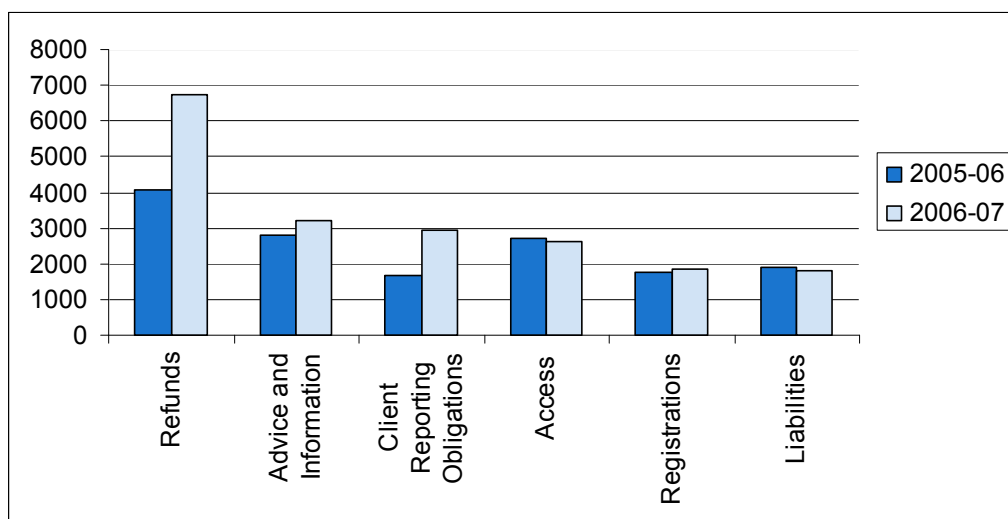
⁴³ TDMS is a workflow system, which electronically routes information according to a process. It was implemented in 2002 in order to achieve consistency in the administration of advice (e.g. private rulings) to taxpayers. It has been adapted for use by a number of areas within the Tax Office, including compliance, disputes (objections), appeals and general correspondence.

6.8 The ANAO found that all of the reports produced by ATO Complaints are provided to the Charter Team. A member of the Charter Team is also a quality assessor of complaints, and the Charter and Complaints reporting teams are located next to one another in the Perth office. The Charter Team refers a number of cases to the ATO Complaints Team, which has processes in place for updating the reporter of cases on the progress of the case. The ANAO considers there is effective coordination of complaints information between the two teams.

6.9 The ATO Complaints reports analyse monthly and year-to-date trends and performance indicators, including aspects such as finalised cases and main issues, for the different types of cases. In 2006–07 the volume of complaints cases and issues finalised was significantly higher than 2005–06. Cases finalised increased by 21 per cent (from 14 563 to 17 590) while the number of issues finalised increased by 24 per cent. Figure 6.1 depicts the main issues within the cases finalised for both financial years.

Figure 6.1

Complaints main issues finalised 2005–06 and 2006–07



Source: Tax Office, Complaints Monthly Report – June 2007

6.10 The complaints case-management and reporting systems have been in operation for three years, and it may be now timely to expand the complaints trend reporting analysis function to provide for the option of benchmarking performance. This benchmarking may be of performance indicators or processes, and internally or externally focused. For example, the Tax Office could benchmark against its own performance over time, or benchmark

against other Australian government service delivery agencies, or against the revenue offices of other countries. Expanding the complaints trend analysis function to provide for benchmarking will enable the Tax Office to determine how effective and efficient its complaints handling processes and procedures are, and where there is room for improvement. The understanding gained through benchmarking could be used to inform future decisions in areas such as potential negative impacts of implementing legislative change, or to facilitate the effective tax administration of particular market segments.

6.11 The ANAO understands that the Society of Consumer Affairs Professionals (SOCAP) Australia has developed a program for benchmarking complaints handling against the Australian Standard.⁴⁴ This program is being used by at least one major federal service delivery agency, and is under consideration by two others. This may be an appropriate avenue for the Tax Office to use to benchmark its performance, as it will also allow comparisons to be made with the management of complaints in comparable agencies in the federal public sector.

