

# **Australian Taxation Office's Engagement with Tax Practitioners**

Australian Taxation Office

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Canberra ACT  
15 August 2022

Dear President  
Dear Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Australian Taxation Office. The report is titled *Australian Taxation Office's Engagement with Tax Practitioners*. 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 to the Parliament.

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

Yours sincerely



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

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# Audit snapshot

## Auditor-General Report No.2 2022–23

*The Australian Taxation Office's Engagement with Tax Practitioners*



### Why did we do this audit?

- ▶ Tax practitioners support taxpayers to meet their taxation and superannuation related obligations. Effective engagement between the Australian Taxation Office (ATO) and tax practitioners has the potential to increase the efficiency and effectiveness of the taxation and superannuation systems.
- ▶ This audit topic was identified as a Parliamentary priority by the Joint Committee of Public Accounts and Audit in 2021–22.



### Key facts

- ▶ This audit uses the term 'tax practitioners' to refer to tax agents and business activity statement (BAS) agents that are registered with the Tax Practitioners Board.
- ▶ There were 63,950 tax practitioners in March 2022 — 46,751 tax agents and 17,199 BAS agents.
- ▶ The ATO engages with tax practitioners through consultation activities and groups; providing services and support; and through individual interactions relating to specific client or practitioner matters.



### What did we find?

- ▶ The ATO is largely effective in implementing its tax practitioner engagement activities. The development of a strategic and performance framework for tax practitioner engagement would allow the impact on the efficiency and effectiveness of the taxation and superannuation systems from the ATO's engagement activities to be assessed.
- ▶ The ATO consulted largely effectively with tax practitioners to inform its strategies, services and support.
- ▶ The ATO provides largely effective services and support for tax practitioners.



### What did we recommend?

- ▶ There were four recommendations to the ATO relating to its: strategic framework; performance framework; consultation groups; and registered agent phone line.
- ▶ The ATO agreed to the recommendations.

552 and 23

Average number of clients per tax agent and BAS agent, respectively, as of March 2022.

70% and 57%

Percentage of tax returns and business activity statements lodged by tax practitioners in 2019–20, respectively.

1.5 million

Number of tax practitioner calls to the ATO in 2020–21.

# Summary and recommendations

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## Background

1. Australia's taxation and superannuation systems are based on taxpayers self-assessing their obligations and reporting to the Australian Taxation Office (ATO). The ATO reported that tax agents lodged 70 per cent of tax returns, and tax and business activity statement (BAS) agents lodged 57 per cent of BAS, in 2019–20.
2. There are a range of professionals that provide intermediary services within the taxation and superannuation systems. The ATO has stated that it regards its relationships with tax and BAS agents as perhaps its most significant intermediary relationship in the tax system. The ATO engages with tax practitioners through consultation activities and groups; by providing services and support; and through individual interactions relating to specific client or practitioner matters.

## Rationale for undertaking the audit

3. Tax practitioners play an important role in Australia's taxation and superannuation systems by supporting taxpayers to meet their taxation and superannuation related obligations. Effective engagement between the ATO and tax practitioners potentially supports more efficient and effective taxation and superannuation systems.
4. Reviews in 2015 and 2018 of the ATO's engagement with and support for tax practitioners identified concerns with the ATO's transparency, communication and level of service. The ATO's engagement with tax practitioners was identified by the Joint Committee of Public Accounts and Audit as an audit priority of the Parliament.

## Audit objective and criteria

5. The objective of the audit was to assess the effectiveness of the ATO's engagement with tax practitioners in achieving efficient and effective taxation and superannuation systems.
6. To form a conclusion against the objective, the following criteria were adopted.
  - Does the ATO have an effective strategic framework for engaging with tax practitioners?
  - Does the ATO effectively engage and consult with tax practitioners in developing its strategy, services and support?
  - Does the ATO provide effective services and support for tax practitioners?

## Conclusion

7. The ATO is largely effective in implementing its tax practitioner engagement activities. The development of a strategic and performance framework for tax practitioner engagement would allow the impact on the efficiency and effectiveness of the taxation and superannuation systems from the ATO's engagement activities to be assessed.
8. The ATO has a partly effective strategic framework for engaging with tax practitioners. While there have been various engagement objectives and documented strategies over time, these are not always clearly aligned to demonstrate how the strategies contribute to achieving the engagement objectives. Coordinated strategic planning is developing. The implementation of

tax practitioner targeted strategies has not always been supported by documented implementation planning. External performance reporting on tax practitioner engagement is limited in scope. The ATO does not have a fully formed performance framework to assess the effectiveness of its strategic approach to engaging with tax practitioners.

9. The ATO has a largely effective approach to consulting tax practitioners to inform the development of its strategy, services and support. There is an entity-level consultation framework and there are tax practitioner consultation channels, including standing and special purpose consultation groups. Tax practitioner consultations reviewed by the ANAO are broadly consistent with Australian Public Service standards for engagement. The ATO has an established process for identifying consultation participants, although criteria supporting the selection of consultation group members are not defined. The ATO publicly reports key messages from its consultation group meetings and provides some public information about the outcomes of its consultation activities. The ATO has not comprehensively reviewed the effectiveness of its tax practitioner consultation practices.

10. The ATO provides largely effective services and support for tax practitioners. The ATO plans, although it does not always review the effectiveness of, its communications to tax practitioners. Two key tax practitioner programs reviewed as part of the audit are supported through largely effective communications. The ATO monitors the performance of its tax practitioner enquiry channels in terms of timeliness of response. Monitoring of service quality through the channels, including whether enquiries were satisfactorily resolved by skilled staff, is less evident. Digital services for tax practitioners are largely fit for purpose.

## Supporting findings

### Strategic approach to engaging with tax practitioners

11. The ATO's corporate and business plans and various tax practitioner targeted strategies and initiatives provide aspects of a fit-for-purpose tax practitioner engagement strategy, however, there are gaps. The ATO has a range of objectives underpinning its engagement with tax practitioners. The ATO has not clearly linked its strategies to its tax practitioner engagement objectives and provides limited public information about its strategic approach. As of April 2022, the ATO was developing an overarching strategy to guide its engagement with tax practitioners that aims to be more coherent and integrated (see paragraphs 2.3 to 2.24).

12. Implementation plans for two targeted and current tax practitioner strategies are being developed. Equivalent implementation plans were not evident for other superseded strategies. Administrative and oversight arrangements are largely fit for purpose, although the ATO has not fully documented the oversight arrangements for tax practitioner engagement. Implementation is supported by a dedicated business service line and 'client experience owner'. The roles and responsibilities for the implementation of strategies are specified, although could be made clearer for one of the strategies. Coordination of activity across ATO business service lines is supported by coordination mechanisms and is continuing to develop (see paragraphs 2.25 to 2.41).

13. There is one external performance indicator relating to ATO engagement with 'partners'. The ATO reports publicly against this performance measure and against service commitments that apply to tax practitioners and other clients. The ATO does not use the external performance indicator to report on tax practitioner engagement performance specifically. There is a variety of



internal reporting on tax practitioner engagement that lacks performance measures and targets which could assist in the ongoing monitoring of performance. In 2021–22, the ATO developed improved reporting on tax practitioner related issues (see paragraphs 2.42 to 2.68).

### **Consultation with tax practitioners**

14. The ATO has established channels for consulting tax practitioners as part of an enterprise-wide consultation framework, including six standing and special purpose tax practitioner consultation groups. However, the ATO has not documented criteria for selecting standing and special purpose consultation group members, which detracts from consultation effectiveness. Tax practitioners are consulted about ATO strategies, services and support. Six tax practitioner consultations reviewed in detail by the ANAO were broadly consistent with Australian Public Service standards for engagement. Consultation groups operate largely consistently with their terms of reference (see paragraphs 3.3 to 3.25).

15. The ATO records how it considers feedback from consultations and, in the six examples reviewed, it utilised participant input where the issue was at the implementation stage. It shares consultation outcomes on its website at a high level for non-confidential consultations, although substantive outcomes are not always clearly conveyed. Consultation participants were provided with feedback, although this sometimes lacked detailed information about how the input would be used. While the ATO has reviewed elements of its consultation with tax practitioners, these reviews are not comprehensive. Reporting to an oversight group focusses on operational detail with limited consideration of consultation effectiveness. The ANAO survey of tax practitioners found that between 46 and 50 per cent of respondents were ‘somewhat’ or ‘very’ confident with aspects of the ATO’s consultation approach, and the remainder were ‘a little confident’, ‘not at all confident’ or had no opinion (see paragraphs 3.26 to 3.34).

### **Services and support for tax practitioners**

16. The ATO has communications plans and mechanisms to coordinate communications. The ATO has reviewed the effectiveness of some of its communications plans. One key program (the lodgment program framework) is supported through website and individualised communications, although there is inconsistent messaging around the 85 per cent on-time lodgment performance benchmark. A second program (the Key Agent Program) is aimed at supporting consistent communication between the ATO and its most significant tax agents and is delivered largely as intended. An ANAO survey of tax practitioners found that seventy per cent of respondents felt the ATO communicated the available services and support for tax practitioners well (see paragraphs 4.3 to 4.25).

17. The ATO responds to tax practitioner enquiries through three key channels — the registered agent phone line, the Tax Practitioner Assistance Service and complaints. While there is largely sufficient monitoring of response timeliness, monitoring and reporting of service quality is limited and could be expanded. Monitoring has found that one of the three channels (the registered agent phone line) has consistently met timeliness targets. Although most respondents to an ANAO survey of tax practitioners reported a positive experience when contacting the ATO, there were concerns about staff capability, particularly in relation to the registered agent phone line (see paragraphs 4.26 to 4.57).

18. The ATO's digital services for tax practitioners, Online Services for Agents (OSfA) and the Practitioner Lodgment Service, are largely fit for purpose. There are some weaknesses in system controls for OSfA. System performance is monitored and publicly reported on. The digital services have not been evaluated in other ways, although the ATO plans to do this. Services and support for digital channels are provided to tax practitioners and digital service providers (see paragraphs 4.59 to 4.92).

## Recommendations

**Recommendation no. 1** In finalising its overarching tax practitioner engagement strategy, the Australian Taxation Office more clearly link its strategies to its tax practitioner engagement objectives and better communicate its strategic engagement approach with tax practitioners.  
**Paragraph 2.23**

**Australian Taxation Office response:** *Agreed.*

**Recommendation no. 2** The Australian Taxation Office develop a performance framework that provides a basis for assessing its performance in engaging with tax practitioners to achieve efficient and effective taxation and superannuation systems.  
**Paragraph 2.66**

**Australian Taxation Office response:** *Agreed.*

**Recommendation no. 3** The Australian Taxation Office document selection criteria to support transparency, consistency and diversity in selection of tax practitioners for standing and special purpose consultation groups.  
**Paragraph 3.22**

**Australian Taxation Office response:** *Agreed.*

**Recommendation no. 4** The Australian Taxation Office consult with tax practitioners to better understand their concerns regarding the registered agent phone line and use this feedback to guide the development of future service offerings.  
**Paragraph 4.37**

**Australian Taxation Office response:** *Agreed.*

## Summary of entity response

The ATO welcomes this review and the report's finding that the ATO is largely effective in implementing its tax practitioner engagement activities.

Tax practitioners are one of the ATO's key partners and we value the strong collaborative relationship that exists. We are very proud of our engagement with tax practitioners and we are pleased the audit recognises the strength of our approach to consultation and the services and support we offer to tax practitioners.

We note the period covered by the audit was one during which tax practitioners and the ATO encountered unprecedented impacts and challenges arising from COVID-19. We are proud of the way we worked with the tax profession to deliver critical stimulus measures to the community, and immediate and tailored support for tax practitioners and their clients.

The ATO is focussed on continuous improvement and provision of contemporary products and services to tax practitioners and their clients. The report makes four recommendations which are agreed by the ATO. We will take on board the report's findings as we continue to refine and improve the ways by which we engage with tax practitioners.

## Key messages from this audit for all Australian Government entities

19. Below is a summary of key messages, including instances of good practice that have been identified in this audit and which may be relevant for the operations of other Australian Government entities.

### **Governance and risk management**

- Engagement with stakeholders should be underpinned by clear objectives.

### **Performance and impact measurement**

- Entities that engage with key stakeholder groups on an ongoing basis should develop meaningful performance measures as early as possible to assess the effectiveness and efficiency of that engagement in terms of achieving engagement objectives.

### **Policy/program implementation**

- An efficient way to consult with a large stakeholder group is to select a subset of that group to seek their views. There should be clear criteria for selecting the group that are aligned to the objectives of the consultation. It is important to get a representative sub-group, within the context of the consultation, so that a diversity of views is received. Leveraging the experience and knowledge of peak bodies and professional associations can be an effective and efficient way to obtain information and feedback.



## **Audit findings**

# 1. Background

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## Introduction

1.1 The Australian Taxation Office (ATO) is responsible for the effective management of Australia's taxation and superannuation systems. This includes responsibility for achieving confidence in these systems by 'helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law'.<sup>1</sup> The Commissioner of Taxation is the accountable authority of the ATO.

1.2 Since 1986–87, the ATO has used a self-assessment approach to administering the taxation and superannuation systems. Moving to a system of self-assessment has put a greater onus on taxpayers to perform certain functions and exercise some responsibilities.<sup>2</sup>

## Tax practitioners in Australia

1.3 A range of intermediaries undertake various roles in the taxation and superannuation systems. Intermediaries<sup>3</sup> can include: registered tax and business activity statement (BAS)<sup>4</sup> agents; digital service providers; legal practitioners and other tax advisers; registered insolvency practitioners; tax (financial) advisors; and self-managed superannuation fund auditors. In 2020, the Commissioner of Taxation described the tax profession as the ATO's 'most trusted ally', the 'gateway' between it and the majority of taxpayers, 'custodians of the system', and potentially its most important partner.<sup>5</sup> The ATO reported that tax agents lodged 70 per cent of tax returns, and tax and business activity statement (BAS) agents lodged 57 per cent of BAS, in 2019–20.<sup>6</sup> This report focuses on the ATO's engagement with tax and BAS agents and uses the terms 'tax practitioners' or 'agents' to refer collectively to the two types of agents.

1.4 There has been a requirement for tax practitioners to be registered with the Tax Practitioners Board (TPB) since 1 March 2010.<sup>7</sup> The TPB is the independent statutory board established under the *Tax Agent Services Act 2009* (TASA) that is responsible for the registration and regulation of tax practitioners. This includes investigating and applying sanctions for non-compliance with the TASA and resolving complaints against registered and unregistered tax practitioners. Members of the TPB are appointed by the Assistant Treasurer. The TPB receives administrative support from ATO staff, including the Chief Executive Officer/Secretary of the TPB,

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1 Department of the Treasury, *Portfolio Budget Statements 2022–23*, Budget Relation Paper No. 1.13: Treasury Portfolio [Internet], Department of the Treasury, 2022, pp. 173 and 180, available from <https://treasury.gov.au/publication/portfolio-budget-statements-2022-23> [accessed 20 April 2022].

2 Department of the Treasury, *Report on Aspects of Income Tax Self Assessment* [Internet], Commonwealth of Australia, 2004, p. 2, available from <https://treasury.gov.au/sites/default/files/2019-03/p2004-aspects-income-tax-self-assessment.pdf> [accessed 3 April 2022].

3 The ATO refers to the professionals that operate within the tax and super systems as intermediaries.

4 A business activity statement is a report which must be lodged by all businesses registered for Goods and Services Tax (GST), for the purposes of reporting GST and other business tax liabilities.

5 Commissioner of Taxation, Now and when: Commissioner's address to the Tax Institute Tax Summit 2020, 12 March 2020.

6 For BAS, data as of November 2021.

7 Prior to the enactment of the TASA, state and territory Tax Agent Boards registered and regulated tax agents. The state Boards were abolished by the TASA.

who is responsible for the day-to-day operations of the TPB. The Commissioner of Taxation is the accountable authority of the TPB and the TPB reports annually to the Assistant Treasurer.

1.5 Tax practitioners are registered to provide a tax agent service or a BAS service, as defined in the TASA.<sup>8</sup> Tax agents can provide both tax agent services and BAS services. BAS agents can only provide BAS services.

- A tax agent service is defined as a service that relates to ascertaining or advising a taxpayer about liabilities, obligations or entitlements under a taxation law, or representing a taxpayer in their dealings with the Commissioner of Taxation. Key tax agent services include preparing and lodging tax returns or BAS.
- A BAS service is a tax agent service which relates to a BAS provision. Key BAS services include preparing and lodging BAS and other general bookkeeping services.

1.6 As of March 2022, there were 63,950 registered tax practitioners (Table 1.1).

**Table 1.1: Registered tax practitioners**

	Tax agents	BAS agents	Total
Type of TPB registration — March 2022			
Individual	31,648	13,444	<b>45,092</b>
Company/branch <sup>a</sup>	14,368	3456	<b>17,824</b>
Partnership <sup>a</sup>	735	299	<b>1034</b>
<b>Total</b>	<b>46,751</b>	<b>17,199</b>	<b>63,950</b>
Tax practitioner characteristics — November 2021			
Number of active tax practitioners (agents with at least one client)	26,439	10,962	<b>37,401</b>
Average number of clients per registered tax practitioner	552	23	<b>397</b>
Percentage of tax practitioners located in a major urban area	84%	72%	<b>80%</b>
Gender ratio (male:female) of individual tax practitioners	70:30	14:86	<b>49:51</b>

Note a: Company and partnership registrations are used by multiple tax practitioners to lodge tax returns and BAS. That is, one registration would cover multiple agents who are not necessarily registered as individuals. The TPB advised that it has stopped registering agents under the type 'branch'. Previously, the TPB allowed registrations by branches of a single corporate entity.

Source: TPB public register of tax practitioners and ATO documentation.

## Relationship between a tax authority and tax practitioners

1.7 The Organisation for Economic Co-operation and Development (OECD) has stated that tax practitioners can promote compliance with taxation law by 'help[ing] their clients to avoid errors and deter[ing] them from engaging in unlawful or overly-aggressive activities'.<sup>9</sup>

<sup>8</sup> See sections 90–5 and 90–10 of the TASA.

<sup>9</sup> Organisation for Economic Co-operation and Development, *Study into the Role of Tax Intermediaries* [Internet], OECD, 2008, available from <https://www.oecd.org/tax/administration/studyintotheoleoftaxintermediaries.htm> [accessed 28 March 2022], p. 14.

1.8 Research suggests that effective engagement between a tax authority and tax practitioners can play an important role in achieving compliance with taxation obligations. Tax practitioners who perceive that they have a respectful relationship with the tax authority and believe that the tax authority is both fair and firm are more likely to adopt a compliant, rather than aggressive, posture towards their clients' tax liabilities.<sup>10</sup> ATO research in 2013 found that tax practitioners who perceived that the ATO provides a high quality of services were more likely to be compliant.<sup>11</sup>

1.9 Constructive interactions between tax practitioners and tax authorities can provide tax authorities with greater understanding of both tax practitioners and individual taxpayers. According to the OECD, this 'should result in improved risk and compliance strategies and better-focused information requests and dialogue with taxpayers, resulting in reduced compliance costs for all'.<sup>12</sup>

1.10 The ATO has recognised the importance of a tax authority's relationship with tax practitioners.<sup>13</sup> There is an expectation that effective engagement with tax practitioners will increase compliance and reduce the tax gap<sup>14</sup> because of the influence of tax practitioners over their clients. This can also mean a more efficient system, as the ATO and taxpayers<sup>15</sup> can benefit from the knowledge and practical experience of tax practitioners.

## Previous audits and review

1.11 Auditor-General Report No.19 2002–03 *The Australian Taxation Office's Management of its Relationship with Tax Practitioners* found that the ATO's relationship with tax practitioners was 'strained and tense', although the ATO had sought to make improvements.<sup>16</sup> The ANAO made ten recommendations related to improved governance, enhanced services for tax practitioners and improved stakeholder liaison, to which the ATO agreed (see Appendix 3).

1.12 Auditor-General Report No.30 2006–07 *The Australian Taxation Office's Management of its Relationship with Tax Practitioners Follow-up Audit* found that there had been significant improvements in the ATO's relationship with tax practitioners, due in part to the 'easing of pressures placed on practitioners and the ATO's operational systems by tax reforms' and to progress

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10 E Wurth, *A will and a way: An analysis of tax practitioner preparation compliance* [doctoral thesis; Internet], Australian National University, 2012, available from <https://openresearch-repository.anu.edu.au/handle/1885/10355> [accessed 28 March 2022], pp. 145–147.

11 Australian Taxation Office, 2013 Tax Practitioner Research [Internet], ATO, July 2013, pp. 6, 10 and 20, available from [https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/E130323\\_ATO%20TPR\\_Report%20v5.1%20FINAL\\_23-8-13.pdf](https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/E130323_ATO%20TPR_Report%20v5.1%20FINAL_23-8-13.pdf) [accessed 1 June 2022].

12 Organisation for Economic Co-operation and Development, *Study into the Role of Tax Intermediaries*, OECD, 2008, p. 44.

13 Commissioner of Taxation, Now and when: Commissioner's address to the Tax Institute Tax Summit 2020, 12 March 2020.

14 The tax gap is the difference between the amount of tax collected by the ATO and what would have been collected if all taxpayers fully complied with their tax obligations.

15 Inspector-General of Taxation, *The Australian Taxation Office's services and support for tax practitioners* [Internet], IGOT, 2015, available from <https://www.igt.gov.au/investigation-reports/ato-services-and-support-for-tax-practitioners/> [accessed 28 March 2022], p. 2.

16 Auditor-General Report No.19 2002–03, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners*, p. 17.



in implementing the recommendations arising from the 2002–03 audit.<sup>17</sup> The ANAO made six further recommendations relating primarily to support for tax agent boards and the management of compliance risks, to which the ATO agreed.

1.13 A 2015 Inspector-General of Taxation review into the ATO's support and services for tax practitioners noted agents' concerns about the 'reliability and functionality' of the ATO's online portals and the ATO's communications and support services. The review made eight recommendations relating to ATO governance of the relationship with tax practitioners, consultation practices, communications, new technology and software applications, service provision and management of lodgment performance.<sup>18</sup> The ATO agreed to the recommendations relating to communications and service provision and agreed in part to the others. A 2018 Inspector-General of Taxation review on the future of the tax profession examined the effect of technological change on the tax profession.<sup>19</sup>

## Rationale for undertaking the audit

1.14 Tax practitioners play an important role in Australia's taxation and superannuation systems by supporting taxpayers to meet their taxation and superannuation related obligations. Effective engagement between the ATO and tax practitioners potentially supports more efficient and effective taxation and superannuation systems.

1.15 Reviews of the ATO's engagement with tax practitioners in 2015 and 2018 identified concerns with the ATO's transparency, communication and level of service. The ATO's engagement with tax practitioners was identified by the Joint Committee of Public Accounts and Audit as an audit priority of the Parliament.

## Audit approach

### Audit objective, criteria and scope

1.16 The objective of the audit was to assess the effectiveness of the ATO's engagement with tax practitioners in achieving efficient and effective taxation and superannuation systems.

1.17 To form a conclusion against the objective, the following criteria were adopted.

- Does the ATO have an effective strategic framework for engaging with tax practitioners?
- Does the ATO effectively engage and consult with tax practitioners in developing its strategy, services and support?
- Does the ATO provide effective services and support for tax practitioners?