6.12 The importance of benchmarking performance, and implementing appropriate systems to support business processes have also been identified by the OECD as crucial elements of best practice tax administration:

In an ever-changing environment, revenue authorities must have a clear focus on what their goals are and continually review their operating approaches and procedures to ensure they are making the most effective and efficient use of the resources available to them. By adapting and adopting appropriate technologies as well as by being open to the benchmarking and testing of their operations to achieve ‘best practice’, good revenue authorities improve both their public image and the organisation of work processes.⁴⁵

Recommendation No.3

6.13 The ANAO recommends that the Tax Office expands the complaints trend reporting analysis function, to provide for the option of benchmarking performance, so as to determine the effectiveness and efficiency of its complaints handling processes and procedures, and identify potential improvements.

⁴⁴ The relevant standard is Australian Standard ISO 10002: Guidelines for complaints handling in organisations.

⁴⁵ OECD, 2001. GAP001 *Principles of Good Tax Administration – Practice Note*, p. 3.

6.14 Tax Office response: Agree with qualification. The Tax Office already has the ability to do trend reporting analysis in relation to effectiveness and efficiency in complaints handling, albeit some of this effort is labour intensive. There may also be options of benchmarking in terms of comparing to other like organisations, the number of complaints per interaction and time taken to resolve complaints. Our current reporting function does not need changing to do this. However, to do this more comprehensively, we would need external information and tools. This comes at a cost. The Tax Office can look for opportunities to improve and streamline reporting, but at this stage in time, when we expect complaints to move to a new case management and reporting system in July 2009, significant investment will not be made in new tools just for complaints. This relates also to our response to recommendation 4.

6.15 ANAO response: The Tax Office has been investigating options to establish benchmarks for complaints received and upheld since the original audit in 2004. The ANAO welcomes the Tax Office's renewed commitment to improve and streamline its complaints reporting.

Risk management

6.16 The ANAO observed that ATO Complaints uses TDMS, two databases, and spreadsheets to produce the information used in its complaints, systemic issues and quality assurance reports. There is significant manual work involved in the production of these reports, and the ability to analyse the content of the cases (through the case text descriptions) is severely limited. Due to the small size of the team, the skills required to produce the reports resides with a limited number of individuals. Members of the ATO Complaints Team also experience difficulties accessing some systems due to network connectivity issues.

6.17 ATO Complaints has spent the four and a half years since Audit Report No.19 2004–05, *Taxpayers' Charter* first highlighted the need for improved complaints reporting and analysis using multiple systems and manual workarounds to case manage, report and analyse complaints. The ANAO considers that improving the complaints reporting and analysis system should be a priority. The ANAO also notes the Tax Office intends to move complaints onto the new system being developed by the *Easier Cheaper and More Personalised* Change Program as part of a major release (release 3.4), requiring an appropriate transition management plan (including appropriate contingency arrangements).

Recommendation No.4

6.18 The ANAO recommends that the Tax Office expands the functionality of the complaints reporting and analysis system to improve the monitoring of complaints.

6.19 Tax Office response: Agree with qualification. The Tax Office agrees there is scope to improve functionality for complaints reporting and analysis. In an ideal world, we would automate this function and maximise technology to make it easier and more efficient. As noted above it is our intention to adopt the case management and reporting system (Siebel) in 2009. In the overall context of implementing Siebel as part of our Change Program, our focus is on getting core business functionality right first, with complaints handling reporting a later priority. We recognise the importance and usefulness of complaints to the organisation. The extent to which, and timing of when, we can improve the reporting for complaints will depend on the final design and timing of the implementation of the Siebel case management system.

6.20 ANAO response: The ANAO first highlighted deficiencies in the Tax Office complaints case management and reporting system in the original audit in 2004. At the time, the Tax Office advised that a new complaints management system would be launched to overcome the deficiencies. While the relative priority of improving complaints management is a matter for the Tax Office to determine, this audit again found there is scope to improve the monitoring of complaints.

Ombudsman feedback on Tax Office complaints

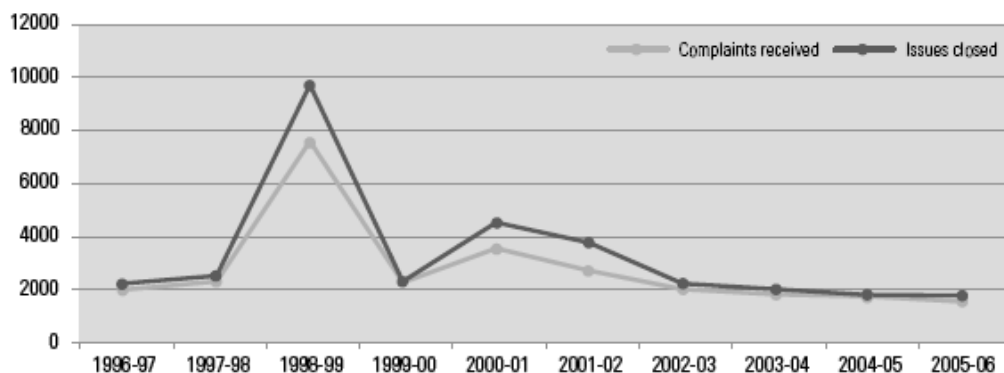
6.21 The Ombudsman considers and investigates complaints about Australian Government departments and agencies.⁴⁶ In 1995 the Ombudsman was also given the title of Taxation Ombudsman following recommendations of the Joint Committee of Public Accounts and Audit to give a special focus to the office's handling of complaints about the Tax Office. The ANAO met with representatives from the Tax Team in the Ombudsman's office, to obtain feedback on the Charter and the complaints process within the Tax Office.

6.22 The Ombudsman's Office has analysed complaints it has received about the Tax Office over a ten year period. This trend analysis is presented in Figure 6.2.

⁴⁶ See <<http://www.ombudsman.gov.au/>>

Figure 6.2

Taxation Office complaints made to the Ombudsman, 1996–97 to 2005–06



Source: Taxation Ombudsman Activities 2006, p. 2

6.23 During 2007–08, the Ombudsman has received complaints about a range of Tax Office activities and products, including debt recovery, superannuation co-contribution, superannuation surcharge, lodgement and processing, and interest and penalty remission decisions. There had been a reduction in mass-marketed scheme complaints and complaints relating to A New Tax System.

6.24 In 2007, the Ombudsman altered its complaints referral practices. For complainants who had not previously contacted the Tax Office, the Ombudsman began directly referring their complaints to the Tax Office Complaints area, as the Ombudsman was concerned that some complainants who approached the Ombudsman did not go on to contact the Tax Office. The process for this direct referral was co-designed with the Tax Office. Once the complaint is received at the Tax Office, it is treated in the same way that complaints received through other channels are treated. Both the Ombudsman and the Tax Office consider that the referral practice is working well, however they have not yet formally evaluated the effectiveness of the new processes.

Conclusion

6.25 Notwithstanding the challenges posed by the multiplicity of reporting systems currently being used to case manage and analyse complaints, the ANAO considers Recommendation No.7 of Audit Report No.19 2004–05, *Taxpayers' Charter*, has been fully implemented.

7. Monitoring and Reporting

This Chapter discusses Recommendation 8 and 9 from Audit Report No.19 2004–05, Taxpayers’ Charter. These recommendations are about finalising the Charter measurement strategy and developing a framework for regular internal reporting in relation to responsibilities under the Charter.

Introduction

7.1 Internal performance monitoring and reporting are important aspects of governance. Fully informed decisions to improve the Tax Offices Charter system require the timely collection and analysis of performance information. The *Client Service Charter Principles 2000* also specify that agencies should publicly report performance against their charters, thereby increasing awareness of the charter, and facilitating feedback on service-related performance.

Findings from the first Charter audit

7.2 The ANAO examined whether the Tax Office had developed qualitative and quantitative measures to monitor its performance against the Charter commitments, and whether these measures were effective in monitoring performance.

7.3 At the time of the previous audit, the ANAO noted that the Tax Office did not have a strategy or a systematic approach to measure its performance against Charter principles. The ANAO suggested a number of additional measures that could be used to monitor performance.

Table 7.1

Audit Report No.19 2004–05, Taxpayers’ Charter - Recommendation 8

Recommendation	Tax Office Response
<p>To better monitor its performance against the commitments made in the Charter, the ANAO recommends that the ATO:</p> <ul style="list-style-type: none">• finalise its Charter measurement strategy; and• develop qualitative measures (using existing business processes) to provide assurance on the quality of the relationship with the taxpayer and the quality of services provided.	<p>Agreed.</p> <p>We have a long history of monitoring and reporting our performance across the range of our activities. This means that we will be able to use current qualitative and quantitative measures to give a comprehensive view of our performance against the Charter commitments without the need to develop significant new measures. We have finalised our measurement strategy to report on our performance explicitly against the Charter commitments. Work is well underway to implement this with the first report planned for March 2005.</p>

Source: Audit Report No.19 2004–05

7.4 The ANAO examined key reports used by the Tax Office to ascertain whether there was regular internal reporting to enable assessment of Charter performance. The ANAO concluded that the Tax Office had limited reporting arrangements regarding its Charter responsibilities. Specifically, the regular internal reports that refer to the Charter were limited to timeliness measures.