17 Auditor-General Report No.30 2006–07, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners Follow-up Audit*, pp. 12–14. Four of ten recommendations had been fully implemented, four had been substantially implemented, one had been partially implemented and one recommendation was reliant on new legislation.

18 Inspector-General of Taxation, *The Australian Taxation Office's Services and Support for Tax Practitioners* [Internet], IGOT, 2015, available from <https://www.igt.gov.au/investigation-reports/ato-services-and-support-for-tax-practitioners/> [accessed 28 March 2022], pp. iii-iv.

19 Inspector-General of Taxation, *The Future of the Tax Profession* [Internet], IGOT, 2018, available from <https://www.igt.gov.au/investigation-reports/future-of-the-tax-profession/> [accessed 28 March 2022].

1.18 This service delivery audit focussed on the effectiveness of the ATO's engagement with, and services and support for, tax practitioners. It did not examine the ATO's approach to compliance or compliance outcomes.

### **Audit methodology**

1.19 The audit methodology included:

- review of ATO documentation such as strategies, plans, meeting minutes and papers, reporting and internal briefings;
- meetings with ATO officers;
- meetings with the Tax Practitioners Board;
- meetings with external stakeholders — tax practitioners, tax-related professional associations and officers from the Inspector-General of Taxation;
- a survey of 5461 tax practitioners (see Appendices 4 and 5); and
- review of 87 citizen contributions to the audit and five submissions from tax-related professional associations.

1.20 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$537,700.

1.21 The team members for this audit were Nathan Callaway, Rowena Thomson, Barbara Das, Evan Lee, Ben Thomson, Amanda Reynolds, Sonya Carter, Peta Martyn and Christine Chalmers.

## 2. Tax practitioner engagement strategic framework

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### Areas examined

This chapter examines whether the Australian Taxation Office (ATO) has an effective strategic framework for engaging with tax practitioners.

### Conclusion

The ATO has a partly effective strategic framework for engaging with tax practitioners. While there have been various engagement objectives and documented strategies over time, these are not always clearly aligned to demonstrate how the strategies contribute to achieving the engagement objectives. Coordinated strategic planning is developing. The implementation of tax practitioner targeted strategies has not always been supported by documented implementation planning. External performance reporting on tax practitioner engagement is limited in scope. The ATO does not have a fully formed performance framework to assess the effectiveness of its strategic approach to engaging with tax practitioners.

### Areas for improvement

The ANAO made two recommendations aimed at the ATO improving its strategic framework and performance framework for its engagement with tax practitioners. The ANAO also suggested that the ATO could better document its oversight arrangements and provide additional public information on its external performance measure.

2.1 A strategic approach to stakeholder engagement includes setting out the objectives of the engagement<sup>20</sup>, how objectives will be achieved, and how engagement performance will be assessed.<sup>21</sup> Having these elements in a clearly defined framework supports the prioritisation and completion of activities, helps identify what is working and not working, facilitates the achievement of outcomes and establishes accountability for results. Under the Commonwealth Performance Framework<sup>22</sup>, entities must demonstrate how public resources have been applied to achieve their purposes.<sup>23</sup>

2.2 To determine whether the ATO has an effective strategic framework for engaging with tax practitioners, the ANAO assessed if the ATO:

- has a fit-for-purpose strategy to support its engagement with tax practitioners;
- has fit-for-purpose strategy implementation and oversight arrangements to support tax practitioner engagement; and

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20 Department of Industry, Science, Energy and Resources, *Australian Public Service Framework for Engagement and Participation* [Internet], DISER, 2019, p. 19, available from <https://www.industry.gov.au/data-and-publications/aps-framework-for-engagement-and-participation> [accessed 8 March 2022].

21 Department of Finance, Resource Management Guide No. 131, *Developing good performance information*, [Internet], Department of Finance, 2020, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-good-performance-information-rmg-131> [accessed April 2022].

22 The framework is set out in section 37 of the *Public Governance, Performance and Accountability Act 2013* and section 16EA of the *Public Governance, Performance and Accountability Rule 2014*.

23 Department of Finance, Resource Management Guide No. 131, *Developing good performance information*, [Internet], Finance, May 2020, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-good-performance-information-rmg-131> [accessed April 2022].

- effectively measures and reports on its performance in engaging with tax practitioners.

## Does the ATO have a fit-for-purpose strategy supporting its engagement with tax practitioners?

The ATO's corporate and business plans and various tax practitioner targeted strategies and initiatives provide aspects of a fit-for-purpose tax practitioner engagement strategy, however, there are gaps. The ATO has a range of objectives underpinning its engagement with tax practitioners. The ATO has not clearly linked its strategies to its tax practitioner engagement objectives and provides limited public information about its strategic approach. As of April 2022, the ATO was developing an overarching strategy to guide its engagement with tax practitioners that aims to be more coherent and integrated.

### Strategic objectives relating to engagement with tax practitioners

2.3 The ATO advised the ANAO that five of eight of its 2021–22 Corporate Plan strategic objectives are related to its engagement with tax practitioners (see Box 1).

#### Box 1: Key objectives for engaging with tax practitioners — ATO Corporate Plan 2021–22

C1: Our client experience and interactions are well designed, tailored, fair and transparent.

C2: We work with and through others to deliver efficient and effective tax and superannuation systems.

W1: We are a high-performing workforce with a focus on integrity, the right culture, capability and tools to deliver the best client and staff experience.

O1: We use data, information and insights to deliver value for our clients and inform decision-making across everything we do.

O2: Our technology and digital services deliver a reliable and contemporary client experience.

2.4 Of these five strategic objectives, the ANAO considers C2 to be the most relevant to the ATO's engagement with tax practitioners. This is the only Corporate Plan strategic objective that has a performance criterion with a direct link to tax practitioners (see paragraph 2.43).

2.5 The *Australian Public Service Framework for Engagement and Participation* outlines that entities should set clear objectives to underpin their engagement with stakeholders.<sup>24</sup> Further guidance from the Australian Public Service Commission states that a common problem with stakeholder engagement is that there is not a clear purpose.<sup>25</sup> The ANAO found that the strategic objective C2 is purpose-driven (focussed on efficient and effective taxation and superannuation systems) and long-term (the purpose is enduring).

24 Department of Industry, Science, Energy and Resources, *Australian Public Service Framework for Engagement and Participation* [Internet], DISER, 2019, p. 19, available from <https://www.industry.gov.au/data-and-publications/aps-framework-for-engagement-and-participation> [accessed 8 March 2022].

25 Australian Public Service Commission, *Getting stakeholder engagement right* [Internet], APSC, 2021, <https://www.apsc.gov.au/initiatives-and-programs/workforce-information/taskforce-toolkit/stakeholder-engagement/getting-stakeholder-engagement-right> [accessed 19 April 2022].

2.6 In addition to the five Corporate Plan strategic objectives, other objectives relating to engagement with tax practitioners are set out in ATO business-level plans. These include:

- to form a professional relationship;
- to establish mutual appreciation and understanding of respective roles;
- to support tax practitioners in adjusting to change;
- to increase transparency about risks;
- to support tax practitioners in achieving taxpayer compliance with obligations; and
- to do all of this in order to foster engagement and confidence in the tax and superannuation systems.

2.7 The ATO has an enterprise risk related to tax practitioners. In 2021–22 this was that:

intermediaries (tax and BAS agents) who do not encourage, engage, enable and ensure they or their clients meet their compliance obligations with the tax and superannuation systems have a detrimental effect on broader trust and confidence in the systems.

2.8 Several of the controls and treatments identified for this risk related to the ATO's engagement with tax practitioners, for example communication and consultation with agents and the provision of digital services.

2.9 Although the ATO's objectives for engaging with tax practitioners have been stated in various ways in different contexts over time, they are not inconsistent with each other.

### **Strategies to support the achievement of engagement objectives**

2.10 The Individuals and Intermediaries (IAI) Business Service Line within the Client Engagement Group has operational responsibility for the ATO's engagement with tax practitioners.

2.11 The ATO's strategies for engaging with tax practitioners are reflected in its:

- corporate plan, Client Engagement Group plan, IAI Business Service Line plan and branch plans; and
- specific strategies targeting tax practitioners in the areas of overall engagement, digital services and assurance.

### ***Corporate, group and business service line business plans***

2.12 The ATO's corporate and business plans<sup>26</sup> address its approach to engaging with tax practitioners as a business-as-usual activity.

- The corporate and Client Engagement Group plans set out high-level strategic objectives and priorities. The 2018–19 and 2019–20 plans referenced tax practitioner specific initiatives such as the delivery of Online Services for Agents (see paragraph 4.60) and the introduction of a new assurance approach for tax practitioners.
- The IAI Business Service Line 2021–22 business plan sets out priorities including developing a specific strategy for engaging with agents, progressing investments in digital services and better identifying risks related to tax practitioners.

<sup>26</sup> The ANAO reviewed the ATO's corporate plans and relevant business plans from 2018–19 to 2021–22.

- The IAI Business Service Line priorities are elaborated on in branch plans. The branch plans set out a mix of tax practitioner-related goals and additional priorities.

### *Tax practitioner targeted strategies*

2.13 In addition to the goals and activities outlined in the ATO's corporate and business plans, from May 2018 the IAI Business Service Line developed five targeted strategies relating to its engagement with tax practitioners, as outlined in Table 2.1.

**Table 2.1: Strategies relating to the ATO's engagement with tax practitioners, 2018–19 to 2021–22**

Date	Name of strategy	Strategy overview	Status as of April 2022
May 2018 <sup>a</sup>	Tax and BAS Agent Strategy Towards 2024	This strategy set the ATO's vision, purpose and strategic objectives related to tax practitioners. Key focus areas were: professional relationships; the tax profession environment; willing participation and tailored interactions; the tax practitioner experience; and administration of the system.	The ATO advised that organisational restructures and environmental factors meant that the May 2018 strategies were superseded.
May 2018 <sup>a</sup>	Tax Profession Digital Services Framework	The aim of this framework was to 'drive an aligned organisational approach to digital service delivery for tax professionals'. The framework set out actions to improve the stability, security and integration of digital services and to optimise choice for tax professionals.	
January 2020 <sup>a</sup>	Intermediary Engagement Strategy	The primary focus of this strategy is on assuring the work of tax practitioners. The strategy aims to introduce an enterprise-wide assurance approach to 'support intermediaries to do the right thing, and increase internal transparency around the risks in their professional practices'. It includes an intermediary engagement model to provide a framework for defining and categorising compliance behaviour across the tax practitioner population.	The strategy is being progressively implemented in ATO business service lines, including the Individuals and Small Business lines.
August 2020	Tax Professionals Digital Services Strategy 2020–24	This strategy aims to: support tax professionals with digital education; strengthen system security; improve reporting for tax professionals; and continue the integration of ATO digital services into accounting software.	A digital initiatives 'roadmap' was under development and one deliverable was finalised (digital education videos).
April 2022 (draft)	2024 Tax and BAS Agent Strategy	The ATO advised that the intent of this strategy will be to define the key strategies and initiatives to deliver an improved tax practitioner experience. The April 2022 draft version sets out a range of ATO projects relevant to tax practitioners and identified actions to deliver against five principles. Compared to the Intermediary Engagement Strategy which is primarily focussed on compliance assurance, the 2024 Tax and BAS Agent Strategy will aim to encompass the whole tax practitioner experience. This strategy will be an overarching strategy that supplements the ongoing January 2020 and August 2020 strategies.	The strategy was being developed with an expected completion date of 31 August 2022.

Note a: In January 2020, the ATO Executive endorsed the development of this strategy. The ATO was unable to provide evidence of strategy approval.

Source: ATO documentation.

2.14 The ATO advised the ANAO that the development and implementation of tax practitioner targeted strategies were impacted by the coronavirus (COVID-19) pandemic. It stated that ‘in recognition of the extreme pressure tax practitioners were under, the ATO paused longer term strategy work to focus on immediate support and assistance activities for agents’. Eighty-one per cent of the respondents to an ANAO survey of tax practitioners (see Appendices 4 and 5) considered the ATO’s COVID-19 support and assistance activities to have had a positive impact on their ability to support their clients through COVID-19 (see Appendix 5, Figure A.6).

2.15 In March 2022, the ATO identified that, in addition to the IAI Business Service Line, 12 of 20 other business service lines directly engaged with tax practitioners. The nature of the engagement varied depending on the responsibilities of the business service line and included using corporate engagement and consultation channels such as: the ATO’s stewardship and stakeholder groups; communication and education activities; and compliance and assurance engagement. A July 2021 ATO internal audit found that there were at least 19 strategies across the business service lines that related to intermediaries, which were mainly focussed on compliance and assurance.

2.16 The multiple and decentralised ways by which the ATO engages with tax practitioners increases the risk of an uncoordinated and inconsistent approach to engagement. Auditor-General Report No.19 2002–03, *The Australian Taxation Office’s Management of its Relationship with Tax Practitioners*, noted:

The value in having an integrated statement of the ATO-wide strategy is that it would distil the ATO’s thinking on fundamental questions relating to the shape and purpose of the relationship (including for the community). It would allow the ATO to consider what it seeks to do in respect of, say, service support, consultation and regulation, and how these elements might interact ... The answers to these questions would then become the strategic and operational guides for the ATO in managing its relationships with tax agents and other tax practitioners.<sup>27</sup>

2.17 In 2002–03, the ANAO recommended, and the ATO agreed, that the ATO:

further develop its strategies for its relationship with tax agents by developing an integrated, consistent and visible statement of its ATO-wide strategic framework, including the ways success in the management of the relationship can be assessed; and ensure that its strategies relating to tax practitioners...specify its objectives and clarify how these objectives will be pursued.<sup>28</sup>

2.18 The 2020–21 IAI Business Service Line business plan identified the need for a whole-of-ATO approach for tax practitioner engagement and a coherent and integrated tax practitioner strategy. The plan noted that, ‘Delivering a coherent and integrated tax agent strategy will result in more efficient and effective interventions across the ATO and tailored client experiences’.

27 Auditor-General Report No.19 2002–03, *The Australian Taxation Office’s Management of its Relationship with Tax Practitioners*, p. 67.

28 *ibid.*, p. 69

In the follow-up audit in 2006–07, the ANAO found that this recommendation had been substantially completed through its public release of the *Strategic framework for the Tax Office’s relationship with tax agents*. Auditor-General Report No.30 2006–07, *The Australian Taxation Office’s Management of its Relationship with Tax Practitioners: Follow-up Audit*, pp. 78–79.

2.19 The ATO developed the January 2020 Intermediary Engagement Strategy to focus on implementing a whole-of-ATO approach to tax practitioner compliance assurance. The ATO advised that a strategy covering its broader engagement with tax practitioners was not developed at the time due to COVID-19.

2.20 As of May 2022, the ATO did not have a fully formed mechanism to bring together the various strategic statements and initiatives relating to tax practitioner engagement into a coherent framework. As noted in Table 2.1, a new strategy was being developed in June 2022 — the 2024 Tax and BAS Agent Strategy. Based on a review of the April 2022 draft of this strategy, the ANAO considers that this strategy has the potential to present a more holistic picture of the various strategic statements and initiatives across the ATO and better support a whole-of-ATO approach to engaging with tax practitioners.

2.21 Overall, the corporate and business plans and tax practitioner targeted strategies provide aspects of a fit-for-purpose strategy, however, there are gaps.

- The strategies could be more clearly linked to the stated engagement objectives. Such links would support better investment decisions and prioritisation of actions; and increase transparency of the ATO's approach to engaging with tax practitioners.
- The strategies (or aspects of the strategies) could be made publicly available. Two of the five submissions to the audit from tax-related professional associations identified concerns about a perceived lack of a clear publicly available tax practitioner strategy.<sup>29</sup> Submissions noted a lack of clarity around how the various programs of work fit into an overarching framework. The outcomes that the ATO is seeking to achieve are not always obvious to tax practitioners. Submissions also indicated that tax practitioners are not sufficiently informed about the Intermediary Engagement Strategy.

2.22 The ATO updated information on its website about the Intermediary Engagement Strategy in January 2022. This included providing information about how the ATO aimed to work with tax practitioners to manage compliance-related risks.<sup>30</sup>

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29 Submission from CPA Australia, 14 April 2022, available from <https://www.cpaaustralia.com.au/policy-and-advocacy/consultations-and-submissions/taxation> [accessed May 2022], p. 3.

Submission from the Institute of Public Accountants, 18 April 2022, available from <https://www.publicaccountants.org.au/news-advocacy/submissions/australian-taxation-office%E2%80%99s-engagement-with-tax-practitioners> [accessed May 2022], p. 2.

30 ATO, *Working with you to manage risk* [Internet], ATO, 2022, available from <https://www.ato.gov.au/Tax-professionals/Your-practice/Tax-and-BAS-agents/Working-with-you-to-manage-risk/> [accessed 19 April 2022].



## Recommendation no. 1

2.23 In finalising its overarching tax practitioner engagement strategy, the Australian Taxation Office more clearly link its strategies to its tax practitioner engagement objectives and better communicate its strategic engagement approach with tax practitioners.

**Australian Taxation Office response:** *Agreed.*

2.24 *The ATO will more clearly link its strategies to tax practitioner engagement objectives and better communicate its strategic engagement approach with tax practitioners.*

## Does the ATO have fit-for-purpose implementation and oversight arrangements to support tax practitioner engagement?

Implementation plans for two targeted and current tax practitioner strategies are being developed. Equivalent implementation plans were not evident for other superseded strategies. Administrative and oversight arrangements are largely fit for purpose, although the ATO has not fully documented the oversight arrangements for tax practitioner engagement. Implementation is supported by a dedicated business service line and 'client experience owner'. The roles and responsibilities for the implementation of strategies are specified, although could be made clearer for one of the strategies. Coordination of activities across ATO business service lines is supported by coordination mechanisms and is continuing to develop.

2.25 The ATO's strategies relating to its engagement with tax practitioners contain engagement objectives, activities and initiatives. Implementation planning helps ensure that activities are carried out and strategic objectives are achieved. It can involve setting out:

- deliverables, timeframes and cost considerations; and
- roles and responsibilities.<sup>31</sup>

### Deliverables, timeframes and cost considerations

2.26 Various ATO documents contained elements of implementation planning in support of delivering upon tax practitioner engagement strategies. These documents included: business plans; work and design plans; project plans for specific strategic initiatives; internal briefs; and reporting to oversight groups.

2.27 The ANAO reviewed the ATO's documentation to determine whether it had developed a planned approach to implementing its strategies. The review focussed on determining whether: deliverables and steps to implementation were set out; timeframes were defined; and resources and costs were known and allocated.

2.28 Documented implementation planning for the five targeted strategies in Table 2.1 was developing for active strategies, however, was lacking for the superseded strategies.

31 Department of the Prime Minister and Cabinet, *Good Implementation Checklist* [Internet], PM&C, available from <https://www.pmc.gov.au/ria-mooc/agrp/implementation/good-implementation-checklist> [accessed 26 April 2022].

- The ATO advised the ANAO that the May 2018 Tax and BAS Agent Strategy Towards 2024 was meant to be implemented as part of business-as-usual operations and that implementation activities were therefore integrated into 2018–19 ‘team’ plans. The ANAO found that there was no direct connection made between the May 2018 strategy and these plans to demonstrate that they supported effective implementation. There was no documentation showing that the ATO had planned milestones or allocated specific resources to support implementation. As noted in Table 2.1, the strategy was eventually superseded.
- The May 2018 Tax Profession Digital Services Framework did not set out implementation arrangements and there was no documentation to demonstrate that the framework had been implemented. The ATO advised that it considered that implementation was undertaken through a number of business areas and projects. As noted in Table 2.1, the Framework was eventually superseded.
- The Intermediary Engagement Strategy was being implemented as of May 2022. The link between this strategy and the relevant branch plan was generally clear in terms of what was being delivered. There was documentation to demonstrate consideration of funding and resourcing for the delivery of this strategy. Implementation could be better supported by a timeline for delivery.
- The Tax Professionals Digital Services Strategy 2020–24 was being implemented as of May 2022. One of the key deliverables was a roadmap setting out digital initiatives, including when they would be delivered. The ATO was consulting with tax practitioners on the development of this roadmap as of April 2022. A second key deliverable was a series of educational videos on the ATO’s digital services. This project had a range of documentation supporting implementation, such as a communication strategy, performance metrics, a delivery schedule and a promotional plan.
- As noted in Table 2.1, the 2024 Tax and BAS Agent Strategy was being developed as of April 2022.

2.29 More complete implementation planning could help manage strategy delivery risks, including risks related to:

- not clearly specifying deliverables leading to strategic intent not being translated into appropriate outputs, and intended outcomes not being achieved;
- not specifying timeframes for the achievement of deliverables leading to untimely implementation; and
- not allocating sufficient resources to enable implementation.

## **Roles and responsibilities**

### *Operational responsibility*

2.30 The IAI Business Service Line is primarily responsible for managing the ATO’s engagement with tax practitioners and for the overall client experience of agents. Within the IAI Business Service Line, there are three key branches and streams of work.

- Risk and Strategy – Intermediaries branch — responsible for implementing an enterprise-wide approach to identifying, prioritising and addressing intermediary,

including tax practitioner, risks. The branch is also responsible for developing and overseeing the implementation of the January 2020 Intermediary Engagement Strategy and is responsible for developing, supporting and overseeing the ATO's assurance approach to tax practitioners.

- Digital Services branch — responsible for the 'digital experience' of tax practitioners and for delivering the August 2020 Tax Professionals Digital Services Strategy.
- Engagement and Support branch — responsible for supporting and educating tax practitioners, managing consultation with tax practitioners, the lodgment program and the overall tax practitioner experience.<sup>32</sup> The branch is also primarily responsible for developing and delivering the 2024 Tax and BAS Agent Strategy.

2.31 Responsibilities for delivering the January 2020 Intermediary Engagement Strategy are clear. The August 2020 Tax Professionals Digital Services Strategy stated that executive roles, responsibilities and accountabilities for the digital service work program would be established, however, roles and responsibilities had not been documented as of May 2022.

### *Coordination with other business service lines*

2.32 Multiple areas of the ATO are involved in delivering the tax practitioner targeted strategies. The ANAO and the Inspector-General of Taxation have previously noted issues relating to the coordination across the ATO of engagement with tax practitioners.<sup>33</sup>

2.33 The mechanisms supporting coordination include:

- ATO consultation groups (discussed at paragraph 3.8)<sup>34</sup>;
- internal guidance and generic email addresses that other areas of the ATO can use to contact the IAI Business Service Line; and
- cross-functional meetings and forums.

2.34 In relation to the last of these mechanisms, the ATO holds a fortnightly meeting<sup>35</sup> to discuss emerging issues related to tax practitioners, with around 30 attendees from the IAI Business Service Line, the marketing and communications area, and other business services lines as appropriate. While there are no minutes of these meetings, a report outlining emerging issues is developed to inform the discussion and a monthly report is developed to bring together issues (see paragraph 2.68).

2.35 There are 'client experience forums' for other client groups such as small businesses and individuals. As of April 2022, there was no equivalent forum for tax practitioners. The ATO advised the ANAO that a previous forum has been disbanded due to duplication with other client experience forums, especially the Small Business Experience Forum.