Table 7.2

Audit Report No.19 2004–05, Taxpayers’ Charter - Recommendation 9

Recommendation	Tax Office Response
<p>To facilitate improved internal reporting against Charter performance, the ANAO recommends that the ATO examine the material that it has available from its existing reports, and develop a framework for regular internal reporting in relation to its responsibilities under the Charter.</p>	<p>Agreed.</p> <p>Our current reporting includes considerable evidence of our performance against the Charter commitments – both qualitative and quantitative. Our measurement strategy factors this existing evidence into the regular reporting outlined in our response to Recommendation 8.</p>

Source: Audit Report No.19 2004–05

ANAO’s findings from the current audit

Performance monitoring and reporting

7.5 The Tax Office has now finalised its Charter Measurement Strategy. This Strategy uses internal and external data to monitor performance, and a Taxpayers’ Charter Performance Report is now prepared semi-annually and provided to the Tax Office Executive. This report includes work-in-progress for

Charter activities, select quantitative and qualitative measures of Charter performance, and highlights issues and areas of concern.

7.6 In gathering the internal data used to prepare the Taxpayers' Charter Performance Report, the Charter Team draws upon all of the additional qualitative performance indicators suggested in Audit Report No.19 2004–05, *Taxpayers' Charter*.⁴⁷ The report also uses external data collected from the triennial Taxpayers' Charter research, the semi-annual Professionalism and Business Perceptions Surveys, and the annual Community Perceptions Survey.⁴⁸ These external surveys are conducted by private sector research organisations who have been selected through a competitive tendering process. The internal and external data sources used to produce the Taxpayers' Charter Performance Report are comprehensive in providing the Tax Office Executive with assurance on the performance of the Taxpayers' Charter.

Corporate Client Service Standards

7.7 As noted in the *Background and Context* chapter, the Tax Office has sought to disconnect the corporate CSSs from the other elements of service in the Taxpayers' Charter. The former focus on timeliness measures of service, and while the latter consider timeliness to be an important aspect of service, they incorporate a range of additional attributes including quality, accountability, and professionalism among others.

7.8 The corporate CSSs are set in consultation with business lines, and the Tax Office continues to monitor and report on them internally, online, and in the Annual Report. In 2006–07 and 2007–08, the Tax Office had 24 CSSs covering a range of business activities including registrations; lodgements; refunds and payments; enquires; amendments and objections; audits; errors; and complaints.

7.9 As the ECMP Change Program moved into its implementation phase during 2007, the Tax Office noted a possibility for some temporary reductions in service standards for taxpayers and tax agents. Accordingly, the Tax Office lowered some of its benchmark targets for 2007–08. Table 7.3 below shows the Tax Office achievements of the CSSs during 2006–07, and performance to date for 2007–08. Where the Tax Office did not meet the CSSs, the Tax Office's performance is highlighted in blue. The ANAO did not audit the production of the corporate Client Service Standards performance information.

⁴⁷ See Audit Report No.19 2004–05, *Appendix 7: Charter Measures* for the list of performance measures the ANAO recommended the Tax office use to monitor Charter performance.

⁴⁸ The results of these surveys are available from <www.ato.gov.au>.

Conclusion

7.10 The ANAO considers Recommendations No.8 and No.9 of Audit Report No.19 2004–05, *Taxpayers' Charter*, have been fully implemented.



Ian McPhee
Auditor-General

Canberra ACT
11 June 2008

Appendices

Appendix 1: Implementation of recommendations






Table A1 provides a snapshot of the Tax Office progress in implementing the recommendations.