2.36 The January 2020 Intermediary Engagement Strategy aims to achieve a more coordinated approach by setting out a 'hub and spoke' operating model, with the hub represented by the Risk

32 The lodgment program sets out the lodgment due dates for tax practitioners, see from paragraph 4.12.

33 Auditor-General Report No.19 2002–03, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners*, December 2002, pp. 58–60; and Inspector-General of Taxation, *The Australian Taxation Office's Services and Support for Tax Practitioners*, July 2015, pp. 25–27.

34 The Tax Practitioner Stewardship Group, for example, includes ATO representatives from seven other business service lines.

35 The meeting is called the Tax Practitioner Experience Emerging Issues Leadership meeting.

and Strategy — Intermediaries branch. The spokes (the business areas that undertake assurance work where tax practitioners are involved), are responsible for implementing the strategy within their specific contexts (for example, for individual taxpayers or small business). As of April 2022, this operating model was being rolled out to support the implementation of this strategy. The hub had developed guidance, tools, roles and responsibilities and other information to support spokes in implementing the strategy. Further work was underway to develop an approach to assessing risk at the tax practitioner level.

### *Tax practitioner engagement oversight*

2.37 The ATO's enterprise-wide governance framework sets out arrangements for overseeing ATO operations. It does not specifically address oversight arrangements for tax practitioner engagement and there are no other documented arrangements for this.

2.38 In practice, the IAI Executive Committee, chaired by the Deputy Commissioner of the IAI Business Service Line, is a key oversight group in terms of tax practitioner engagement. The IAI Deputy Commissioner is also a member of the Improving the Client Experience Committee, another key oversight group. The IAI Deputy Commissioner is due to report to the Improving the Client Experience Committee in October 2022 on the tax practitioner targeted strategies. The ATO also established the Intermediary Engagement Steering Committee and the Intermediary Assurance Steering Group to provide oversight over the development and implementation of the Intermediary Engagement Strategy.

2.39 The IAI Deputy Commissioner is the 'client experience owner'<sup>36</sup> for intermediaries, including tax practitioners. The ATO advised the ANAO that client experience owners 'are expected to have a horizontal view across the organisation to consider the impact of changes on the [client experience] segment'.

2.40 While the IAI Deputy Commissioner has overarching responsibility for the tax practitioner experience, changes in other business areas can also impact on agents. Where this occurs, it is unclear whether the IAI Deputy Commissioner (as the client experience owner) or the Deputy Commissioner of the business service line (where the changes are being made) holds accountability for the outcomes for tax practitioners. In April 2021, the ATO commenced a project to examine and identify opportunities for improving the clarity of the accountabilities of client experience owners. This project was ongoing as of May 2022.

#### **Opportunity for improvement**

2.41 To better support effective oversight, the ATO could document specific oversight arrangements for tax practitioner engagement.

## **Does the ATO effectively measure and report on its performance in engaging with tax practitioners to support continuous improvement?**

There is one external performance indicator relating to ATO engagement with 'partners'. The ATO reports publicly against this performance measure and against service commitments that

36 The ATO established the role of client experience owner in 2015. Client experience owners are responsible for the end-to-end client experience. Intermediaries, including tax practitioners, are considered a client group.

apply to tax practitioners and other clients. The ATO does not use the external performance indicator to report on tax practitioner engagement performance specifically. There is a variety of internal reporting on tax practitioner engagement that lacks performance measures and targets which could assist in the ongoing monitoring of performance. In 2021–22, the ATO developed improved reporting on tax practitioner related issues.

2.42 Auditor-General Report No.19 2002–03 recommended, and the ATO agreed, that it (Appendix 3):

consolidate its assessment of its performance in managing the relationship [with tax practitioners] by drawing together qualitative and quantitative information, to prepare an overall assessment of the relationship; and communicate this and subsequent plans to internal and external stakeholders.

## External performance framework and reporting

### *External performance measures*

2.43 Each of the five 2021–22 Corporate Plan strategic objectives that related to the ATO's engagement with tax practitioners (see Box 1) had associated performance measures (see Appendix 6). The ATO uses the performance measure associated with strategic objective C2 to represent an assessment of its engagement with tax practitioners. This performance measure is 'Working together — partner perceptions of how the ATO is working together with them to administer the tax and superannuation system'.

2.44 One question from an anonymous 'Client and Community Confidence' survey is used to measure the ATO's performance against the C2 performance measure (see Box 2).<sup>37</sup> Survey respondents comprise: tax practitioners; digital service providers; and representatives of Australian Prudential Regulation Authority (APRA)-regulated superannuation funds. Each month, 700 tax agents and 700 BAS agents who had contact with the ATO in the month before the survey are invited to participate in the survey.<sup>38</sup>

#### **Box 2: Survey question for the C2 (working together) performance measure**

Thinking about your experience, please indicate to what extent you agree or disagree with the following statement. The ATO and I are working together effectively to:

- administer the tax system (tax practitioners);
- design digital solutions (digital service providers); and
- administer the superannuation system (APRA-regulated superannuation funds).

37 The Client and Community Confidence survey encompasses a 'community' component (involving a survey of 500 members of the public each quarter) which commenced in December 2015 and a 'client' component (involving a monthly survey) which was developed through a baseline study in 2017 and was integrated with the community component in 2018.

38 Once or twice a year, all digital services providers (around 400) and all APRA-regulated superannuation funds (around 200) are invited to participate in the survey

2.45 The measure has an associated target, which is to achieve an index score<sup>39</sup> that is equal to or better than the 2018–19 (baseline year) result. Processes for the measurement and assurance of the data are documented.

2.46 The total number of partner responses on which the annual score was determined was 3237 in 2018–19, 1773 in 2019–20 and 1428 in 2020–21, of which the majority were tax practitioners. The tax practitioner response rate declined from 19 per cent in 2018–19 to seven per cent in 2020–21. A low response rate increases the risk of non-response bias.<sup>40</sup> There is also a potential selection bias<sup>41</sup> as the sample is limited to tax practitioners who have had contact with the ATO in the month before the survey. The ATO advised that most tax practitioners would engage with it throughout the year and could potentially be surveyed.

2.47 The measure addresses partners' assessment of the working relationship with the ATO. Tax practitioner views contribute to the result. The methodology, which focuses on partners' perceptions of the working relationship, does not address the second part of the C2 strategic objective which relates to the contribution of the relationship to the outcome of more efficient and effective taxation and superannuation systems.

2.48 In addition to the C2 performance measure, the ATO has one publicly reported service commitment<sup>42</sup> focussed specifically on tax practitioners: to answer 90 per cent of tax practitioner phone calls within two minutes during tax time (July to October each year). Other service commitments also apply that are not specific to tax practitioners.<sup>43</sup>

2.49 The ATO also has systems availability targets for the majority of its external facing digital systems<sup>44</sup>, including for tax practitioner specific digital services — Online Services for Agents and the Practitioner Lodgment Service.

### *External reporting*

2.50 The ATO reported against the C2 (working together) performance measure in its annual performance statement between 2018–19 and 2020–21. The ATO did not report its performance against this measure for each partner group<sup>45</sup> separately, meaning that it provided limited public information about its performance specifically with tax practitioners. However, the ATO provided other qualitative performance summary information about delivery of services and support for tax practitioners in the annual report.

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39 Survey participants respond to the question on a five-point scale from strongly disagree to strongly agree. Responses are converted into an overall index score out of 100. 'Strongly agree' responses are given a score of 100 points; 'agree' equals 75 points; 'neutral' equals 50 points; 'disagree' equals 25 points; and 'strongly disagree' equals zero points. Tax practitioner scores are weighted as contributing 50 per cent to the overall score, digital service provider scores 25 per cent and APRA-regulated superannuation funds 25 per cent.

40 Non-response bias occurs when non-respondents differ in meaningful ways to respondents.

41 Selection bias occurs when feedback is sought from an incomplete segment of the population, and that segment differs in meaningful ways from other segments.

42 The ATO defines 'service commitments' as the level of service that can be expected under normal circumstances. The definition does not include quality assessment or client satisfaction.

43 ATO, *Current Year Commitments to Service* [Internet], August 2021, available from <https://www.ato.gov.au/about-ato/commitments-and-reporting/service-commitments/current-year-commitments-to-service/> [accessed 26 April 2022].

44 ATO, *IT systems availability targets*, available from <https://www.ato.gov.au/About-ATO/Commitments-and-reporting/Service-commitments/IT-systems-availability-targets/> [accessed April 2022].

45 Partners groups are: tax practitioners, digital service providers and APRA-regulated superannuation funds.

2.51 The ATO's performance against the C2 measure increased year on year between 2018–19 and 2020–21 (Table 2.2). Overall, a higher proportion of tax practitioners than other partners (digital service providers and APRA-regulated superannuation funds) felt that the ATO was working effectively with them. BAS agents responded more positively than tax agents.

**Table 2.2 Working together performance measure index score, 2018–19 to 2020–21**

Partner	Reported in annual report	2018–19	2019–20	2020–21
All partners <sup>a</sup>	Yes	64	67	71 <sup>b</sup>
Tax practitioners	No	66	69	72
Tax agents	No	64	68	71
BAS agents	No	68	70	73

Note a: In 2018–19, there were 3150 tax practitioner respondents (87 other partners); in 2019–20, there were 1562 tax practitioner respondents (211 other partners); and in 2020–21, there were 1221 tax practitioner respondents (207 other partners).

Note b: The reported index score of 71 can be interpreted as 21 points above a 'neutral' response and four points below an 'agree' response.

Source: ATO annual reports and ANAO analysis of ATO data.

2.52 A tax-related professional association outlined in its submission to the audit that it lacked awareness of the ATO's approach to measuring its performance in engaging with tax practitioners and desired greater transparency.<sup>46</sup> Resource Management Guide No. 134 *Annual performance statements for Commonwealth entities* states that it is good practice to report methodological information for performance measures.<sup>47</sup> The ATO did not include methodological information relating to the C2 performance measure in its 2021–22 Corporate Plan or 2020–21 Annual Report.

#### Opportunity for improvement

2.53 The ATO could enhance the transparency of its external performance measure by publicly reporting relevant methodological information such as the basis for selecting the sample of tax practitioners, the weighting that is applied to the results and the number of respondents.

2.54 In relation to its publicly reported service commitments, the ATO reported that:

- it met the tax practitioner telephony service commitment between 2018–19 and 2020–21; and
- as of May 2022, it was meeting 12 general service commitments and not meeting three: 90 per cent of electronic taxpayer requests are finalised in 15 business days; 60 per cent of superannuation guarantee employee notification cases finalised within four months of creation; and 90 per cent of superannuation guarantee employee notification cases finalised within nine months of creation.

<sup>46</sup> Submission from CPA Australia, 14 April 2022, p. 4.

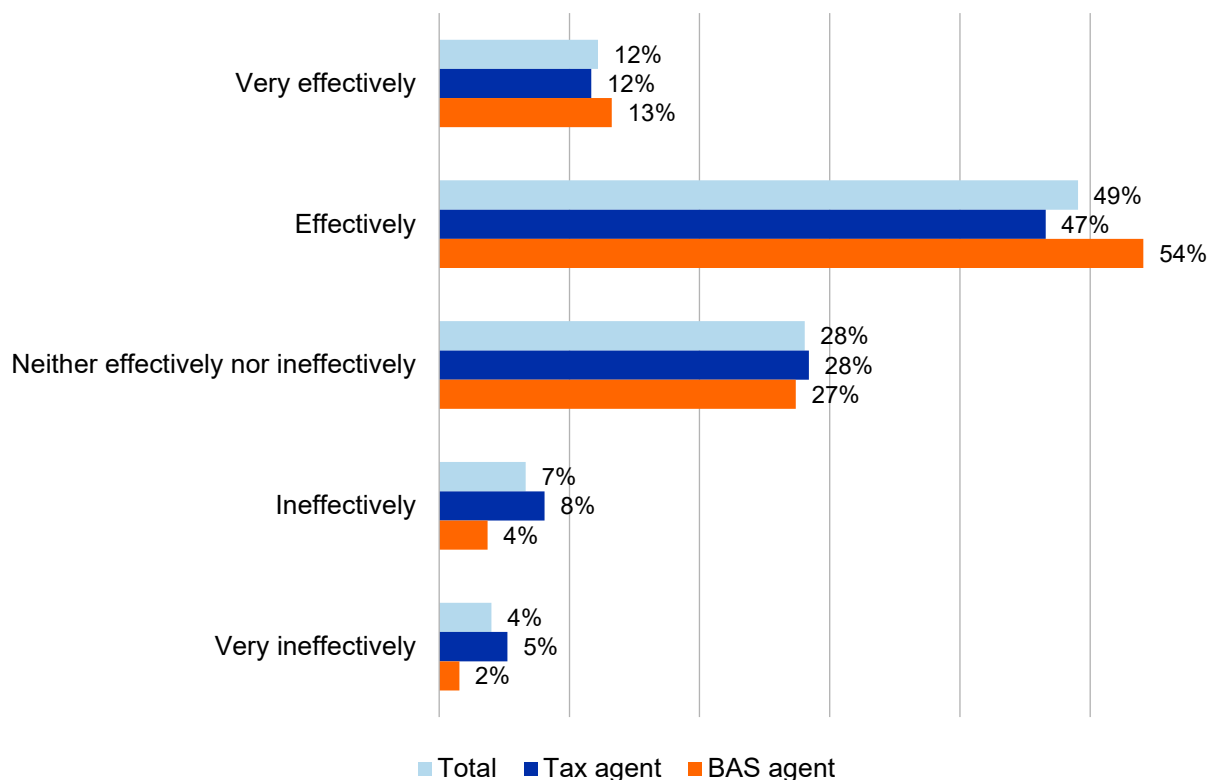
<sup>47</sup> Department of Finance, Resource Management Guide No. 134, *Annual performance statements for Commonwealth entities* [Internet], Finance, 6 April 2022.

2.55 Systems service availability is monitored and published in real time through the Online Services for Agents and the Practitioner Lodgment Service dashboards on the ATO website (discussed further at paragraphs 4.72 and 4.84).<sup>48</sup>

2.56 The ANAO survey of tax practitioners (see Appendices 4 and 5) asked (Figure 2.1):

In the ATO's 2021–22 Corporate Plan, one of eight strategic objectives is: 'We work with and through others to deliver efficient and effective tax and superannuation systems'. Overall, how effectively does the ATO work with you?

**Figure 2.1: Overall, how effectively does the ATO work with you?**



Note: There were 5294 responses to this question — 3545 tax agents and 1749 BAS agents. Respondents could also select 'can't say' — 143 respondents (out of a total of 5461 respondents) selected this option. There were 24 nil responses.

Source: ANAO survey of tax practitioners.

2.57 Of the 5294 tax practitioners who responded to this question, 3243 (61 per cent) stated that the ATO worked with them effectively or very effectively and 11 per cent stated that it worked with them ineffectively or very ineffectively.

2.58 The generally positive views from the ANAO survey were consistent with submissions to the audit from tax-related professional associations. These five submissions were broadly supportive of

48 ATO, Online Services for Agents Dashboard, available from <https://osfa.status.ato.gov.au/> [accessed April 2022].

ATO, Practitioner Lodgment Service Dashboard, available from <https://pls.status.ato.gov.au/> [accessed April 2022].



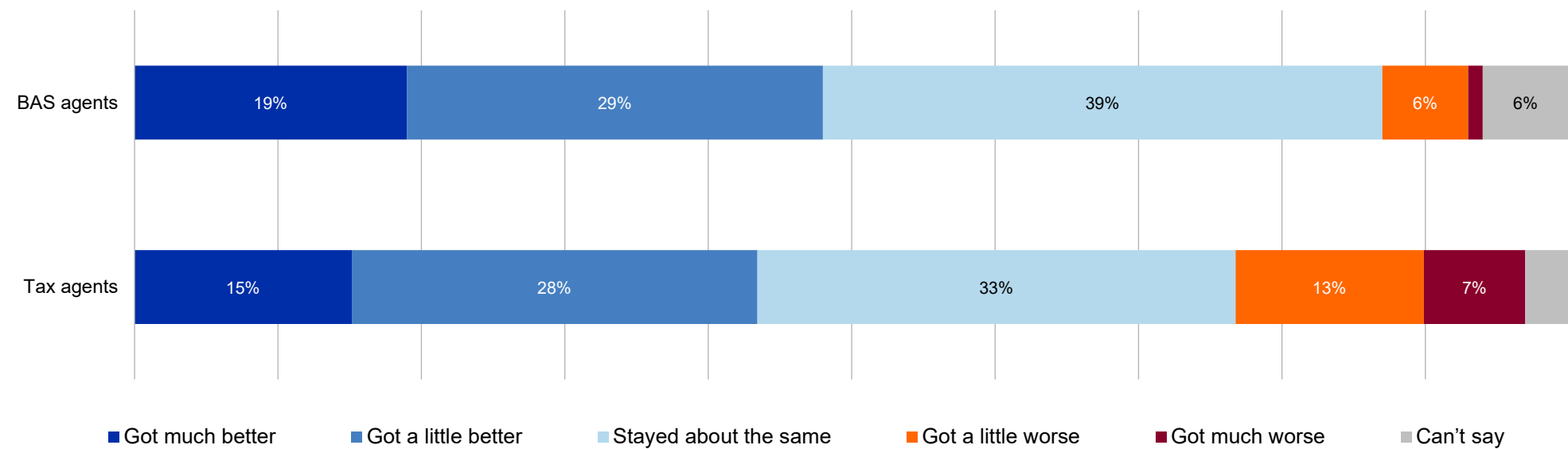
the ATO's approach to engaging with tax practitioners, although areas for improvement were identified.<sup>49</sup>

2.59 Forty-four per cent of the 5455 tax practitioners who responded felt that the engagement had improved over three years and 16 per cent thought that it had deteriorated (Figure 2.2). Tax agents (20 per cent) were more likely than BAS agents (seven per cent) to say it had deteriorated.

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49 Four of these submissions were publicly available on the relevant associations' websites as of May 2022 — Chartered Accountants Australia & New Zealand, CPA Australia, Institute of Public Accountants and The Tax Institute.

**Figure 2.2:** In the last three years (or since you registered as an agent), do you feel the ATO’s performance in engaging with you has...

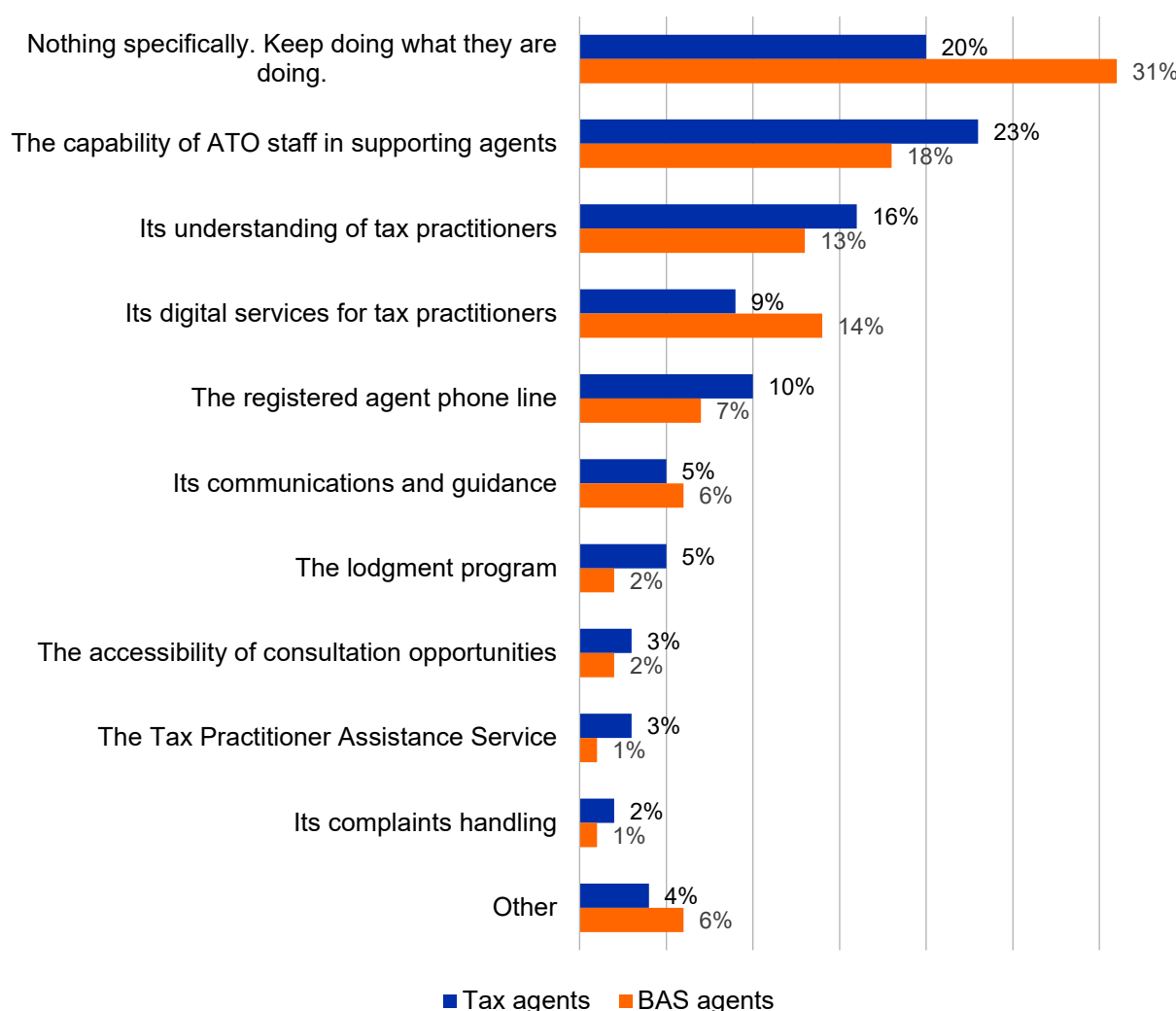


Note: There were a total of 5455 responses to the question — 3647 tax agents and 1808 BAS agents.  
Source: ANAO survey of tax practitioners.

2.60 The main drivers of perceived improvements were: better communications; staff expertise and engagement activities; a better understanding of the role of tax practitioners; and enhancements to online services.<sup>50</sup> The main drivers of perceived deterioration were: perceived lack of staff expertise and understanding of the tax practitioner's business; call centre issues (especially query resolution and wait times); and online services issues (especially lack of response to online communications).<sup>51</sup>

2.61 The ANAO survey also asked tax practitioners to identify the one area in which they would most like to see improvement (see Figure 2.3).

**Figure 2.3: Which one of the following areas would you most like the ATO to improve?**



Note: There were a total of 5335 responses to this question — 3569 tax agents and 1766 BAS agents.

Source: ANAO survey of tax practitioners.

50 For the question presented in Figure 2.3, the ANAO asked a subsequent question — in 50 words or less, why do you think the ATO's engagement has got much better? There were 771 responses and the ANAO selected a random sample of 87 to review.

51 For the question presented in Figure 2.3, the ANAO asked a subsequent question — in 50 words or less, why do you think the ATO's engagement has got much worse? There were 276 responses and the ANAO selected a random sample of 73 to review.

## Internal performance framework and reporting

### *Internal performance measures*

2.62 In response to the recommendation in Auditor-General Report No.19 2002–03 that the ATO consolidate its assessment of its performance in managing the tax practitioner relationship (see paragraph 2.42), the ATO: established a team with specific responsibility for monitoring and analysis of the tax practitioner relationship; conducted research on tax practitioners through surveys between 2003 and 2013; and developed a scorecard to assess its performance in managing the relationship. In a follow-up audit in 2006–07<sup>52</sup>, the ANAO determined that through these activities, the ATO had substantially addressed the recommendation (see Appendix 3). The tax practitioner survey and scorecard were discontinued after 2013.

2.63 In 2018–19, the ATO's Internal Audit function reported that there were no baselines against which to measure the effectiveness of communication and engagement activities with tax practitioners. It recommended that the IAI Business Service Line develop outcomes-based success measures with appropriate baselines to evaluate, monitor and report on tax practitioner engagement performance, including the effectiveness of the engagement strategy that was in place at the time. The IAI Business Service Line agreed to this recommendation.

2.64 In April 2022, the ATO did not have a clearly defined set of internal performance measures to assess its performance in achieving strategic objectives as they related to tax practitioners.

- Documented business plans of the Client Engagement Group, IAI Business Service Line and three branches do not contain metrics to assess the delivery of the plans.
- Similarly, the tax practitioner targeted strategies do not contain documented performance measures to assess the ATO's effectiveness in achieving the goals of the strategies.
- As of March 2022, the ATO was developing an evaluation approach for the Tax Professionals Digital Services Strategy. The ATO advised it expected this to be complete by December 2022, more than two years after the strategy was approved. The ATO advised that the development of an evaluation approach was deprioritised during COVID-19 due to the redeployment of resources.
- The April 2022 draft 2024 Tax and BAS Agent Strategy (due to be completed in August 2022) includes reference to developing a tax practitioner consultation and engagement evaluation framework.
- The Client and Community Confidence survey (see paragraph 2.44) currently includes a module of questions specifically for tax practitioners. These questions are mostly about tax practitioner perceptions of the ATO's digital services for tax practitioners.

2.65 The development of the 2024 Tax and BAS Agent Strategy provides the ATO with the opportunity to further develop internal performance measures to assess its performance in achieving the objectives and observing the principles that will be set out in the strategy.

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52 Auditor-General Report No.30 2006–07, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners: Follow-up Audit*, ANAO, March 2007, Appendix 4.

## Recommendation no. 2

2.66 The Australian Taxation Office develop a performance framework that provides a basis for assessing its performance in engaging with tax practitioners to achieve efficient and effective taxation and superannuation systems.

**Australian Taxation Office response:** *Agreed.*

2.67 *The ATO will develop a performance framework that provides a basis for assessing its performance in engaging with tax practitioners to achieve efficient and effective taxation and superannuation systems.*

### Internal reporting

2.68 The ANAO found no regular holistic internal performance reporting against the implementation of the tax practitioner targeted strategies or against the achievement of strategic objectives. However, there is a range of internal reports relating to the ATO's engagement with tax practitioners.

- Tax Practitioner Landscape Report — a six-monthly report prepared by and for the IAI Business Service Line outlining the current state of the tax profession.
- Tax Practitioner Emerging Issues Report — a fortnightly report launched in June 2021 prepared by and for the IAI Business Service Line, which provides a summary of issues relating to tax practitioners. The ATO uses this for identifying continuous improvement opportunities for tax practitioner engagement.
- Tax Practitioner Experience Environmental Scan — a monthly report launched in February 2022 bringing together content from the fortnightly reports to identify issues, support senior reporting and guide the ATO's response to issues that arise.
- Reporting against the C2 performance measure and business plans — periodic reports on achievements against plans to the Client Engagement Group Executive and ATO Executive.
- Other regular reports that touch on aspects of the ATO's engagement with tax practitioners and services and support to tax practitioners, including tax practitioner consultation and communications; the registered agent phone line; the Tax Practitioner Assistance Service; tax practitioner complaints; and tax practitioner digital services.
- Ad hoc internal reports on request.

### 3. Consultation with tax practitioners

#### Areas examined

This chapter examines whether the Australian Taxation Office (ATO) effectively consults with tax practitioners in developing its strategy, services and support.

#### Conclusion

The ATO has a largely effective approach to consulting tax practitioners to inform the development of its strategy, services and support. There is an entity-level consultation framework and there are tax practitioner consultation channels, including standing and special purpose consultation groups. Tax practitioner consultations reviewed by the ANAO are broadly consistent with Australian Public Service standards for engagement. The ATO has an established process for identifying consultation participants, although criteria supporting the selection of consultation group members are not defined. The ATO publicly reports key messages from its consultation group meetings and provides some public information about the outcomes of its consultation activities. The ATO has not comprehensively reviewed the effectiveness of its tax practitioner consultation practices.

#### Area for improvement

The ANAO recommended that the ATO improve the way it identifies and selects tax practitioners for standing and special purpose consultation groups.

3.1 The *Australian Public Service Framework for Engagement and Participation* (the APS Framework for Engagement) defines engagement as ‘processes through which public servants and the public interact’ and identifies consultation as one method of engaging.<sup>53</sup> Consultation involves an entity proposing a question or topic for consideration, and then seeking stakeholder views.<sup>54</sup> The APS Framework for Engagement sets out principles of good public sector engagement to support improved policy, programs and services, and ten standards that the APS is expected to apply in engaging with stakeholders (Box 3).<sup>55</sup>

#### Box 3: Australian Public Service standards for engaging with stakeholders

1. Define the objective. Clearly define the engagement’s objectives, which may include understanding the problem and what expertise should be tapped.
2. Choose the right approach. Make sure the way of engaging matches the problem at hand.
3. Manage expectations. Be honest about what is on the table. That is, what is yet to be decided and what has already been decided.

53 Engagement is defined as, ‘Processes through which public servants and the public interact. These processes seek to unearth and exchange expertise to design, improve and test policy, programs and services. They may also share information with the public about a policy, program or service.’

See: Department of Industry, Science, Energy and Resources, *The Australian Public Service Framework for Engagement and Participation*, Canberra, 2020, available from <https://www.industry.gov.au/sites/default/files/August%202021/document/aps-framework-for-engagement-and-participation.pdf> [accessed 12 April 2022], p. 4.

54 *ibid.*, p. 12.

55 *ibid.*, p. 19.

4. Choose the right people for the job. Ensure participants with suitable expertise, skills and knowledge are being engaged for the problem.
5. Be transparent. Explain the objectives and process to participants at the outset.
6. Provide sufficient information. Ensure information that is essential to participants' roles is made available to them.
7. Provide opportunities to be heard. Be inclusive and ensure diverse voices are heard — not just the loudest, e.g. use plain English, offer multiple feedback channels, proactively seek appropriate participants and remove barriers to participation.
8. Understand all views. Ensure the views presented are fairly considered at the decision-making stage.
9. Close the loop. Explain how participants' contributions were taken into account in a timely manner.
10. Continuous improvement based on feedback. Ensure that there is a feedback mechanism to capture lessons learnt.

3.2 To determine whether the ATO effectively consults with tax practitioners in developing its strategy, services and support, the ANAO assessed whether the ATO:

- undertakes effective consultation with tax practitioners (standards 1 to 7); and
- considers, shares and reviews the outcomes of its consultation with tax practitioners (standards 8, 9 and 10).

### Does the ATO effectively consult with tax practitioners?

The ATO has established channels for consulting tax practitioners as part of an enterprise-wide consultation framework, including six standing and special purpose tax practitioner consultation groups. However, the ATO has not documented criteria for selecting standing and special purpose consultation group members, which detracts from consultation effectiveness. Tax practitioners are consulted about ATO strategies, services and support. Six tax practitioner consultations reviewed in detail by the ANAO were broadly consistent with Australian Public Service standards for engagement. Consultation groups operate largely consistently with their terms of reference.

3.3 To determine whether the ATO effectively consulted with tax practitioners, the ANAO examined: whether the ATO has a consultation framework; the number and nature of tax practitioner consultation activities in 2020 and 2021; the degree to which consultations met APS Framework for Engagement standards; and the extent to which consultation groups operated in accordance with their terms of reference.

## Consultation framework

### *Enterprise-level consultation framework*

3.4 The ATO states on its website that it is committed to consulting with the community, industry and tax practitioners to improve the administration of Australia's taxation and superannuation systems in a timely way.<sup>56</sup> Consultation is defined by the ATO on its intranet as:

The dynamic process of interchange between individuals or groups, based upon a genuine exchange of views, with the objective of contributing or influencing decisions, policies, or programs of action.

3.5 To support its approach to consultation with external stakeholders, the ATO has an enterprise-wide consultation framework that applies to all external consultation, including with tax practitioners. The elements of the framework are set out below.

- Consultation Hub — This team is responsible for the ATO's approach to consultation, including maintaining the ATO's consultation protocol and toolkit and providing advice to business service lines on their consultation activities. The Consultation Hub maintains an enterprise-wide register of external consultation activities.
- Consultation protocol and principles — This is a statement of requirements for consultation leads and participants to follow. It is published on the ATO website<sup>57</sup> and includes three key principles: clearly communicating about the consultation; allowing sufficient time; and providing timely feedback to participants.
- Consultation toolkit — The toolkit comprises guidance materials, forms and templates and includes a list of contacts across the ATO who can provide advice on and assistance in identifying external stakeholders for consultation.
- Oversight — The National Tax Liaison Group has oversight of formal ATO external consultation, replacing the Consultation Steering Group in October 2021.
- Consultation groups — Consultation groups are either standing (existing beyond individual consultation topics) or special purpose (established for specific issues/topics). The ATO website lists the ATO's consultation groups for the whole organisation.<sup>58</sup> Table 3.1 outlines the purposes of each of the three types of standing and special purpose ATO consultation groups.

**Table 3.1: Purposes of ATO consultation groups**

Group	Purpose
Stewardship (standing)	High-level groups that share responsibility for the stewardship of the tax or superannuation systems for their market or product.

56 Australian Taxation Office, *About consultation* [Internet], ATO, available from <https://www.ato.gov.au/General/consultation/about-consultation/> [accessed 12 April 2022].

57 Australian Taxation Office, *ATO consultation protocol* [Internet], ATO, available from <https://www.ato.gov.au/General/consultation/about-consultation/ato-consultation-protocol/> [accessed 12 April 2022].

58 Australian Taxation Office, *Consultation groups* [Internet], ATO, available from <https://www.ato.gov.au/General/Consultation/Consultation-groups/> [accessed 12 April 2022].



Group	Purpose
Stakeholder (standing)	Intended to foster ATO relationships with business and industry representatives and key intermediaries with specialist knowledge and experience. The purpose is to allow the ATO to directly share information and seek opinions, ideas and feedback.
Special purpose working groups	Intended to consult subject and industry experts on specific matters and dissolve when the consultation is complete.

Source: ANAO analysis of ATO website: Australian Taxation office, *Consultation groups*, January 2022, available from <https://www.ato.gov.au/General/Consultation/Consultation-groups/> [accessed 26 April 2022].

### *Framework for consulting with tax practitioners*

3.6 The ATO has established the following channels for consulting tax practitioners.

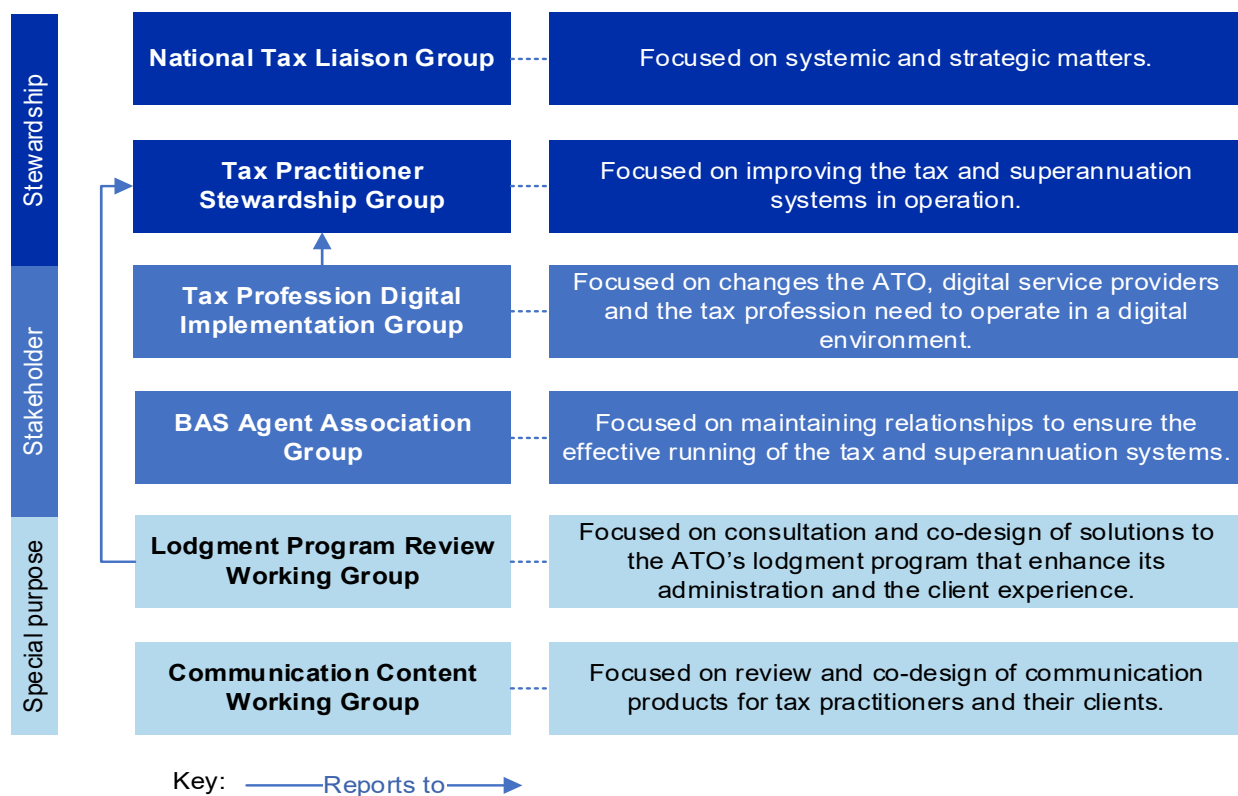
- Formal consultation activities, which are usually listed on the ATO's website.
- Consultation groups that include tax practitioners and representatives of tax-related professional associations. Formal consultation activities sometimes use these groups.

3.7 The ATO's Individuals and Intermediaries (IAI) Business Service Line provides advice and support to other business service lines that are consulting with tax practitioners. The ATO advised that, as of May 2022, it was developing an awareness strategy to support other business service lines in the selection of the most appropriate method for tax practitioner consultation.

3.8 In terms of consultation on tax practitioner-specific issues, the ATO identified six consultation groups as directly relevant, given their membership composition and focus (Figure 3.1). External members of these standing and special purpose groups include individual tax practitioners and representatives of tax-related professional associations. The ATO advised that 23 additional ATO consultation groups are also relevant as tax practitioners represent taxpayers across all markets and taxes<sup>59</sup>, however the focus in this audit is on the six tax practitioner-specific consultation groups.

<sup>59</sup> For example, the Superannuation Industry Stewardship Group and the Fringe Benefits Tax Stakeholder Group include tax practitioners and professional associations to provide a tax practitioner perspective.

**Figure 3.1: ATO tax practitioner consultation groups, March 2022**



Note: BAS refers to business activity statements.

Source: ANAO analysis of ATO documents.

## Number and nature of consultation activities

3.9 The ATO formally consults with tax practitioners through formal consultation activities (for example, user testing ATO product development) and its established standing and special purpose consultation groups. Formal consultation can either be non-confidential or confidential. The ATO's internal guidance on consultations notes that it is committed to open and transparent consultation, although circumstances may require a consultation to be confidential. The ATO has set criteria to determine when consultation should be confidential.<sup>60</sup> The ATO requires consultation participants to sign a confidentiality agreement for confidential topics.<sup>61</sup>

3.10 The number of consultation matters that commenced in 2020 and 2021 and were completed as of February 2022 is set out in Table 3.2. The table also includes the number of formal consultation matters that involved tax practitioners, tax practitioner consultation groups or

60 The criteria are that the: consultation relates to draft legislation or potential Government policy recommendations; legislation requires the matter be kept confidential; consultation information is commercially sensitive (has economic value); or consultation relates to a taxpayer alert. The ATO issues taxpayer alerts to warn the public of ATO concerns about new or emerging higher risk tax or superannuation arrangements or issues that the ATO has under risk assessment.

61 The agreement is between the ATO and the participant. Participants representing an organisation, such as a professional association, wishing to share confidential information with a colleague can only do so where the colleague has also signed a confidentiality agreement.

tax-related professional associations (60 per cent of the total). Six confidential consultations with tax practitioners were completed.

**Table 3.2: Consultation matters that commenced in 2020 and 2021 and were complete as of February 2022**

	Non-confidential	Confidential	Total
Number of formal consultation matters <sup>a</sup>	74	12	86
Number of matters that included tax practitioners	46	6	52 <sup>b</sup>

Note a: The ATO advised that a consultation matter could involve more than one specific consultation activity.

Note b: This figure does not include tax practitioners that were consulted through consultation groups and professional associations.

Source: ANAO analysis of ATO documentation.

3.11 In addition to formal consultation, the ATO advised the ANAO that it considers almost every interaction with a tax practitioner an opportunity for feedback. It identified its informal consultation activity as engagement with tax practitioners through forums, webcasts, the Key Agent Program (discussed from paragraph 4.21) and networks with tax-related professional associations.

### Alignment with APS engagement standards

3.12 The ANAO reviewed six examples of consultation matters involving tax practitioners completed in 2020 and 2021 against standards 1 to 7 of the APS Framework for Engagement (Box 3).<sup>62</sup>

#### *Setting objectives, managing expectations and sharing information*

3.13 All six of the examples included documentation that showed that the consultation objective was clearly, or largely clearly, defined and shared with participants. The ATO managed participant expectations about the scope of the consultation and provided sufficient information about participant roles in the consultation exercise.

#### *Choosing the right approach*

3.14 ATO guidance on consultation methods states that consultation leads should choose a fit-for-purpose method. Internal guidance is not prescriptive and sets out the relative advantages and disadvantages of a range of methods.

3.15 The ANAO reviewed the six confidential consultations (see Table 3.2) to determine if they met the ATO's criteria for confidential consultations (see footnote to paragraph 3.9 for criteria). These consultations met the ATO's criteria for confidentiality. Two related to the development of legislation or government policy issues, three related to taxpayer alerts and one related to a taxation determination (an ATO public ruling) which was followed by public consultation (ongoing as of May 2022).

#### *Choosing the right people and providing opportunities for diverse voices to be heard*

3.16 Standard 4 of the Framework for Engagement states that entities should ensure participants with suitable expertise, skills and knowledge are consulted. Standard 7 states that entities should allow room in consultation groups 'for diverse voices to be heard'. ATO internal guidance states that

62 The ANAO selected examples that involved tax practitioners as participants and were led by different ATO business service lines.

identifying the right participants for consultation is key to ensuring the ATO has appropriate specialist input, a robust cross section of views and the voice of those most impacted. The ANAO examined how individual tax practitioners were identified for consultation activities and how consultation group members were selected.

Selection of individual tax practitioners for consultation activities

3.17 The ATO uses different methods to identify tax practitioners for consultation activities.

- The ATO lists consultation matters that are currently active on its website<sup>63</sup> with details of the consultation purpose, timing, status, who will be consulted and the ATO consultation lead. Tax practitioners interested in participating in consultations are encouraged to express their interest.
- Nominations for consultation activities are also sought from professional associations and external Tax Practitioner Stewardship Group members.
- Until July 2019, the ATO had an enterprise-wide consultation stakeholder register that listed potential participants for consultation activities. In July 2019, the ATO decided to decommission the register, which had 359 stakeholders at the time of closure and was not sufficiently detailed to identify stakeholder expertise.
- The IAI Business Service Line holds a database of all registered tax practitioners, noting those who have expressed interest in participating in ATO consultation activity and recording practitioners' areas of interest, expertise and past participation in ATO consultation. The ATO advised that it referred to this database when assisting business service lines to consult with tax practitioners. The database has not been updated to include tax practitioners registered since July 2021. As of July 2022, the ATO was developing a new tool to assist with the selection of individual tax practitioners for consultation activities.
- The ATO has a procedure for identifying tax practitioners with relevant experience and expertise for consultation from the IAI Business Service Line database. The approach includes direction to select tax practitioners using consultation-specific criteria (for example, agents with a particular client base or in a set geographical area). The ATO's procedure includes one general selection criterion, 'do not select agents that have been contacted [for consultation] in the past three to six months'.

3.18 Two of the six consultation activities examined by the ANAO included initial targeted consultation (consultation with selected participants) followed by public consultation of draft material. Where public consultation was used, a notice was placed on the ATO's website inviting interested tax practitioners to provide feedback. The remaining four examples were of targeted-only consultation. The ATO applied consultation-specific selection criteria to identify which practitioners to consult with as part of its targeted consultation approach.

Selection of standing and special purpose consultation group members

3.19 Consultation groups' terms of reference set out expectations that members have relevant experience and expertise. The ATO does not have documented criteria for selecting standing and

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63 Australian Taxation Office, *Open consultation* [Internet], ATO, available from <https://www.ato.gov.au/General/Consultation/What-we-are-consulting-about/Open-consultation/> [accessed 12 April 2022].

special purpose consultation group members. As the ATO publishes contact details on its website for each group's secretariat, individual practitioners are able to independently contact the secretariat to express interest in joining. Table 3.3 sets out the external (non-ATO) membership composition of the six key tax practitioner consultation groups identified in Figure 3.1.

**Table 3.3: ATO tax practitioner consultation groups — external membership positions, April 2022**

Group	Individual tax practitioners	Professional association representatives	Other <sup>a</sup>	Total positions
National Tax Liaison Group	-	8 (67%)	4 (33%)	12
Tax Practitioner Stewardship Group	10 (50%)	8 (40%)	2 (10%)	20
Tax Profession Digital Implementation Group	7 (33%)	7 (33%)	7 (33%)	21
BAS Agent Association Group	8 (73%)	2 (18%)	1 (9%)	11
Lodgment Program Review Working Group	15 (71%)	6 (29%)	-	21
Communication Content Working Group	6 (55%)	4 (36%)	1 (9%)	11
<b>Total positions</b>	<b>46<sup>b</sup></b>	<b>35<sup>b</sup></b>	<b>15</b>	<b>96<sup>b</sup></b>

Note a: 'Other' includes representatives of the Tax Practitioners Board, the Treasury or the Law Council of Australia. For the Tax Profession Digital Implementation Group, 'other' also includes digital software providers.

Note b: The total number of external member positions across all groups is greater than the total number of individuals occupying those positions, as some individuals are members of two or more groups.

Source: ANAO analysis.

3.20 Across the 96 external membership positions, as of April 2022, there were 66 unique tax practitioner and professional association representative members. Overall, 18 of the 66 external members are on two or more consultation groups. While professional associations are expected to have representation across multiple groups, 10 of the 18 members on two or more groups are not representatives of professional associations but are individual tax practitioners.

3.21 The extent of duplicate memberships held by individual practitioners may pose a risk in terms of meeting standard 7 of the APS Framework for Engagement, which recommends diversity. The ATO advised the ANAO that it 'must balance the efficiency and effectiveness of consultation in addition to diversity. Where members are on multiple groups, it can significantly reduce the burden of providing relevant context'.