Table A 1

Tax Office progress in implementing the recommendations from the first Charter audit

Fully implemented	Substantially implemented	Partially implemented	Limited progress	No progress
●	●	●	○	○

Recommendation	ANAO Assessment	Chapter Reference and Notes
<p>The ANAO recommends that the ATO, when undertaking future reviews of the Charter, consider:</p> <ul style="list-style-type: none"> revisiting Client Service Standards and Charter principles as part of the review, including their revalidation with the community; and taking necessary action for timely completion of reviews to increase their relevance and to allow for more effective implementation of recommendations. 	●	Chapter 2
<p>The ANAO recommends that the ATO explicitly document how relevant strategies and measures within its sub-plans relate to the principles of the Charter. This would demonstrate the ATO management's commitment to the Charter. It would also provide staff with necessary guidance on how the Charter principles are embedded in the ATO's strategic planning processes.</p>	●	Chapter 3
<p>The ANAO recommends that the ATO develop a Corporate Management Practice Statement that provides clear guidance to staff on how they are to meet their responsibilities under the Charter.</p>	●	Chapter 3

Recommendation	ANAO Assessment	Chapter Reference and Notes
<p>4</p> <p>The ANAO recommends that, when finalising the Law Administration Practice Statement on Technical Clearances, the ATO include explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process. This would provide assurance that technical publications issued by the ATO take account of the Charter principles.</p>		<p>Chapter 4</p> <p>The intent of the recommendation will be fully implemented on completion of the draft practice statement.</p>
<p>5</p> <p>The ANAO recommends that the ATO develop appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO. To maintain a consistent and coordinated approach, the protocols and procedures relating to Charter messages could be incorporated in the ATO's overall strategy for managing marketing and education activities across the ATO.</p>		<p>Chapter 4</p>
<p>6</p> <p>The ANAO recommends that the ATO consider a systematic approach to its supplementary quality assurance processes. Such an approach would complement the existing Technical Quality Review process by providing assurance on broader aspects of the business processes, including compliance with Charter principles.</p>		<p>Chapter 5</p> <p>The ANAO considers that given that a new approach to Quality Assurance, the Integrated Quality Framework, is currently being implemented, the need to now develop supplementary Quality Assurance processes to complement the old approach has abated.</p>
<p>7</p> <p>The ANAO recommends that the ATO analyse and coordinate complaints information between ATO Complaints and the Charter Section. This would help identify issues relating to Charter performance and improve its reporting and accountability across the ATO.</p>		<p>Chapter 6</p>
<p>8</p> <p>To better monitor its performance against the commitments made in the Charter, the ANAO recommends that the ATO:</p> <ul style="list-style-type: none"> • finalise its Charter measurement strategy; and • develop qualitative measures (using existing business processes) to provide assurance on the quality of the relationship with the taxpayer and the quality of services provided. 		<p>Chapter 7</p>

Recommendation	ANAO Assessment	Chapter Reference and Notes
<p>9 To facilitate improved internal reporting against Charter performance, the ANAO recommends that the ATO examine the material that it has available from its existing reports, and develop a framework for regular internal reporting in relation to its responsibilities under the Charter.</p>	<p>●</p>	<p>Chapter 7</p>

Source: ANAO analysis

Appendix 2: Tax Office Response



Australian Government
Australian Taxation Office

27th May 2008

Mr Ian McPhee
Auditor General
Australian National Audit Office
GPO Box 707
Barton ACT 2600

Dear Mr McPhee

ANAO Performance Audit – Taxpayers’ Charter Follow-up Audit

Thank you for the letter of 29 April 2008 from your Group Executive Director Mr Peter White, and the opportunity to provide comments on the proposed audit report on the Taxpayers’ Charter (the Charter).

We are pleased that the Australian National Audit Office report recognises the work that we have done to implement the nine recommendations made in the first audit and our ongoing commitment to the Charter and its effective operation.

Our Charter is the way we put our values into meaningful and practical terms for the community. It sets out the relationship we want to have with them – one based on mutual trust and respect.

We will continue to review and refine the Charter and its operation. Also, as noted in your report, we are currently working on a more integrated approach, bringing together our three communication pillars being our Charter, compliance model and ATO brand. These pillars working together will help to ensure that we maintain and improve community confidence in our administration of Australia’s revenue and superannuation systems and keep the ATO at the leading edge in these areas.

We agree with all of your recommendations as suggested improvements to our current practices in relation to the Charter and our approach to complaints handling, although we have qualifications on three. The qualification regarding the Charter research relates to not categorising taxpayers, but instead looking at those who are impacted by our compliance activities. And in relation to qualifications for complaints handling, they relate in the main to tools, technology and current organisational priorities implementing our Change Program.