### Recommendation no. 3

3.22 The Australian Taxation Office document selection criteria to support transparency, consistency and diversity in selection of tax practitioners for standing and special purpose consultation groups.

**Australian Taxation Office response:** *Agreed.*

3.23 *The ATO will document selection criteria to support transparency, consistency and diversity in selection of tax practitioners for standing and special purpose consultation groups.*

### Alignment with consultation group terms of reference

3.24 The ATO's six tax practitioner consultation groups have terms of reference that include a description of the group as well as roles and responsibilities. The ANAO reviewed the key consultation groups' operation against the terms of reference.

3.25 Consultation groups operated largely consistently with their terms of reference for meeting frequency, attendance, reporting to other forums and sharing meeting outcomes. The following are the exceptions to specific requirements, where the terms of reference established a requirement.

- Meeting frequency — the Communication Content Working Group is expected to meet monthly. It met 17 times in 2020 and 2021 combined.
- Reports to other forums — the Tax Profession Digital Implementation Group is required to report quarterly to the Tax Practitioner Stewardship Group on its outcomes and activities. This has not occurred. The ATO advised that it intends to remove the reporting requirement when it next updates the Tax Profession Digital Implementation Group terms of reference.

### Does the ATO effectively consider, share and review outcomes of its consultation with tax practitioners?

The ATO records how it considers feedback from consultations and, in the six examples reviewed, it utilised participant input where the issue was at the implementation stage. It shares consultation outcomes on its website at a high level for non-confidential consultations, although substantive outcomes are not always clearly conveyed. Consultation participants were provided with feedback, although this sometimes lacked detailed information about how the input would be used. While the ATO has reviewed elements of its consultation with tax practitioners, these reviews are not comprehensive. Reporting to an oversight group focusses on operational detail with limited consideration of consultation effectiveness. The ANAO survey of tax practitioners found that between 46 and 50 per cent of respondents were 'somewhat' or 'very' confident with aspects of the ATO's consultation approach, and the remainder were 'a little confident', 'not at all confident' or had no opinion.

### Considering and sharing consultation outcomes

3.26 The ATO's approach to recording how it has considered and used consultation feedback varies. ATO practice includes reporting internally on findings with recommendations to implement

feedback and sometimes reporting externally on changes made in response to feedback. At the close of formal consultation activities, the ATO publishes on its website a summary of non-confidential outcomes, although typically with minimal detail. The ATO publishes a monthly consultation report on its website, setting out the various topics of consultation underway and completed during the period. The ATO also publishes key messages on its website summarising discussions from its consultation groups.

3.27 Internal guidance specifies that ATO consultation leads should inform participants that their contribution has been received, and how it will be used or why it will not be used. For each of the six consultation examples examined by the ANAO, the ATO emailed participants summarising the input received, although the emails did not always provide detailed information about how the input would be used.

3.28 For four of the six consultation activities, the ATO used the consultation input from participants in developing the related strategies, services or supports for tax practitioners. For the remaining two consultation activities, the participant input has not been used yet, as the consultation was part of early, exploratory research.

## **Reporting and review**

### *Reporting consultation outcomes*

3.29 The ATO prepares operationally focused internal reports on consultation activities.

- For all ATO consultation — The Consultation Hub produces reports on consultation feedback and consultation group operations for the National Tax Liaison Group. The ATO advised that the chair of the National Tax Liaison Group also meets with other key consultation group co-chairs to discuss ATO consultation effectiveness.
- For consultation involving tax practitioners — The IAI Business Service Line produced quarterly reports between July 2018 and June 2021, summarising consultation activity. The reports did not assess consultation effectiveness beyond ATO comment on participant engagement. Business service lines leading consultation activities were considered responsible for considering consultation input in decision-making and for consultation outcomes.

### *Review of consultation effectiveness*

3.30 The ATO has undertaken some review work on the effectiveness of its consultation practices.

- Reviews against consultation principles have been conducted through feedback sought from consultation participants and leads using template questionnaires, in accordance with the ATO's Consultation Toolkit guidance on measuring consultation effectiveness. Feedback has not been gathered from participants for all activities and was reported for three of the six consultation examples reviewed by the ANAO.
- The ATO advised that an enterprise-wide review of all consultation groups was conducted in February 2019. Results across the groups surveyed reflected positive views of group effectiveness. The survey report did not break down results to tax practitioners.
- In November 2021, consultation group chairs and secretariats were asked to self-assess effectiveness. The feedback (which was positive) was anecdotal and limited.

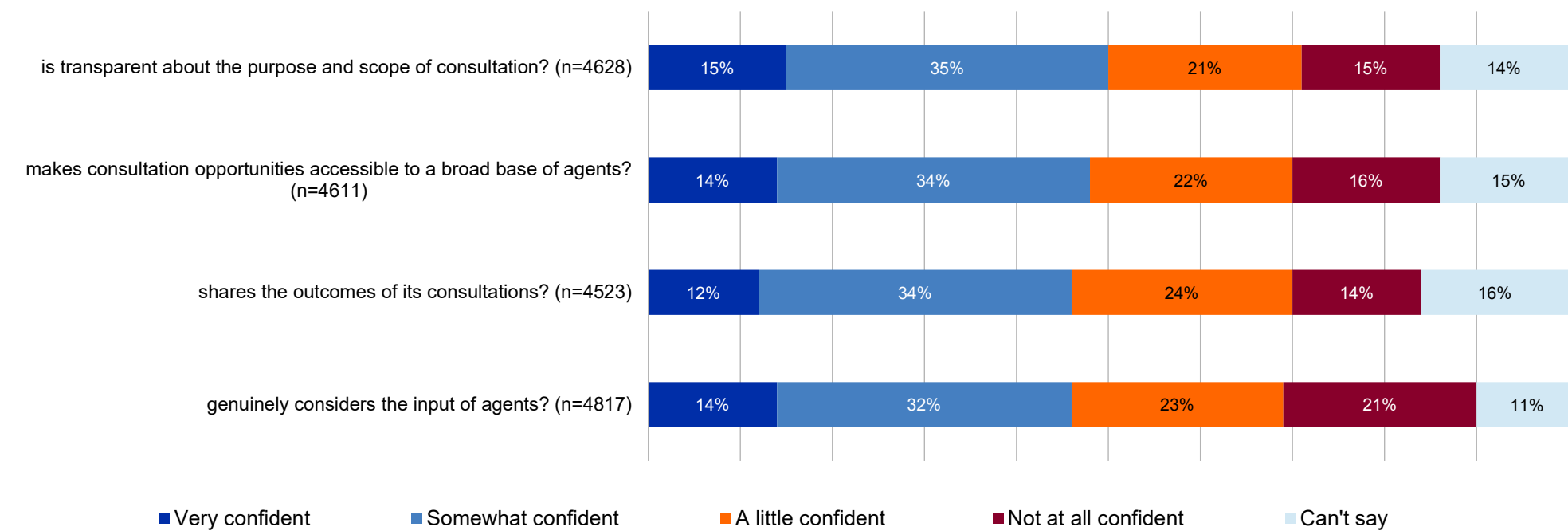
- Tax Practitioner Stewardship Group and National Tax Liaison Group members self-assessed their effectiveness in 2019, 2020 and 2021. The Tax Profession Digital Implementation Group, BAS Agent Association Group and Communication Content Working Group informally positively self-assessed their effectiveness in 2021.

3.31 Although the above reviews considered elements of consultation effectiveness, the ATO has not undertaken a comprehensive review of its overall approach to consulting tax practitioners and the extent to which consultation with tax practitioners contributes to the development of effective ATO strategy, services and support.

3.32 The ANAO survey of individual tax practitioners (see Appendices 4 and 5) asked about aspects of the ATO's formal consultation approach (Figure 3.2).



**Figure 3.2: Based on what you know of how the ATO consults with agents, how confident are you that the ATO...**



Source: ANAO survey of tax practitioners.

3.33 Three per cent of survey respondents identified ‘the accessibility of consultation activities’ as the area that they would most like the ATO to improve. Respondents considered that the ATO could improve accessibility of consultation access by giving more opportunities for tax practitioners to participate and by involving more practicing agents in consultation, rather than heads of practices or professional association representatives. A few respondents identified a need for more ATO transparency over matters being consulted on.

3.34 The five submissions to the audit from tax-related professional associations were generally supportive of the ATO’s consultation approach. One association stated that ‘the ATO consultative process has generally been well run, adopted feedback on key issues and perceived to be undertaken with the intention of providing clarity on issues to tax practitioners’.<sup>64</sup> Another association stated that the ATO consultation groups are ‘essential for effective engagement’ and are ‘generally well-run and performing their function’.<sup>65</sup> All submissions from the associations, however, outlined concerns with the ATO’s approach to confidential consultations. Concerns related to transparency<sup>66</sup> and to confidentiality agreements inhibiting free and open discussion among association representatives.<sup>67</sup>

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64 Submission from the Tax Institute, 13 May 2022, available from <https://www.taxinstitute.com.au/resources/submissions/2022/australian-taxation-office-s-engagement-with-tax-practitioners> [accessed May 2022], p. 9.

65 Submission from CPA Australia, 14 April 2022, p. 5.

66 See the submission from Chartered Accountants Australia and New Zealand, 17 May, available from <https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-for-the-anao-audit-of-the-atos-engagement-with-tax-agents> [accessed May 2022], p. 4.

67 Submission from CPA Australia, 14 April 2022, p. 5.

## 4. Services and support for tax practitioners

### Areas examined

This chapter examines whether the Australian Taxation Office (ATO) provides effective services and support for tax practitioners.

### Conclusion

The ATO provides largely effective services and support for tax practitioners. The ATO plans, although it does not always review the effectiveness of, its communications to tax practitioners. Two key tax practitioner programs reviewed as part of the audit are supported through largely effective communications. The ATO monitors the performance of its tax practitioner enquiry channels in terms of timeliness of response. Monitoring of service quality through the channels, including whether enquiries were satisfactorily resolved by skilled staff, is less evident. Digital services for tax practitioners are largely fit for purpose.

### Areas for improvement

The ANAO recommended that the ATO undertake consultation related to the registered agent phone line. The ANAO also suggested that the ATO clarify its communications on the lodgment program framework, better promote the Tax Practitioner Assistance Service and expand the monitoring of the quality of services provided through its tax practitioner enquiry channels.

4.1 The ATO aims to ‘deliver better tax and superannuation experiences by making things simpler, faster and more accessible for our clients’<sup>68</sup> and to optimise interactions through self-service channels. Where its clients, such as tax practitioners, are unable to self-serve, the ATO provides other channels to those who need support and assistance.

4.2 To determine whether the ATO provides effective services and support for tax practitioners, the ANAO assessed if the ATO:

- communicates effectively about its programs;
- effectively monitors its performance in responding to tax practitioner enquiries; and
- provides fit-for-purpose digital platforms and associated services and support.

### Does the ATO communicate effectively about its programs?

The ATO has communications plans and mechanisms to coordinate communications. The ATO has reviewed the effectiveness of some of its communications plans. One key program (the lodgment program framework) is supported through website and individualised communications, although there is inconsistent messaging around the 85 per cent on-time lodgment performance benchmark. A second program (the Key Agent Program) is aimed at supporting consistent communication between the ATO and its most significant tax agents and is delivered largely as intended. An ANAO survey of tax practitioners found that 70 per cent of respondents felt the ATO communicated the available services and support for tax practitioners well.

68 ATO, *ATO Corporate Plan 2021–22*, ATO, August 2021, p. i.

## Planning and review of communications for tax practitioners

### *Planning*

4.3 The ATO aims to provide consistent communications to tax practitioners in support of its objective of building trust and confidence in the ATO. In addition to program and topic-specific communications plans, the ATO's communications work is supported by an overarching communications strategy for tax practitioners, the Tax Professionals Communication Strategy 2022–24. The 2022–24 Strategy was developed in March 2022 and replaced earlier iterations.<sup>69</sup> In addition, a 'Tax Professionals Narrative' is intended for use as a reference tool in preparing communications to support consistent ATO messages.

4.4 Between 2018 and 2021, the ATO produced and updated 23 other communications planning documents for tax practitioners as a key audience.<sup>70</sup> These included plans related to tax time communications, the ATO's approach to supporting tax practitioners during the COVID-19 pandemic, ATO system maintenance and system outages, and the ATO's risk and assurance approach for intermediaries.

4.5 The ATO seeks to position its website as the 'source of truth' for agent guidance, particularly in relation to tax time. The communications work program references measures, strategies and significant projects to support updates to relevant content on the 'tax professionals' section of its website. The ATO undertakes periodic reviews of its website content and advised that its approach is to review high-use content annually, new content after 12 months and remaining content every three years.

4.6 The ATO's other channels for communicating with tax practitioners include: guidance updates through channels such as the tax professionals newsletter; Open Forums (sessions for agents to hear from the ATO on updates, discuss changes and ask questions); social media; bulk emails and letters; and public relations through third-party events, media articles or through tax-related professional associations.

### *Review*

4.7 The ATO planned to measure success of its previous overarching communications strategy for tax practitioners, the Tax Professionals Communication Strategy 2020–21, through corporate research surveys and audience research. The ATO has undertaken its planned measurement activities, although it has not used the results of the activities to specifically evaluate the 2020–21 Strategy.

4.8 As of March 2022, of the 24 communications and supporting implementation planning documents the ATO had developed for the tax practitioner audience, the ATO had documented reviews of six plans. Communication plan reviews are largely based on the number of products delivered and usage statistics. The ATO does not incorporate qualitative tax practitioner feedback.

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69 The objectives of the Tax Professionals Communication Strategy 2020–21 were: build the tax profession's confidence and trust in the ATO; raise awareness and understanding of the support and systems available to tax professionals, and their intermediary obligations; foster connectivity and enhance the relationship with the tax profession; and support the capacity, and compliance, of the tax profession in its role as a key influence of taxpayer behaviour.

70 This included implementation plans supporting higher-level communications plans.

4.9 In addition to specific communications plan reviews, the ATO surveys tax practitioners attending Open Forums and has undertaken three general reviews of its communications with tax practitioners to inform its overall communication approach. The research underpinning the general reviews identified tax practitioners' views on the effectiveness of ATO website guidance and other communications channels, and agents' preferred communications approach. The most recent audience research, completed in August 2021, reported positive feedback from tax practitioners on ATO communications, and resulted in some suggestions for improvement, such as increasing awareness of some communications channels and providing more information online about certain topics.

4.10 Seventy per cent of respondents to an ANAO survey of tax practitioners indicated that they felt the ATO communicated the services and support available to tax practitioners either very well or quite well. Five per cent identified ATO communications and guidance as the area they would most like the ATO to improve.

4.11 The three submissions to the audit from tax-related professional associations that commented on communications were supportive of the ATO's overall communication and education approach for tax practitioners. However, some concerns were raised about ATO correspondence, communication preferences (discussed further from paragraph 4.67) and ATO awareness campaigns.<sup>71</sup>

### Communication about the lodgment program and framework

4.12 Taxpayers are required to lodge tax returns, business activity statements (BAS) and other documents that are completed by tax practitioners by dates specified in legislation.<sup>72</sup> Under the *Taxation Administration Act 1953*<sup>73</sup>, the Commissioner of Taxation (the Commissioner) can exercise discretion to defer the due dates for lodgment beyond the legislated dates. The ATO's lodgment program acts as a collective deferral, using the Commissioner's discretion. It allows tax practitioners who lodge electronically to manage their workload by progressively lodging client obligations over a 12-month period.<sup>74</sup> The concessional due dates are set out on the ATO's website.

4.13 The lodgment program framework objectives are to create a level playing field for tax practitioners and to increase the number of tax returns lodged on time and electronically. The framework requires that 85 per cent or more of tax returns be lodged on time (on-time lodgment benchmark).

4.14 Support for tax practitioners whose performance was below the on-time lodgment benchmark comprises:

- phone contact to offer advice and assistance, for example, guidance in updating client lists to remove former clients;

71 Submissions from the Tax Institute, 13 May 2022, pp. 3–6, and the Institute of Public Accountants, 18 April 2022.

72 Across the various reporting activities that tax practitioners manage for their clients, there are several categories of obligations, for example: income tax returns and payments; monthly and quarterly BAS; and fringe benefits tax returns.

73 Section 388–55 of Schedule 1 of the *Taxation Administration Act 1953*.

74 For example, while individuals must lodge income tax returns by 15 May each year, the lodgment program allows tax agents an extension to lodge returns on taxpayers' behalf by 5 June.

- support through agent access to deferrals, flexible lodgment and the ‘supported lodgment program’ (formerly known as the ‘managed lodgment program’)<sup>75</sup>; and
- management of tax practitioners with consistently poor lodgment performance through a ‘managed lodgment program’ (formerly known as the ‘guided lodgment program’).

4.15 The ATO website includes current information for tax practitioners on the lodgment program and an explanation of the lodgment program framework. There is inconsistent messaging regarding the impact on tax practitioners of them failing to meet the on-time lodgment benchmark. In some instances, the benchmark is positioned as a support tool and in others as a punitive measure.<sup>76</sup>

4.16 In September 2021, an Inspector-General of Taxation newsletter referred to concerns that ATO communications had caused some tax practitioners to believe they could be adversely affected if they did not meet the benchmark. Some tax practitioners surveyed by the ANAO in March 2022 also expressed a concern that there would be a punitive impact and that this placed pressure on their practices. Two submissions from tax-related professional associations made comments regarding the ATO’s communications on the benchmark.<sup>77</sup> The Tax Institute stated that the reporting against the benchmark can ‘often lead to significant stress and anxiety for tax agents’ and that ‘the consequences of not meeting the 85% are perceived to be severe and punitive in nature’.

#### Opportunity for improvement

4.17 The ATO could clarify its communications around the on-time lodgment benchmark.

Note: The Inspector-General of Taxation report, *The Australian Taxation Office’s services and support for tax practitioners*, 2015, included recommendations relating to the ATO’s communication about the lodgment performance benchmark. The recommendations, to which the ATO agreed in part, are set out in Appendix 3, Table A.3.

4.18 The ATO communicates to tax practitioners about individual lodgment performance for income tax and fringe benefits tax returns through an annual performance summary email and a weekly update on the tax practitioner digital service, Online Services for Agents.<sup>78</sup> In July 2019, the ATO identified systemic errors in the calculation of weekly lodgment performance. These errors affected an estimated 75 per cent of income tax returns and an unspecified proportion of fringe benefits tax return performance data.<sup>79</sup> The ATO advised agents of the potential discrepancy in

75 The ATO rebranded the ‘managed lodgment program’ as the ‘supported lodgment program’ to reinforce the notion of ‘support’ and avoid connotations of tax practitioners being ‘managed’. The supported lodgment program involves the ATO working with an agent to return to compliance with the lodgment program (for example, assisting agents to remove clients that they were not actively managing, considering lodgment deferrals or suspending compliance action depending on circumstances).

76 For example, the ATO communicates to agents through the ATO website that the on-time lodgment benchmark is used to identify tax practitioners in need of support and that agents will not lose access to the lodgment program if they fell below the benchmark. Elsewhere on the website, ATO advice is that 85 per cent of lodgments must be on time for tax practitioners to receive the lodgment program concessional due dates. The website also communicates an ATO intent to ‘progressively apply increasingly stringent support strategies’ to agents who fall short of the 85 per cent benchmark.

77 Submission from CPA Australia, 14 April 2022, p. 66; Submission from the Tax Institute, 13 May 2022, p. 6.

78 Agent performance is calculated from the number of current year returns lodged by the due date, divided by the total number of clients.

79 The error was the result of including clients who should not have counted towards lodgment performance, such as deceased individuals or entities registered after the lodgment program period.

June 2020 and corrected the calculations in December 2021.<sup>80</sup> In January 2022, the ATO identified that some tax practitioners did not fully understand how their performance was calculated and addressed the issue at the February 2022 Open Forum.

4.19 Tax practitioners can apply for deferrals beyond the lodgment program concessional dates in 'exceptional' or 'unforeseen' circumstances. Additionally, the ATO has granted deferrals in bulk and applied a flexible lodgment approach in response to events that affected large numbers of tax practitioners and clients, including the 2019–20 Australian bushfires and COVID-19. The ATO publishes guidance on the criteria for lodgment deferrals. The guidance is not prescriptive and the ATO's expectation is that deferrals are granted by exception. The ATO has received feedback that tax practitioners want further clarity around the criteria.

4.20 The ATO reviewed the effectiveness of lodgment program framework support strategies during 2018–19 and 2020–21. The ATO advised the ANAO that while it processed tax practitioner requests for deferrals and the supported lodgment program in 2019–20, it did not review support strategies that year due to COVID-19. In November 2021, the ATO commenced a review of the lodgment program and supporting framework, which is intended to report in June 2022. The scope of the review encompasses tax practitioner experiences with the lodgment program, and the effects on agents of program elements, such as due dates and communications.<sup>81</sup> The review also includes consideration of the on-time lodgment benchmark.

## Communication about the Key Agent Program

4.21 Under the Key Agent Program, the ATO offers additional services to 16 key agents.<sup>82</sup> The purpose of the Key Agent Program is to co-ordinate a streamlined whole-of-ATO approach to strategic engagement with its 'most influential' tax agents. Anticipated benefits from the Key Agent Program include a reduction in the number of requests to meet and improved record keeping of interactions with key agents.

4.22 The ATO allocates a key agent manager to each key agent as a dedicated point of contact. Other services offered under the Key Agent Program include:

- up to two key agent meetings each year (where key agents and the ATO can discuss critical systemic issues, ATO program updates and lodgment performance)<sup>83</sup>; and

80 While resolving the error, the ATO identified a separate error affecting the expected lodgment date for a small category of businesses; consequently, there is a small group of tax practitioners for whom the calculation remains incorrect. As of May 2022, the ATO was investigating a solution to this problem and had alerted some potentially affected practitioners to the issue.

81 The Lodgment Program Review Working Group was established for the purpose of conducting the review. It comprises representatives of the ATO, tax-related professional associations and individual tax practices, and is chaired by an Assistant Commissioner from the Individuals and Intermediaries Business Service Line.

82 Key agents are selected based on the size and tax revenue of their client base. As of May 2022, key agents include BDO, Deloitte, Etax, Ernst Young (EY), Findex, Grant Thornton, HLB Mann Judd, H&R Block, ITP Accounting Professionals, KPMG, Moore Australia, Nexia Australia, Pitcher Partners, PwC, RSM Australia and William Buck.

83 These meetings have not always happened. In 2019, there were no meetings with two key agents, in 2020 and 2021, there were no meetings with three key agents each year. The ATO advised that fewer meetings were scheduled compared to the program offering, as tax practitioners did not take up the ATO's offer to meet and the ATO had no lodgment performance concerns relating to the agents it did not meet.

- additional assistance with matters where the ATO is unable to resolve an issue through its usual channels or in a timely manner.

4.23 At meetings with key agents, the ATO provides verbal briefings and tailored written ‘Practice Performance Snapshots’. Communications are planned with reference to the Tax Professionals Narrative and focus on strategies relevant to key agents and the operation of the program. For example, the ATO’s Key Agent Program 2021 communication plan sets out its expectation that key agents continue using the usual support channels in the first instance.

4.24 In addition to receiving informal feedback from key agents, the ATO conducted a review of the effectiveness of the Key Agent Program in August 2020, including the communications supporting the program. In the report setting out its findings, the ATO stated that feedback from key agents was positive and identified benefits, including receiving updates on complex cases referred for resolution via the Key Agent Program and updates on the ATO’s current projects and strategic direction.

4.25 The ATO report also recommended improvements to several key aspects of the Key Agent Program service offering and supporting communications, such as the timing and content of meetings, setting a minimum term for key agent managers, and providing additional opportunities for key agents to be involved in consultations. Agents consulted also suggested that improvements be made to the accuracy and clarity of ATO website guidance and to search functionality. The ATO advised the ANAO that many of the recommendations made in the report have since been adopted as business-as-usual processes within the program.

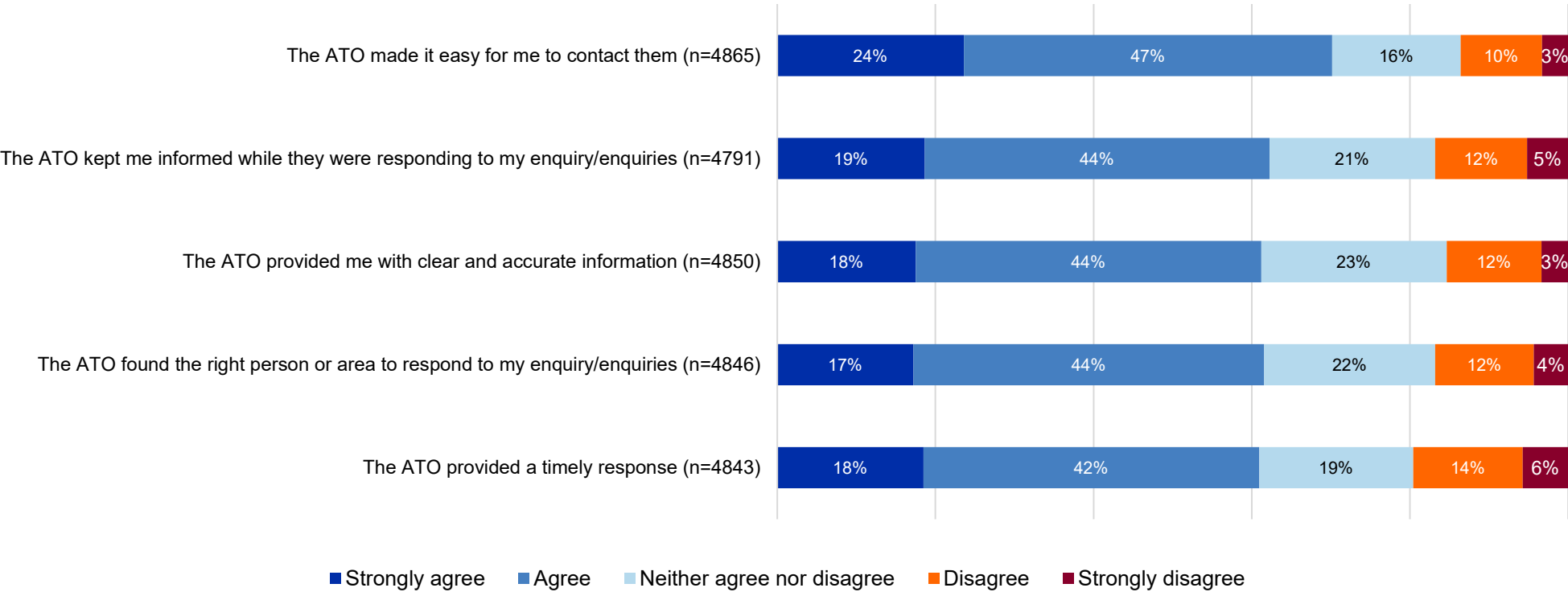
## Does the ATO effectively monitor its performance in responding to tax practitioner enquiries?

The ATO responds to tax practitioner enquiries through three key channels — the registered agent phone line, the Tax Practitioner Assistance Service and complaints. While there is largely sufficient monitoring of response timeliness, monitoring and reporting of service quality is limited and could be expanded. Monitoring has found that one of the three channels (the registered agent phone line) has consistently met timeliness targets. Although most respondents to an ANAO survey of tax practitioners reported a positive experience when contacting the ATO, there were concerns about staff capability, particularly in relation to the registered agent phone line.

4.26 There are three main mechanisms for tax practitioners to contact the ATO for support — the registered agent phone line, the Tax Practitioner Assistance Service and the complaints and feedback channel. In the ANAO survey of tax practitioners, those who identified as having used at least one of these three mechanisms were asked about their experiences (see Figure 4.1). The majority of respondents were positive about the timeliness and quality of the channels. BAS agents responded more positively than tax agents.



**Figure 4.1: Thinking about your experience(s) with the registered agent phone line, the Tax Practitioner Assistance Service and/or the ATO complaints channel, to what extent do you agree with the following?**



Source: ANAO survey of tax practitioners.

4.27 In this section, each of the three tax practitioner support mechanisms is examined in relation to timeliness and quality, including the ATO's monitoring of these service characteristics.

### Registered agent phone line

4.28 Tax practitioners can contact the ATO on a dedicated phone line for agents.<sup>84</sup> The ATO encourages tax practitioners to use online resources before phoning and advises that if the issue could be resolved online, the ATO officer will direct the agent to the online service. Over 1.5 million calls were made to the registered agent phone line in 2020–21.

#### *Timeliness*

4.29 The ATO provides a preferential treatment for tax practitioners contacting the ATO through the registered agent phone line compared to its general phone line. During tax time (July to October each year) from 2018–19 to 2021–22, the ATO aimed to answer 90 per cent of agent phone calls within two minutes.<sup>85</sup> Between 2018–19 and 2020–21, the ATO reported in its annual report that it met this service commitment in each year (Table 4.1).

**Table 4.1: ATO performance (July to October) — agent phone line, 2018 to 2021**

Service commitment	2018	2019	2020	2021
Total number of agent calls during tax time	526,988	563,964	662,194	463,187
Calls answered within two minutes	92.2%	90.5%	91.8%	90.2%
Calls answered within two to five minutes	5.8%	7.3%	4.3%	6.3%

Source: ATO annual reports and other data.

4.30 In July 2021, the ATO developed a monthly internal report on the registered agent phone line (the 'Data Insights: Tax Agent Phone Line' report) which included additional reporting on timeliness (average duration of calls, which in April 2022 was about 13 minutes, and average hold time, which was about 4.5 minutes).

4.31 The ATO can block calls if they are expected to significantly exceed the ATO's capacity. Between 2018–19 and 2020–21, 578 calls from tax practitioners (0.01 per cent of total calls) were blocked, all during April 2020. The ATO advised that this was because 'resources were stretched responding to the JobKeeper initiative'.<sup>86</sup>

84 The service is available between 8:00am and 6:00pm, Monday to Friday, excluding public holidays.

85 For the general phone line, until 2020–21 the service commitment was that 80 per cent of calls would be answered within five minutes during tax time. From 2021–22, the service commitment is that the average wait time will be less than 10 minutes.

86 The JobKeeper Payment scheme was a subsidy for businesses affected by COVID-19. It finished in March 2021.

## Quality

4.32 The ATO's Service Delivery Quality Framework<sup>87</sup>, introduced in January 2019, provides a quality assurance process over the client interactions of the Service Delivery Group<sup>88</sup>, including all inbound telephony. The ATO produces a quarterly quality assurance report for the Service Delivery Group.

- The ATO does not separately report results for the agent phone line, although exception reporting can identify a theme that is tax practitioner-related. The October to December 2021 report, for example, identified issues around deferral requests — 48 per cent of cases that were quality assured were assessed as having 'room for improvement' and 10 per cent were assessed as having 'considerable room for improvement'.<sup>89</sup> Following these results, the ATO identified actions to address the issues.
- The Service Delivery Quality Framework involves assessment of the resolution of call enquiries, although, again, this is not reported separately for the agent phone line.

4.33 Before the development of the first 'Data Insights: Tax Agent Phone Line' report in July 2021, there was no regular internal report to monitor the resolution of enquiries through the agent phone line and analysis of issues occurred on an ad hoc basis or not at all.

- Between July 2018 and February 2022, the ATO produced 10 ad hoc reports on issues such as: calls where tax practitioners could have self-served; debt and lodgment; agents calling to set up payment plans; and use of Online Services for Agents. These reports were usually focussed on identifying call drivers and identifying opportunities to address those drivers to reduce the volume of calls.
- Where calls cannot be resolved at first contact, they can be transferred to another ATO officer with the needed skillset. The ATO advised that frontline supervisors monitor the performance of their staff in terms of escalations or transfers and provide coaching support. The ATO does not produce reporting on escalations and transfers for the registered agent phone line.

4.34 The monthly 'Data Insights: Tax Agent Phone Line' report provides insights into the sentiment and experience of tax practitioners who used the agent phone line. The ATO assesses the sentiment (positive, neutral or negative) of users of the phone line based on words used during the call. The ATO also assesses the experience of users with eight 'experience indicators' (Table 4.2). The results for the agent phone line are compared to the general ATO phone line. The report provides useful information about service quality through this channel, however, the ATO advised the ANAO that it does not intend to produce this report on an ongoing basis.

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87 ATO officers are assessed in terms of: professionalism — understanding and applying the Taxpayers' Charter and Australian Public Service values by providing a professional service; integrity — understanding and/or complying with applicable laws, government requirements and internal policies; and resolution — achieving the right outcomes for clients and/or the ATO by accurately completing all necessary steps and administrative actions.

88 The Service Delivery Group includes the following business service lines: Debt and Lodgment; Client Account Services; Strategy and Support; and Australian Business Registry Services.

89 Considerable room for improvement means: the officer consistently demonstrates learning requirements; there is a pattern of significant errors; and additional support is required and prioritised.

**Table 4.2: Registered agent phone line — experience indicators, April 2022**

Experience indicator	Registered agent phone line	All in-bound telephony
Confusion	2%	5%
Frustration	1%	2%
Complaints	1%	1%
Unaware Lodge/Pay	1%	1%
Vulnerable	3%	4%
Transfer	10%	10%
Multiple holds	16%	11%
Staff support	5%	1%

Note: The results are the percentage of calls that were identified as containing language relevant to the particular indicator. For example, two per cent of the calls to the registered agent phone line included language indicative of confusion.

Source: ATO reporting.

4.35 Of those that indicated that they had called the registered agent phone line in the ANAO survey (4835 respondents), 93 per cent found it to be very useful or somewhat useful. In a separate question about key areas for improvement, 30 per cent of 5335 respondents identified either ‘the capability of ATO staff in supporting agents’ (21 per cent or 1124 respondents) or the registered agent phone line (nine per cent or 491 respondents) as key areas for improvement (see Figure 2.3). The ANAO examined a random sample of 112 free text ANAO survey responses relating to the capability of ATO staff in supporting agents and the registered agent phone line.<sup>90</sup> Key themes were perceived insufficient knowledge and training of ATO staff, poor timeliness of resolution through the registered agent phone line, call transfers and inconsistent advice.

4.36 Three of five submissions to the audit from the tax-related professional associations outlined concerns relating to the registered agent phone line and/or the capability of ATO staff. Concerns focused on: inconsistent support depending on the ATO officer, lack of empathy, lack of competency, call transfers and call backs.<sup>91</sup>

90 The random sample of free text responses comprised 65 of 848 free text responses relating to the capability of ATO staff in supporting agents, and 47 of the 252 responses relating to the registered agent phone line. Of the 87 citizen contributions to the audit, 35 (40 per cent) related to the registered agent phone or ATO staff.

91 Submissions from Chartered Accountants Australia and New Zealand, 17 May, pp. 5–6, the Tax Institute, 13 May 2022, p. 8 and the Institute of Public Accountants, 18 April 2022, p. 10.

## Recommendation no. 4

4.37 The Australian Taxation Office consult with tax practitioners to better understand their concerns regarding the registered agent phone line and use this feedback to guide the development of future service offerings.

**Australian Taxation Office response:** *Agreed.*

4.38 *The ATO agrees that it will consult with tax practitioners to better understand their concerns regarding the registered agent phone line and use this feedback to guide the development of future service offerings.*

## Tax Practitioner Assistance Service

4.39 The Tax Practitioner Assistance Service (TPA service)<sup>92</sup> is available to tax practitioners to assist with the resolution of issues that cannot be resolved through other channels.<sup>93</sup> Enquiries to the TPA service are submitted via Online Services for Agents. Tax practitioners can use the TPA service to seek assistance for:

- tax and superannuation law-related matters related to a client; and
- administrative matters related to a client or to a practice management matter.

4.40 Table 4.3 shows the number of enquiries received through the TPA service from 2018–19 to 2021–22, broken down by law-related and administrative enquiries. Between 2018–19 and 2020–21, the ATO received 4545 enquiries from tax practitioners through the TPA service (4503 from tax agents and 42 from BAS agents).

**Table 4.3: Number of enquiries received via the TPA service, 2018–19 to 2020–21**

Number of enquiries received	2018–19	2019–20	2020–21	Total
Law-related enquiries	795	720	828	<b>2343</b>
Administrative enquiries	637	966	596	<b>2199</b>
Other — type not recorded	2	0	1	<b>3</b>
<b>Total enquiries</b>	<b>1434</b>	<b>1686</b>	<b>1425</b>	<b>4545</b>

Source: ANAO analysis of ATO data.

4.41 A six-monthly report on the TPA service provides a summary of requests received and processed. In the July to December 2021 report, issues raised included: agents trying to change Pay-As-You-Go instalment notices and the call centre not being able to assist; delays in processing amendments; and difficulties in downloading client lists via Online Services for Agents. The report is distributed to eight business service lines.

<sup>92</sup> Until October 2021, the TPA service was called the Complex Issues Resolution Service.

<sup>93</sup> On its website, the ATO states that agents should seek to resolve the relevant issues through the Online Services for Agents system or the registered agent phone line before using the TPA service.

## Timeliness

4.42 The ATO website stated that it aims to resolve requests submitted through the TPA service as soon as possible, although a resolution can take up to 28 calendar days. There is no external service commitment or target.

4.43 Between June 2019 and June 2020, the six-monthly report on the TPA service included performance against two internal timeliness targets: 100 per cent of requests acknowledged within one business day<sup>94</sup>; and 70 per cent of requests resolved within five business days. From June 2021, the six-monthly report has included TPA service timeliness performance, although not against specific timeliness targets. The ATO advised that it also undertakes day-to-day monitoring on the timeliness of TPA requests.

4.44 The ANAO analysed TPA service data to assess timeliness between 2018–19 and 2020–21 (Table 4.4). This showed that neither the acknowledgement nor the five-business day resolution internal targets were met.

**Table 4.4: Timeliness of resolving TPA service requests, 2018–19 to 2020–21**

Percentage of requests...	2018–19	2019–20	2020–21	Total
acknowledged within one business day	91%	89%	87%	<b>89%</b>
resolved within five business days	39%	38%	27%	<b>35%</b>
resolved within 15 business days	78%	75%	58%	<b>70%</b>
resolved within 28 business days	91%	90%	77%	<b>86%</b>

Source: ANAO analysis of ATO data.

## Quality

4.45 The ATO does not have a quality assurance process over TPA service requests. The ATO also does not systematically capture whether the tax practitioner's request has been satisfactorily resolved. However, there were few complaints about the TPA service. ANAO analysis of the ATO's complaints data found that four complaints explicitly referred to the TPA service between July 2018 and April 2022.

4.46 In response to the ANAO survey of tax practitioners, 83 per cent of those who had used the TPA service found the service somewhat or very useful. Two per cent of the total respondents to the survey selected the TPA service as the area of the ATO's engagement requiring the most improvement. The three most common reasons for respondents identifying the TPA service as an improvement area were related to: issue resolution; timeliness; and staff capability.<sup>95</sup>

4.47 One submission from a tax-related professional association indicated to the ANAO that there was low level of awareness among tax practitioners of the TPA service.<sup>96</sup> One of the

94 From December 2021, an acknowledgement of receipt is system-generated.

95 The ANAO received 80 individual free text responses about the improvement area 'the Tax Practitioner Assistance Service'. The ANAO examined a random sample of 35 responses.

96 Submission from the Tax Institute, 13 May 2022, p. 9.

tax-related professional association submissions to the audit stated that tax practitioners are often unaware how to escalate their issues when problems arise.<sup>97</sup>

#### Opportunity for improvement

4.48 The ATO could further promote the Tax Practitioner Assistance Service to increase awareness of the service.

### Complaints and other feedback

4.49 Tax practitioners can submit a complaint or other feedback to the ATO on behalf of their practice or on behalf of a client. Complaints can be submitted: online (through the ATO's website or Online Services for Agents); via the ATO's 'Complaints hotline'; via fax, email or letter; or through other channels such as speaking to an ATO officer.<sup>98</sup> Table 4.5 shows the numbers of complaints from tax practitioners compared to total ATO complaints, as well as a breakdown of the type of complaint.

**Table 4.5: Tax practitioner complaints, 2018–19 to 2020–21**

	2018–19	2019–20	2020–21	Total
<b>Total complaints to the ATO</b>	<b>19,826</b>	<b>24,778</b>	<b>24,740</b>	<b>69,344</b>
Total tax practitioner complaints (% of total ATO complaints)	6267 (32%)	8348 (34%)	7446 (31%)	<b>22,061 (32%)</b>
... of which were on behalf of a client (% of total tax practitioner complaints)	5472 (87%)	7199 (86%)	6552 (88%)	<b>19,223 (87%)</b>
... of which were on behalf of the agent (% of total tax practitioner complaints)	795 (13%)	1149 (14%)	894 (12%)	<b>2838 (13%)</b>

Source: ATO annual reports, internal reporting and ATO data.

4.50 The focus of this section is on complaints from tax practitioners that relate to their own affairs (that is, there was no client linked to the complaint). Examples of these types of complaints include: system issues with Online Services for Agents; communication/correspondence issues; and electronic lodgment issues.

4.51 Principle Seven of the Commonwealth Ombudsman's *Better Practice Complaint Handling Guide* states that entities should have robust quality assurance and review processes over their complaints handling. The guide states that entities should, at minimum, have benchmarks for measuring timeliness, complainant satisfaction and escalation.<sup>99</sup>

#### Timeliness

4.52 The ATO has two service level standards relating to complaints response timeliness:

- acknowledgement of receipt of a complaint within three business days; and

<sup>97</sup> Submission from CPA Australia, 14 April 2022, p. 6.

<sup>98</sup> Complaints can also be referred to the ATO by the Inspector-General of Taxation and Taxation Ombudsman or by the Office of the Australian Information Commissioner.

<sup>99</sup> Office of the Commonwealth Ombudsman, *Better Practice Complaint Handling Guide* [Internet], Commonwealth Ombudsman, n.d., available at <https://www.ombudsman.gov.au/publications/better-practice-guides/Better-practice-complaint-handling-guide> [accessed April 2022].

- a service commitment to resolve 85 per cent of complaints within 15 business days, or by the date negotiated with the complainant.

4.53 The ATO met its service commitment in 2018–19 for tax practitioner complaints, however it did not meet it in 2019–20 and 2020–21 (Table 4.6).

**Table 4.6: ATO timeliness performance — tax practitioner complaints, 2018–19 to 2020–21**

ATO — target relating to complaints	2018–19	2019–20	2020–21
Acknowledge receipt of complaint — three business days	93%	84%	86%
Resolve complaint — within 15 business days, or by the date negotiated with the complainant <sup>a</sup>	88%	84%	83%

Note a: At an enterprise level, the ATO also reports in its annual report the percentage of all complaints resolved within 15 business days, regardless of additional time negotiated with the complainant. In 2020–21, 65 per cent of all complaints to the ATO were resolved within 15 business days.

Source: ATO reporting.

### Quality

4.54 The ATO does not have an enterprise-wide quality assurance approach over its complaints handling, although it advised that the corporate complaints team undertakes checks of complaint records to ensure data quality. In March 2022, the IAI Business Service Line introduced a quality assurance process over tax practitioner complaints.

4.55 The ATO does not have performance metrics relating to tax practitioner complainant satisfaction and escalation. The ATO advised, of the 512 tax practitioner complaints actioned by the IAI Business Service Line between 2018–19 and 2020–21, one was escalated within the ATO for review.

4.56 The IAI Business Service Line produces a weekly report on tax practitioner complaints that it has actioned and a bi-monthly report on tax practitioners complaints that have been actioned by other business service lines. The reports include some complaints analysis to support continuous improvement. In 2020–21, the ATO identified 28 insights from agent complaints that related to the ATO's practices and with the potential to lead to improvements. These potential improvements covered five themes: ATO systems; external communications; staff training and skilling; scripting in the call centre; and strategy.<sup>100</sup> The ATO considered that elements of three of these five themes had been implemented: there had been a system update; there were changes to call centre scripting; and there were strategy improvements.

4.57 In the ANAO survey, 66 per cent of those who had used the ATO's complaints channel found the channel very useful or somewhat useful.

100 Examples of actions include increased guidance for ATO staff in relation to functionality in Online Services for Agents; updates to the ATO's website where information was unclear; and updates to call centre scripting.



**Opportunity for improvement**

4.58 The ATO could expand its monitoring of the quality of services provided through tax practitioner enquiry channels.

## **Does the ATO provide fit-for-purpose digital platforms and associated services for tax practitioners?**

The ATO's digital services for tax practitioners, Online Services for Agents (OSfA) and the Practitioner Lodgment Service, are largely fit for purpose. There are some weaknesses in system controls for OSfA. System performance is monitored and publicly reported on. The digital services have not been evaluated in other ways, although the ATO plans to do this. Services and support for digital channels are provided to tax practitioners and digital service providers.

4.59 The Tax Professionals Digital Services Strategy covering 2020–24 (see Table 2.1) focusses on four 'streams' of work: consolidating agents' use of digital services through education; strengthening the security of the ATO's digital ecosystem; facilitating improved client reporting; and continued integration of ATO digital services in software. The ATO provides digital services for tax practitioners via two main platforms: OSfA, which provides access to client information and services; and the Practitioner Lodgment Service, an electronic lodgment channel.

### **Online Services for Agents**

4.60 OSfA allows tax practitioners to manage client lists, access client correspondence and electronically lodge a range of forms. In 2019, OSfA replaced the Tax and BAS Agent Portals, which were sometimes unreliable and lacked some functionality available in OSfA.

#### *Fit-for-purpose functionality*

##### Access to Online Services for Agents

4.61 Access to OSfA is managed through a combination of myGovID, Relationship Authorisation Manager and Access Manager. MyGovID is a whole-of-government digital identity service. Relationship Authorisation Manager is the system used to link a business to an online government service and is used by a business' 'principal authority'<sup>101</sup> to manage machine credentials<sup>102</sup> and authorise representatives. Access Manager is used by the principal authority to set OSfA permissions for authorised users (such as employees of a tax practice).

4.62 To access Relationship Authorisation Manager, tax practitioners must have an Australian Business Number<sup>103</sup> and a myGovID.<sup>104</sup> When an agent logs into OSfA, their access is tailored by Access Manager to the permissions which have been set for them.

101 A principal authority is a person responsible for a business, such as a sole trader or a company director.

102 A machine credential allows a device to transact directly with government online services through Standard Business Reporting (SBR)-enabled business software. SBR aims to simplify business reporting obligations by standardising online and digital record-keeping, and is built into business software that can auto-fill reports.