If you would like to discuss any of these matters, please contact Russell Faulk on (02) 6216 2073 or Lindy Kerr on (08) 9268 5008.


Thank you for your constructive approach to this review. In particular, we appreciated the professionalism of your auditors, David Crossley and Kirsty Stuart.

Yours sincerely,



Michael D'Ascenzo
Commissioner of Taxation

27 May 2008



ATO responses to ANAO recommendations

Recommendation No. 1

The ANAO recommends that the Tax Office, when conducting its next review of the Taxpayers' Charter, targets specific categories of taxpayers, to determine the extent to which they are aware of their rights and obligations under the Charter, and whether the Charter is appropriately applied to them.

ATO response: Agree with qualification

The Tax Office's approach to dealing with the community is to be visible to those who need attention and invisible to those who don't. While it would be an ideal state that every citizen knows about the Charter, the Tax Office takes the view that it is more important that

1. the organisation is committed to it, and
2. where taxpayers are impacted by our compliance activities, they:
 - a. are aware of their rights and obligations under the Charter
 - b. the organisation treats them in accordance with the Charter.

The Tax Office will ensure that future independent relevant research includes groups of taxpayers who are impacted by our compliance activities to check that they are aware of their rights under the Charter and that the Charter has been applied appropriately to them.

Recommendation No. 2

The ANAO recommends that the Tax Office, to assist in its aim of having staff 'live the Charter', ensures the development of future training programs align with the Charter principles. Where relevant, the training should also include guidance on applying the Charter principles in practice.

ATO response: Agree

The Charter is already incorporated into relevant training products, and for example, in our Corporate Induction program (as part of our work around integrated curriculum) we ask participants to work through different scenarios which help them to apply the Charter principles. Guidance on the appropriate application of Charter principles to learning and development products will continue to be built into our new Integrated Curriculum framework.

Recommendation No. 3

The ANAO recommends that the Tax Office expands the complaints trend reporting analysis function, to provide for the option of benchmarking performance, so as to determine the effectiveness and efficiency of its complaints handling processes and procedures, and identify potential improvements.

ATO response: Agree with qualifications

The Tax Office already has the ability to do trend reporting analysis in relation to effectiveness and efficiency in complaints handling, albeit some of this effort is labour intensive. There may also be options of benchmarking in terms of comparing to other like organisations, the number of complaints per interaction and time taken to resolve complaints.

Our current reporting function does not need changing to do this. However, to do this more comprehensively, we would need external information and tools. This comes at a cost.

The Tax Office can look for opportunities to improve and streamline reporting, but at this stage in time, when we expect complaints to move to a new case management and reporting system in July 2009, significant investment will not be made in new tools just for complaints. This relates also to our response to recommendation 4.

Recommendation No. 4

The ANAO recommends that the Tax Office expands the functionality of the complaints reporting and analysis system to improve the monitoring of complaints.

ATO response: Agree with qualifications

The Tax Office agrees there is scope to improve functionality for complaints reporting and analysis.

In an ideal world, we would automate this function and maximise technology to make it easier and more efficient. As noted above it is our intention to adopt the case management and reporting system (Siebel) in 2009.

In the overall context of implementing Siebel as part of our Change Program, our focus is on getting core business functionality right first, with complaints handling reporting a later priority.

We recognise the importance and usefulness of complaints to the organisation. The extent to which, and timing of when, we can improve the reporting for complaints will depend on the final design and timing of the implementation of the Siebel case management system.

Index

A

Australian Public Service Commission,
7, 11, 31, 40

C

Charter, 6, 7, 11–21, 25–67, 71–73
Complaints, 6, 13–14, 17–21, 27–28,
33, 35, 38, 43, 46, 50–51, 56–62,
65–66, 72
Compliance, 28–29
Compliance Model, 6, 11–12, 16, 20,
27, 29–30, 45–46, 51
Corporate Management Practice
Statement, 16–17, 32, 41, 43,
45–46, 50, 52, 71

G

Guidelines, 15, 59

M

Memorandum of Understanding
(MOU), 82

O

Ombudsman, 6, 35, 38, 61–62

Q

Quality Assurance, 7, 17–19, 33,
53–57, 60, 72

R

Risk, 18, 29–30, 39, 56, 60, 80

V

Values, 6, 16, 20, 26, 34, 44–45

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