103 An Australia Business Number is a unique 11-digit number that is used to identify a business.

104 A myGovID is a digital identity that allows individuals to prove their identity for the purposes of accessing some government online services.

4.63 Tax practitioners must be registered by the Tax Practitioners Board to access OSfA. TPB registration data is transferred automatically and securely to the ATO once a day.

#### Managing client lists in Online Services for Agents

4.64 Tax practitioners use OSfA to manage client lists. Once a client is added to their client list, an agent can access that client's information (including correspondence from the ATO to the client) and make lodgments on their behalf.

4.65 Tax practitioners must receive written authorisation from a client to represent them and to 'link' to them in OSfA (that is, add them to their client list). As tax practitioners require private information about a taxpayer (such as tax file number and date of birth) to link to the taxpayer, the ATO regards linking as 'prima facie evidence that authority... has been given'.

4.66 A 2021 ATO internal audit 'health check' report identified that there are some weaknesses in system controls to prevent unauthorised linkages. The ATO advised that few taxpayers complain about unauthorised linkages and that it believes that they are rare. The ATO intends to strengthen controls around linkages, such as by piloting a requirement for taxpayers to confirm new agent appointments with the ATO before the agent is permitted to link to them.

#### Accessing client correspondence in Online Services for Agents

4.67 In OSfA, tax practitioners can view records of ATO correspondence with their clients, such as notices of assessment, statements of account and lodgment reminders.

4.68 The ATO introduced a feature in OSfA in March 2020 to allow tax practitioners to choose, on a client-by-client basis, whether ATO notifications about client correspondence are sent to the agent, the client or both. The feature was introduced to address the 'irritant' of notifications being diverted to the client's myGov<sup>105</sup> account and bypassing the agent when the client linked their myGov account to the ATO.

4.69 In January 2021, the ATO consulted 17 tax professionals about their use of the features related to client communication and found mixed views. Some tax practitioners reported that features were intuitive and assisted agents in accessing information, whereas others expressed reservations relating to the features' ease of usage and the relevance to their practice.

4.70 In 2020–21, 'system issues' accounted for just over half (214 out of 416) of complaints by tax practitioners that were actioned by the IAI Business Service Line. Complaints about system issues related largely to OSfA, especially correspondence in OSfA. Some stakeholder contributions to this audit, as well as responses to the ANAO survey, noted ongoing irritants related to communication preferences and notifications about ATO correspondence, such as correspondence continuing to be diverted to myGov accounts. The ATO advised that it was unaware of these irritants and that they could be due to tax practitioners not understanding the features. The ANAO did not identify a system issue that could be diverting correspondence.

#### Lodging reports in Online Services for Agents

4.71 OSfA is used to lodge forms such as activity statements and non-lodgment advices.<sup>106</sup> ANAO analysis of ATO records included evidence of agents encountering error messages when attempting

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<sup>105</sup> myGov is an Australian government portal that allows users to access multiple government online services — including the ATO, Centrelink and Medicare — through one website.

<sup>106</sup> Non-lodgment advices notify the ATO that a return or further returns are not necessary.

to lodge forms or download lodgment status reports, and that OSfA sometimes flagged successfully lodged returns as outstanding. Nothing came to the ANAO's attention to indicate that malfunctions of this nature materially affect OSfA's effectiveness in supporting lodgment.

### *Online Services for Agents performance monitoring*

4.72 As OSfA is considered a critical system, the ATO monitors OSfA performance continuously in real time. If performance falls below certain thresholds, an incident management process automatically commences. The ATO can also control the number of clients accessing OSfA and enable a waiting room to maintain performance. The ATO advised that this function has been used once, for 60 minutes, in June 2021. This was in response to significant system issues causing high error rates for users.

4.73 The ATO reports on OSfA's system performance via a public 'dashboard'. The dashboard displays the system's current status and performance (such as response time) in real time. Although the dashboard usually updates automatically, it must be manually updated if there is a complete system outage. The dashboard also maintains an incident history log.

4.74 The ATO also publicly reports its performance against a system availability target, which is that OSfA will be available 99.5 per cent of the time.<sup>107</sup> According to the ATO's publicly reported data as of April 2022, OSfA has met the target for all except four months since July 2019. In these four months, it was within 2.5 per cent of the target.

4.75 The ATO intends to conduct an evaluation of its digital services for tax practitioners, including OSfA, between 2022 and 2024. The evaluation would assess whether the ATO's digital services have achieved 13 'experience shifts' (changes in the tax practitioner experience intended to result from the introduction of OSfA and the Practitioner Lodgment Service). The experience shifts encompass improvements to self-service functionality, data and analytics, and data security. The evaluation methodology remained in development as of April 2022.

## **Practitioner Lodgment Service**

4.76 Since 2014, the Practitioner Lodgment Service (PLS) has been the ATO's main electronic lodgment channel for tax practitioners. As part of the PLS, the ATO develops and releases application program interfaces<sup>108</sup> that digital service providers can incorporate into Standard Business Reporting-enabled practice software. Tax practitioners are required to purchase their own practice software.

### *Practitioner Lodgment Service IT infrastructure*

4.77 Although the PLS is built into software by digital service providers, the ATO oversees the software development process. The design of ATO's oversight process is fit for purpose in supporting the development of software to meet the ATO's specifications, including operational security standards. The ANAO did not assess the operation of this process.

4.78 Digital service providers are required to register with the ATO, specifying which application program interfaces will be incorporated into their software. The digital service provider tests the

107 Planned maintenance time, during which OSfA was offline, is not included within this service standard.

108 An application programming interface allows a program to communicate with another program.

software against the ATO's specifications before proceeding to product verification testing.<sup>109</sup> Once the ATO is satisfied that the software can submit a secure and compliant message, the digital service provider can make their software commercially available. The ATO advised that digital service providers had concerns about the length of the product verification process, which could take four weeks for well-established digital service providers during tax time. The process was redesigned in 2020. The ATO advised that the redesign resulted in a streamlined process where some providers would not need to complete the product verification process at all.

4.79 Software provided by digital service providers must comply with the ATO's Digital Service Provider Operational Security Framework as a condition of receiving ATO approval. Digital service providers must complete a security questionnaire and provide evidence of compliance.

4.80 Tax practices are required to establish a secure credential to access the PLS.

### *Electronic lodgment functionality through the Practitioner Lodgment Service*

4.81 In December 2018, the ATO concluded that the introduction of the PLS had resulted in lodgment data improvements. These included:

- significant improvement in data validation (with surname and date of birth mismatches, for instance, declining by over 99 per cent);
- reductions in data exceptions; and
- prefilling in practice software<sup>110</sup>, reducing the need to use the ATO's other portals.

4.82 The ATO has not assessed the tax practitioner experience of lodging through the PLS, with the ATO advising that the experience is completely dependent on the particular software in use.

4.83 The introduction of the PLS coincided with an increase in the share of electronic lodgment by agents, with paper lodgment declining from around 81,000 in 2013–14 (0.62 per cent of lodgments) to around 26,000 in 2019–20 (0.21 per cent).<sup>111</sup> The ATO advised that for some tax practitioners it is not cost effective to invest in software for electronic lodgment. The ATO seeks to incentivise electronic lodgment by offering concessional lodgment due dates only to tax practitioners who lodge electronically.

### *Practitioner Lodgment Service performance monitoring*

4.84 The systems performance of the PLS is monitored using a dashboard similar to the OSfA dashboard. The dashboard displays the system's status and performance, automatically updates in real time (unless there is a complete outage) and maintains an incident history log. Unlike for OSfA, there are no public system availability targets for PLS.<sup>112</sup>

4.85 The ATO tracks a daily average of PLS transaction times (the time taken to lodge a form). Between July 2019 and November 2021, the median daily transaction time was 2.61 seconds.

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109 Product verification testing involves the processing of valid transactions in a live environment to verify that the product or service operates as expected.

110 Prefilling is when client information is automatically added to a form, such as a tax return, on the basis of information provided by other organisations, such as Services Australia.

111 The ATO has not assessed whether the increased share of electronic lodgment resulted from the introduction of the PLS.

112 The ATO has a public system availability target for Standard Business Reporting (SBR), which is the platform on which the PLS operates, and which also supports other services. As SBR is broader than the PLS, SBR metrics are not a proxy for PLS performance.

Between July 2019 and April 2022, there were 74 ‘system incidents’ in PLS (around two per month on average), which lasted around 14 hours on average. These incidents were usually partial degradations, such as slow response times, rather than full outages.

4.86 The ATO has not established internal benchmarks or targets for the PLS that would allow a conclusion to be drawn about the quality of system performance. In addition to business-as-usual systems performance monitoring, the ATO intends to evaluate the PLS as part of the broader evaluation of digital services.

### **Services and support for digital services**

4.87 The ATO has developed communication and education material to assist tax practitioners to use OSfA and the PLS, including website content, webcasts and webinars, and a tax professionals newsletter. Where agents need additional assistance, support is offered through the registered agent phone line or the IAI Business Service Line.

4.88 For OSfA specifically, the ATO provides additional support through the OSfA ‘help sidebar’ feature. Tax practitioners using OSfA can click on the sidebar to access information on how to use OSfA. This feature is intended to reduce the need for agents to contact the ATO for assistance. The ATO has not assessed the usage and effectiveness of the feature.

4.89 For both OSfA and the PLS, planned maintenance outages occur on a monthly basis and new features are released on a quarterly basis. Maintenance usually requires a 12-hour overnight outage, while new feature releases usually require an outage over a full weekend. In some years, both digital services are also shut down during the Christmas period. The ATO communicates to tax practitioners about scheduled outages and unscheduled incidents.

### **Stakeholder feedback on ATO digital services for tax practitioners**

4.90 The ANAO survey asked tax practitioners which aspect of engagement that they would most like the ATO to improve (see Figure 2.3). Eleven per cent of respondents chose digital services. ANAO analysis of a random sample of 52 out of 423 free text responses on digital services found that the most often suggested areas for improvement were: additional functionality (especially for BAS agents); system performance; and user-friendliness.

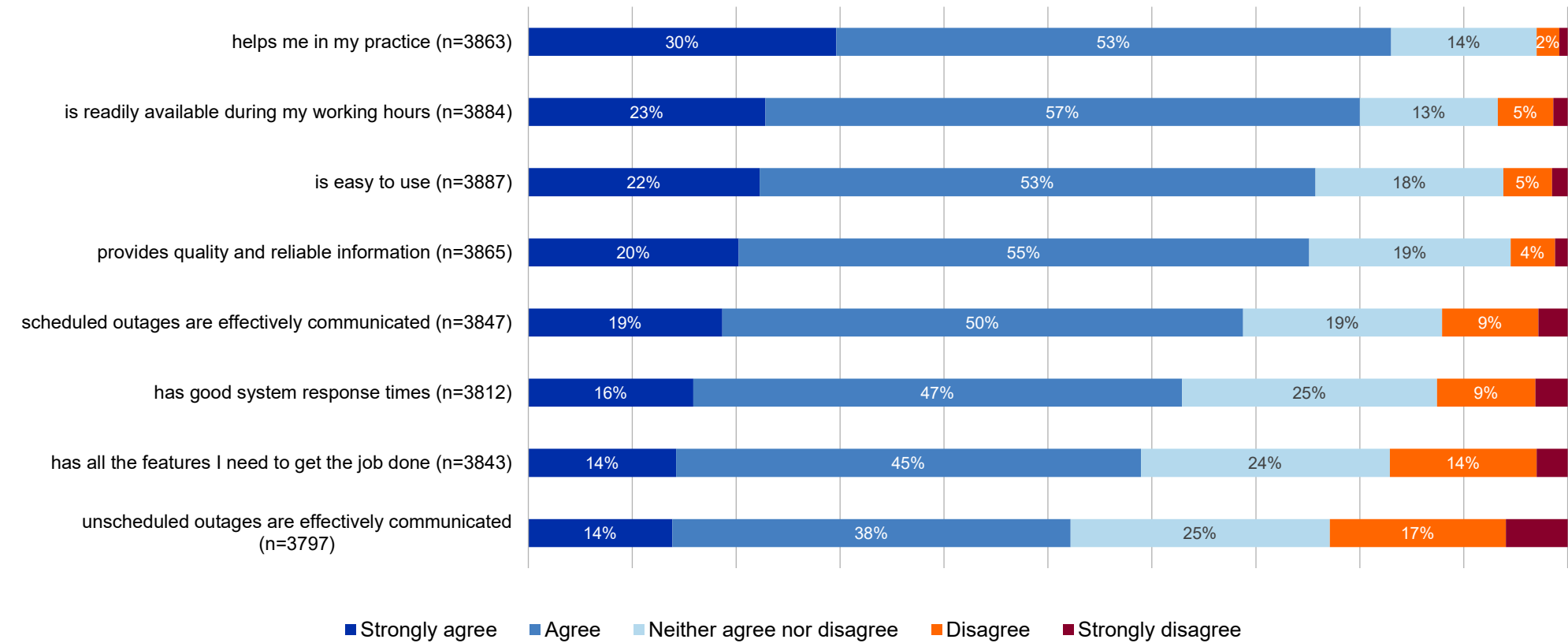
4.91 Submissions to the audit from the five tax-related professional associations expressed mixed views on the ATO’s digital services for tax practitioners. OSfA was seen to be an improvement over the previous system. However, suggested areas for improvement included reducing the amount of scheduled and unscheduled downtime, more online education modules, and more reliable system performance.<sup>113</sup> One submission outlined an issue around BAS agents losing access to a client’s information in OSfA when a tax agent was linked to that client.

4.92 Respondents to the ANAO survey were generally positive about the two digital services, but there was some dissatisfaction with the communication of unscheduled outages (Figure 4.2 and Figure 4.3).

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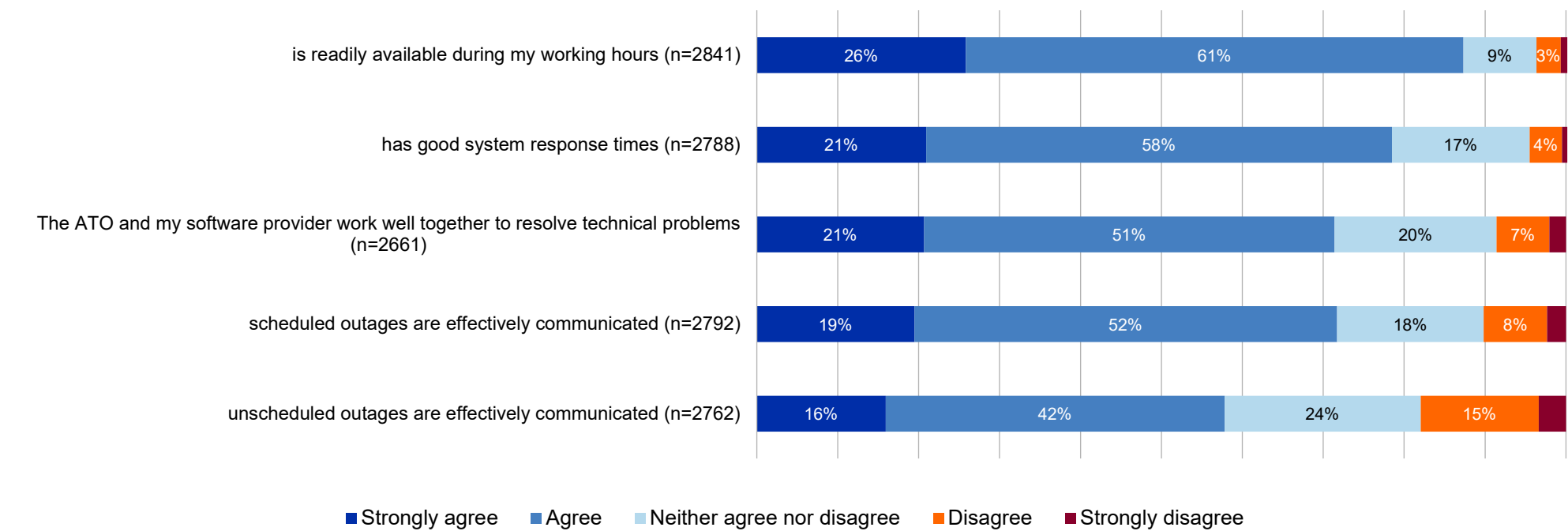
113 Submissions from the Institute of Public Accountants, 18 April 2022, p. 4. and the Tax Institute, 13 May 2022, p. 7.

**Figure 4.2: Thinking about your experience/s with OSfA, to what extent do you agree with the following? OSfA...**



Source: ANAO survey of tax practitioners.

**Figure 4.3: Thinking about your experience/s with the PLS, to what extent do you agree with the following? The PLS...**



Source: ANAO survey of tax practitioners.

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Grant Hehir  
Auditor-General

Canberra ACT  
15 August 2022



## **Appendices**

## Appendix 1 Australian Taxation Office response



Australian Government  
Australian Taxation Office

Second Commissioner of Taxation

Grant Hehir  
Auditor-General  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Mr Hehir,

**Re: ANAO s19 draft report for the *Australian Taxation Office's Engagement with Tax Practitioners* – 28 June 2022**

Thank you for your letter dated 28 June 2022 and for the opportunity to provide comments on the s19 draft report for the *Australian Taxation Office's Engagement with Tax Practitioners* audit.

The ATO agrees with the four recommendations as presented in the section 19 report (Annexure 1).

I would like to thank the ANAO audit team for their co-operative, understanding and professional approach throughout the audit. The ATO will take on board the findings from the ANAO and will continue to refine and improve the ways by which we engage with tax practitioners.

The ATO is very proud of our engagement with tax practitioners and our formal response acknowledges the integral role that tax practitioners have within the taxation, superannuation and registry systems (Annexure 2). Tax practitioners are one of the ATO's key partners and we value the strong collaborative relationship that exists.

If you require further information on this matter, please contact Assistant Commissioner Kath Anderson.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jeremy Hirschhorn'.

Jeremy Hirschhorn  
Second Commissioner of Taxation  
26 July 2022

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## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.
2. The Joint Committee of Public Accounts and Audit has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:
  - strengthening governance arrangements;
  - introducing or revising policies, strategies, guidelines or administrative processes; and
  - initiating reviews or investigations.
4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.
  - In July 2021, the Australian Taxation Office (ATO) developed a monthly report on the registered agent phone line, although the ATO advised that this would not be a permanent report (see paragraph 4.30).
  - In February 2022, the ATO introduced a monthly report to bring together reporting on issues across tax practitioner related activities (see paragraph 2.68).
  - In April 2022, the ATO introduced a quality assurance process for tax practitioner complaints managed by the IAI Business Service Line (see paragraph 4.54).
  - As of April 2022, the ATO was developing an overarching strategy to guide its engagement with tax practitioners (see Table 2.1 and paragraphs 2.14).
  - As of April 2022, the ATO was implementing an operating model to support the rollout of its Intermediary Engagement Strategy (see paragraph 2.34) and had updated the material on its website about the strategy in January 2022 (see paragraph 2.22).
  - As of April 2022, the ATO was developing a roadmap to support the delivery of the Tax Professional Digital Services Strategy 2020–24 (see Table 2.1) and planned to undertake an evaluation of its digital services (see paragraph 4.75).

## Appendix 3 Recommendations from previous audits and review

### Auditor-General Report No.19 2002–03, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners*

1. The recommendations made in Auditor-General Report No.19 2002–03 are set out in Table A.1 below alongside the ANAO's assessment in a follow-up audit (Auditor-General Report No.30 2006–07) of progress against the recommendations.

**Table A.1: Recommendations made in Auditor-General Report No.19 2002–03**

Recommendation		ATO response	ANAO assessment of progress in 2006–07
1	The ANAO recommends that, to enhance its management of the tax agent relationship, the ATO specify more clearly the responsibilities and expectations of the Tax Practitioner Group and Alliances Branch and other ATO areas involved in managing the various aspects of the ATO relationship with tax agents.	Agreed.	Substantially completed.
2	<p>The ANAO recommends that, to enhance the development of a strategic framework for its relationship with tax agents and the wider group of tax practitioners, the ATO:</p> <ul style="list-style-type: none"> <li>• further develop its strategies for its relationship with tax agents by developing an integrated, consistent and visible statement of its ATO-wide strategic framework, including the ways success in the management of the relationship can be assessed; and</li> <li>• ensure that its strategies relating to tax practitioners (other than tax agents) specify its objectives and clarify how these objectives will be pursued.</li> </ul>	Agreed.	Substantially completed.
3	The ANAO recommends that, to supplement its high-level statements on tax agent relationship management, the ATO develop a tax agent roles and responsibilities statement that makes the ATO's operational expectations and undertakings more apparent.	Agreed.	Pending government policy.
4	<p>The ANAO recommends that, to improve its governance planning and reporting of tax agent relationship management, the ATO:</p> <ul style="list-style-type: none"> <li>• clarify the scope and objectives for its 'Tax Practitioner Program' and identify how the program's activities contribute to those objectives; and</li> <li>• reflect those objectives and performance measures in its corporate planning and reporting framework.</li> </ul>	Agreed.	Fully implemented.

Recommendation	ATO response	ANAO assessment of progress in 2006–07
<p>5 The ANAO recommends that, for improved knowledge of tax agents and better management of the relationship, the ATO refine its work to:</p> <ul style="list-style-type: none"> <li>• identify and analyse the characteristics of the tax agent population; and</li> <li>• consolidate its assessment of its performance in managing the relationship by drawing together qualitative and quantitative information, to prepare an overall assessment of the relationship; and communicate this and subsequent plans to internal and external stakeholders.</li> </ul>	Agreed.	Substantially completed.
<p>6 The ANAO recommends that, for appropriate assurance on the relevance and cost-effectiveness of the investment the ATO, tax agents and the tax and accounting professional bodies make in their consultative relationship, the ATO periodically assess the costs and benefits of the consultative committees and their performance, at least in broad terms.</p>	Agreed.	Substantially completed.
<p>7 The ANAO recommends that, to enhance its management of tax agent technology matters, the ATO establish a technology support coordinator to:</p> <ul style="list-style-type: none"> <li>• liaise across the ATO on matters that relate to the interaction of information technology and tax agents; and</li> <li>• participate as an ongoing member of the Tax Practitioner Relationship Forum.</li> </ul>	Agreed.	Fully implemented.
<p>8 The ANAO recommends that, to clarify its strategic direction in providing services to tax agents, the ATO:</p> <ul style="list-style-type: none"> <li>• clarify the extent to which it expects tax agents to be self reliant in generating the knowledge they require to operate successfully; and</li> <li>• establish the most effective supplementary role it can perform through targeted education, communication and appropriate technology support services.</li> </ul>	Agreed.	Partially implemented.
<p>9 The ANAO recommends that, to improve the effectiveness of its provision of telephone support services to tax agents, on an ongoing basis, the ATO:</p> <ul style="list-style-type: none"> <li>• assess tax agent-related telephone service performance against timeliness standards;</li> <li>• conduct national quality assurance reviews of tax agent calls to ATO telephone services and report results of such reviews to senior management; and</li> <li>• regularly report publicly on tax agent-relevant telephone support service performance levels, particularly on timeliness and quality.</li> </ul>	Agreed.	Fully implemented.

Recommendation		ATO response	ANAO assessment of progress in 2006–07
10	<p>The ANAO recommends that, to enhance its planning and review of tax agent-related service support functions, the ATO, consistent with its overall service support strategy for tax agents:</p> <ul style="list-style-type: none"> <li>establish, and act in accordance with, an overall plan for its tax agent-related education, communication and technology support programs and processes, including setting out clearly: <ul style="list-style-type: none"> <li>objectives to be pursued for meeting the needs of tax agents;</li> <li>appropriate strategies for achieving objectives; and</li> <li>realistic performance measures against which the outcomes of the programs and processes can be evaluated; and</li> </ul> </li> <li>assess the overall costs and implement an ongoing program of reviews of the effectiveness, including cost-effectiveness, of major education, communication and technology support programs and processes.</li> </ul>	Agreed.	Fully implemented.

Source: Auditor-General Report No.19 2002–03, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners*, pp. 30–33; Auditor-General Report No.30 2006–07, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners: Follow-up Audit*, pp. 78–83.

### **Auditor-General Report No.30 2006–07, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners: Follow-up Audit***

2. The recommendations made in Auditor-General Report No.30 2006–07 are set out in Table A.2.

**Table A.2: Recommendations made in Auditor-General Report No.30 2006–07**

Recommendation		ATO response
1	<p>The ANAO recommends that the ATO provide members of the Tax Agent Boards (TABs) with guidance material that clearly sets out:</p> <ul style="list-style-type: none"> <li>a) the roles and functions of the TABs, the ATO and other relevant Commonwealth authorities;</li> <li>b) the principles and legislative elements of the Commonwealth's accountability framework; and</li> <li>c) the principles and legislative elements of the Commonwealth's framework for administrative law, including the doctrine and practice of procedural fairness.</li> </ul>	Agreed.

Recommendation	ATO response
<p>2 The ANAO recommends that the ATO establish a professional development program for the secretaries of the Tax Agent Boards (TABs) which would include elements of the following:</p> <ul style="list-style-type: none"> <li>a) the role and functions of the TABs and the ATO, including details of the roles, functions, business systems and procedures and contact officers of all ATO business lines, ATO payment procedures and ATO complaint handling procedures;</li> <li>b) secretariate functions, such as the conduct of meetings, minutes, agenda, and follow up;</li> <li>c) taxation law;</li> <li>d) administrative law, including the roles of the Attorney-General, the AGS, the Ombudsman, the Administrative Appeals Tribunal, the Federal Court and the High Court; as well as the role of freedom of information legislation within government.</li> </ul>	Agreed.
<p>3 The ANAO recommends that the ATO adopt a more strategic and corporate whole-of-ATO approach, to the detection, investigation and management of the more serious tax agent integrity risks.</p>	Agreed.
<p>4 The ANAO recommends that, to ensure tax agents are correctly registered and operating their business in accordance with the Income Tax Assessment Act 1936, the ATO:</p> <ul style="list-style-type: none"> <li>a) using a risk management approach, identify through the TABs, those tax agents who are trading through an entity other than the entity registered with Tax Agent Boards (possibly at the time of re-registration);</li> <li>b) assess, on a risk management basis, any consequences for the integrity of the tax system that may result from the incorrect registration of tax agents; and</li> <li>c) publish guidelines for the tax practitioner community setting out legislative and ATO administrative requirements about the use of trusts in tax agents' practices.</li> </ul>	Agreed.
<p>5 The ANAO recommends that to address industry concerns regarding the level of unregistered persons providing tax agent services, the ATO consider ways of improving the capability and performance of the Tax Agent Integrity Unit.</p>	Agreed.
<p>6 The ANAO recommends that to enhance strategic learnings and enable better targeting of services in relation to compliance risks and the educational needs of tax agents, the ATO ensures Relationship Management teams:</p> <ul style="list-style-type: none"> <li>a) prior to their visits to tax agents, are adequately briefed about the concerns of the ATO's business lines, including matters that tax agents may have raised with business lines; and</li> <li>b) disseminate in a timely manner to relevant business lines ATO-related concerns raised by tax agents during site visits.</li> </ul>	Agreed.

Source: Auditor-General Report No.30 2006–07, *The Australian Taxation Office's Management of its Relationship with Tax Practitioners: Follow-up Audit*, pp. 22–24.

### **Inspector-General of Taxation, *The Australian Taxation Office's services and support for tax practitioners*, 2015**

3. The recommendations made in the Inspector-General of Taxation report, *The Australian Taxation Office's services and support for tax practitioners* are set out in Table A.3.

**Table A.3: Recommendations made in the Inspector-General of Taxation report, *The Australian Taxation Office's services and support for tax practitioners***

Recommendation	ATO response <sup>a</sup>
<p>2.1 The IGT recommends that the ATO:</p> <ul style="list-style-type: none"> <li>a) sets up an overarching unit with overall responsibility for the co-ordination of tax practitioner services and interactions; and</li> <li>b) provides further information and clarification regarding the application of its risk assessment processes as applied to tax practitioners particularly with respect to the inputs used.</li> </ul>	<p>In relation to 2.1 (a) — Agree.</p> <p>In relation to 2.1 (b) — Disagree. The ATO has already published on our website a comprehensive document from a whole of ATO perspective on how risk is applied with regard to tax practitioners in response to a previous recommendation of the IGT. We acknowledge the IGT recommendation but we believe the website content provides the appropriate level of detail and practical information.</p>
<p>3.1 The IGT recommends that the ATO:</p> <ul style="list-style-type: none"> <li>a) in reviewing current consultative arrangements, consider reinstating or enhancing some of the specialised or regional forums including improvement of the agenda setting and minute taking processes;</li> <li>b) harness existing or new technologies to expand its current consultative activities to include more tax practitioners with a broader range of expertise;</li> <li>c) allow tax practitioners to raise issues for consideration by appropriate ATO officers through its website; and</li> <li>d) record all issues raised by tax practitioners, whether in consultative forums, online discussion forums or elsewhere, along with the ATO's consideration of the issues, in a central register which is made publicly available on its website.</li> </ul>	<p>In relation to 3.1 (a) — Agree in part. We will not reinstate the regional tax practitioner working groups but will continue to engage with the broader practitioner community via consultative groups, open forums and targeted consultation activities. We will continue to enhance the open forums based on stakeholder feedback and improve the agenda setting process in the stewardship, relationship and special purpose working groups.</p> <p>In relation to 3.1 (b) — Agree.</p> <p>In relation to 3.1 (c) — Agree.</p> <p>In relation to 3.1 (d) — Agree.</p>
<p>3.2 The IGT recommends that the ATO:</p> <ul style="list-style-type: none"> <li>a) increase the use of modern modes of communication and, where appropriate, phase out outdated methods;</li> <li>b) user-tests all new standardised correspondences to tax practitioners to evaluate their effectiveness in generating the intended behavioural response as well as seeking to minimise compliance costs and unnecessary action for them; and</li> <li>c) allow tax practitioners to electronically access their clients' communications where the latter have authorised such access.</li> </ul>	<p>In relation to 3.2 (a) — Agree.</p> <p>In relation to 3.2 (b) — Agree.</p> <p>In relation to 3.2 (c) — Agree.</p>



Recommendation	ATO response <sup>a</sup>
<p>4.1 The IGT recommends that, with respect to the ATO Portals, the ATO should:</p> <ul style="list-style-type: none"> <li>a) publish performance reports on a regular basis;</li> <li>b) publish a practical online user guide which includes information on their functionality and solutions to common issues; and</li> <li>c) provide an expected completion date for the migration to the new platform and if such a date is unlikely to be in the next 12 months, commence implementing the key improvements sought by tax practitioners to the existing systems.</li> </ul>	<p>In relation to 4.1 (a) — Agree.</p> <p>In relation to 4.1 (b) — Agree.</p> <p>In relation to 4.1 (c) — Agree in part. The ATO, professional associations and software developers will continue to work together on improvements to the portal and practice management software. We anticipate that the portal functionality will be available via ATO on-line within the next 2 years. Enhancements to the current portal will be limited to maintenance and stability assurance.</p>
<p>4.2 The IGT recommends that as part of the transition from the ELS to SBR-enabled software, the ATO:</p> <ul style="list-style-type: none"> <li>a) work closely with tax practitioners to better understand the barriers to adopting SBR for tax practitioners and taxpayers;</li> <li>b) in collaboration with software developers and tax practitioners, seek to optimise the user experience of the resulting SBR software;</li> <li>c) communicate the benefits of SBR to both taxpayers and tax practitioners and consider providing incentives to the latter to adopt it;</li> <li>d) publish the respective responsibilities and accountabilities of the ATO and software providers so that software-related issues can be appropriately addressed;</li> <li>e) delay the retirement of the ELS until after consultation with the tax practitioner community on the effectiveness of the new system; and</li> <li>f) provide practical guidance material to taxpayers and tax practitioners to assist them with the transition to SBR.</li> </ul>	<p>In relation to 4.2 (a) — Agree.</p> <p>In relation to 4.2 (b) — Agree in principle. Whilst we will work with our partners to design the services to be made available through software, user experience design of commercial software is driven by the software developers.</p> <p>In relation to 4.2 (c) — Agree in part. The ATO agrees to communicating the benefits of SBR but will not be considering incentives to adopt.</p> <p>In relation to 4.2 (d) — Disagree. We agree with the intent of ensuring an effective means for tax practitioners to deal with system issues but do not agree this would be supported by publishing the responsibilities of software developers and the ATO. We will look at ways to improve the quality of the guidance to ensure tax professionals know what to do when they experience system issues when using their software.</p> <p>In relation to 4.2 (e) — Disagree. The ATO is currently committed to completing the transition to SBR by 1 July 2016, but we will continue to review contingency arrangements as the project proceeds.</p> <p>In relation to 4.2 (f) — Agree.</p>

Recommendation	ATO response <sup>a</sup>
<p>4.3 The IGT recommends that in relation to its website, the ATO should:</p> <ul style="list-style-type: none"> <li>a) improve the website's ease of use by better taking into account tax practitioners' needs and concerns; and</li> <li>b) develop a 'web chat' functionality that provides tax practitioners with helpful information.</li> </ul>	<p>In relation to 4.3 (a) — Agree.</p> <p>In relation to 4.3 (b) — Disagree. The ATO has heavily invested in the search functionality and improving web content. The feedback about the changes has been very positive. The current research will explore if further work is required since these changes were made.</p>
<p>4.4 The IGT recommends that, with respect to its telephone service for tax practitioners, the ATO:</p> <ul style="list-style-type: none"> <li>a) measure and report on the handling times taken between when calls are received and when they are transferred to the appropriate ATO officer;</li> <li>b) where such handling times are too lengthy, investigate how improvements may be made;</li> <li>c) increase its workforce ability to handle complex tax practitioner enquiries, including those requiring a whole of tax practice understanding; and</li> <li>d) simplify proof of identification requirements for tax practitioners by, for example, using unique identifiers and/or voice recognition software.</li> </ul>	<p>In relation to 4.4 (a) — Agree.</p> <p>In relation to 4.4 (b) — Agree.</p> <p>In relation to 4.4 (c) — Agree in principle. There would need to be further analysis in relation to the specifics of the work type and associated capability gaps.</p> <p>In relation to 4.4 (d) — Agree.</p>
<p>5.1 The IGT recommends that the ATO:</p> <ul style="list-style-type: none"> <li>a) ensure its communications to tax practitioners, regarding their lodgment performance, contain sufficient information to enable them to independently verify the accuracy of the ATO's calculation of their performance;</li> <li>b) consider re-naming the 85% Lodgment Rule to better reflect the consequences of any breach;</li> <li>c) assist and provide incentives to tax practitioners who take on taxpayers with multiple outstanding returns by, for example, suspending legal action against such taxpayers where those returns are being prepared by tax practitioners; and</li> <li>d) in applying the 85% Lodgment Rule, take into account additional tax practitioner circumstances such as their business model, non-tax regulatory workloads and delays caused by factors outside of their control.</li> </ul>	<p>In relation to 5.1 (a) — Agree.</p> <p>In relation to 5.1 (b) — Disagree. The 85% on-time performance requirement is an element of the Lodgment Program framework. There is a high level of awareness amongst practitioners on this aspect of the program. In addition, there is extensive communication material available to practitioners around the consequences/treatments where their on-time performance is below this figure. The ATO will continue to develop communications to the practitioner community which focuses on improving on-time performance across the profession and on addressing the gaps between perceptions of the program and the actual program.</p> <p>In relation to 5.1 (c) — Agree.</p> <p>In relation to 5.1 (d) — Agree.</p>

Note a: Where the ATO agreed in full to the recommendation, the ANAO has not included the ATO's additional commentary.

Source: Inspector-General of Taxation, *The Australian Taxation Office's services and support for tax practitioners* [Internet], IGOT, 2015, available at <https://www.igt.gov.au/investigation-reports/ato-services-and-support-for-tax-practitioners/>, pp. 26–27, 46–47, 51, 63, 70–71, 73–74, 88, 103–104.

## Appendix 4 Survey methodology and overview of respondents

### Survey methodology

1. The methodology for this audit included an online survey of tax practitioners conducted by the research and evaluation firm ORIMA Research on behalf of the ANAO. The survey asked questions about tax practitioners' experience of the ATO's engagement with them.
2. All active individual tax practitioners registered in Australia with the Tax Practitioners Board were invited to complete the survey. For active tax practitioners registered as companies, branches or partnerships, the ANAO requested that one agent complete the survey on behalf of the entity. A total of 35,918 invitations were sent out.
3. The survey was conducted between 15 and 29 March 2022. A total of 5461 tax practitioners completed the survey, representing a response rate of 15.2 per cent.
4. Response rates were similar across key population demographics — categories of tax practitioners (individual, company/branch and partnership) and location of practitioners.
5. The survey had three open-ended questions for tax practitioners to provide free text responses. Across these three questions there were 9410 responses. Due to the effort needed to review the free text responses, the ANAO selected a representative random sample of responses for analysis.

### Respondent demographics

6. Sixty-seven per cent of respondents to the survey were tax agents, and 33 per cent were BAS agents. A further demographic breakdown of respondents is set out in the table below.

**Table A.4: Demographics of respondents to ANAO survey**

Demographic variable	Tax agents	BAS agents	All agents
Registered agent type			
Individual	2225 (61%)	1351 (75%)	3576 (66%)
Company/branch	1363 (37%)	402 (22%)	1765 (32%)
Partnership	65 (2%)	55 (3%)	120 (2%)
State or territory			
NSW	1394 (38%)	482 (27%)	1876 (34%)
VIC	975 (27%)	487 (27%)	1462 (27%)
QLD	668 (18%)	443 (25%)	1111 (20%)
WA	308 (8%)	207 (11%)	515 (9%)
SA	186 (5%)	90 (5%)	276 (5%)
ACT	53 (1%)	35 (2%)	88 (2%)
TAS	49 (1%)	36 (2%)	85 (2%)
NT	19 (1%)	24 (1%)	43 (1%)
Location			

Demographic variable	Tax agents	BAS agents	All agents
Metropolitan	2974 (81%)	1283 (71%)	4257 (78%)
Non-metropolitan	678 (19%)	521 (29%)	1199 (22%)
Number of tax practitioners working for company or partnership			
One	939 (66%)	382 (84%)	1321 (70%)
2–3	394 (28%)	61 (13%)	455 (24%)
4–5	57 (4%)	10 (2%)	67 (4%)
6–10	21 (1%)	8 (1%)	3 (1%)
11–50	9 (1%)	0 (0%)	9 (0%)
51–100	2 (0%)	0 (0%)	2 (0%)
100+	2 (0%)	0 (0%)	2 (0%)
Number of clients in the last 12 months			
Fewer than 10	242 (7%)	732 (41%)	974 (18%)
10–99	1022 (28%)	1013 (56%)	2035 (38%)
100–299	998 (28%)	50 (3%)	1048 (19%)
300–499	512 (14%)	3 (0%)	515 (10%)
500–999	465 (13%)	1 (0%)	466 (9%)
1000–1999	255 (7%)	1 (0%)	256 (5%)
2000+	125 (3%)	1 (0%)	126 (2%)
Membership of a professional association			
Yes	3354 (94%)	1418 (81%)	4772 (90%)
No	201 (6%)	329 (19%)	530 (10%)

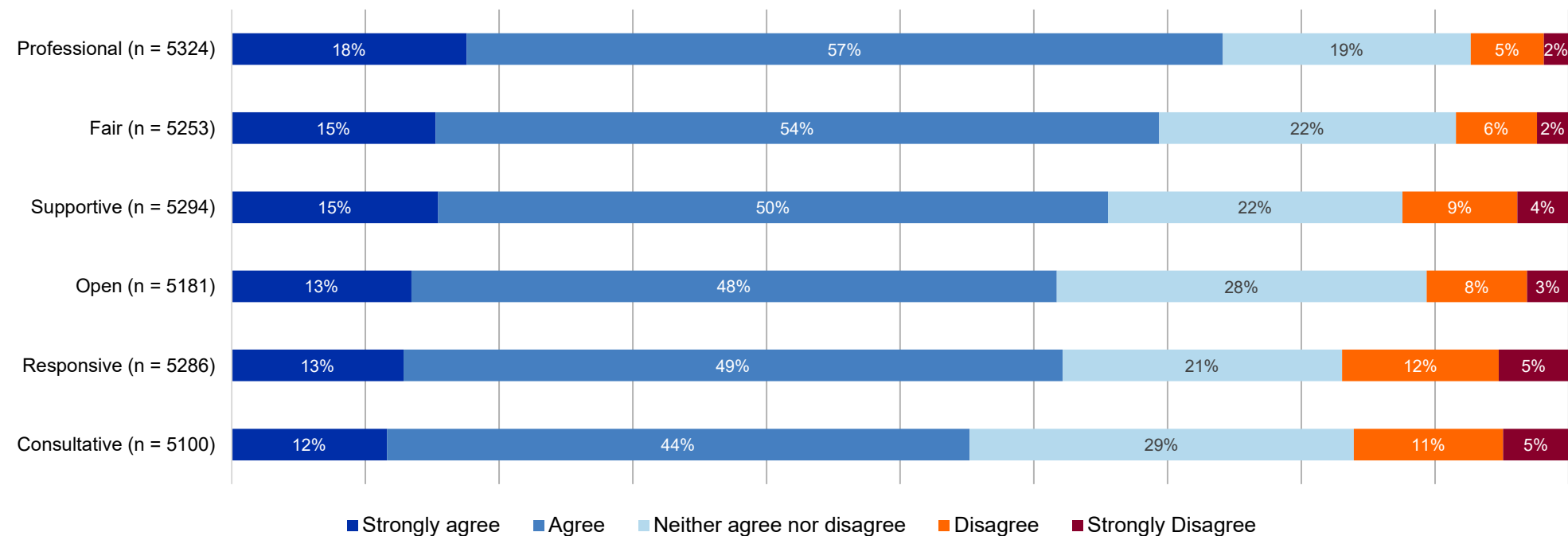
Note: Respondents did not answer every question. As such, not all demographics add to 5461.

Source: ANAO survey of tax practitioners.

## Appendix 5     ANAO survey of tax practitioners

1.        The results of the ANAO's survey of tax practitioners are presented throughout the audit report where relevant. This appendix includes the survey results that are not presented in the main body of the report.

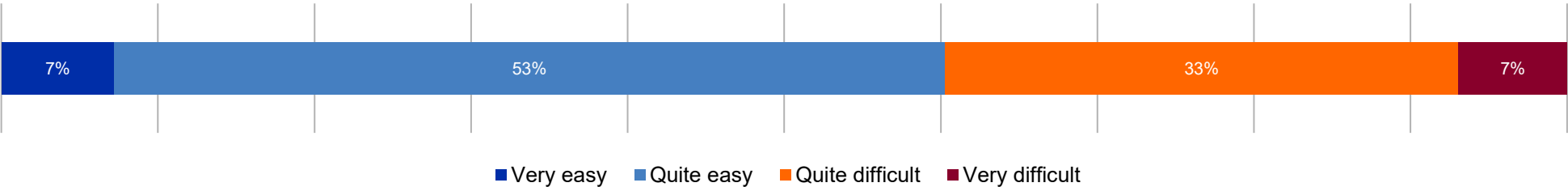
**Figure A.1: Over the last 12 months, do you agree or disagree that you have found the ATO to be...**



Note: The ATO asked this question in 2013 Tax Practitioner Research. The 2013 total agree (strongly agree plus agree) results were: professional — 72 per cent (compared to 74 per cent in the ANAO survey); fair — 66 per cent (69 per cent ANAO survey); supportive — 62 per cent (66 per cent ANAO survey); open — 60 per cent (62 per cent ANAO survey); responsive — 62 per cent (62 per cent ANAO survey); and consultative — 59 per cent (55 per cent ANAO survey).

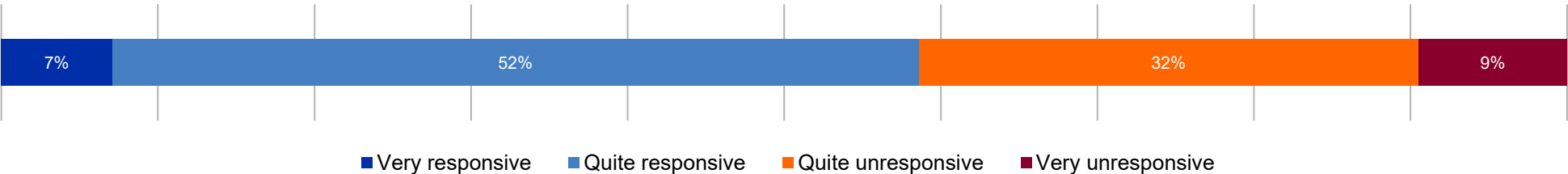
Source: ANAO survey of tax practitioners.

**Figure A.2: How easy do you feel the ATO makes it for you to provide feedback or information to them?**



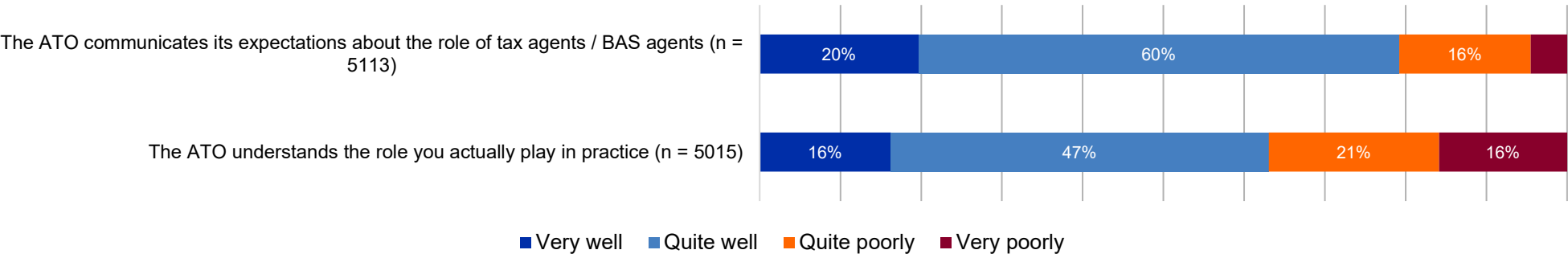
Note: There was a total of 5175 responses to this question — 3512 tax agents and 1663 BAS agents.  
Source: ANAO survey of tax practitioners.

**Figure A.3: How responsive do you believe the ATO is to feedback or information from you as a tax practitioner?**



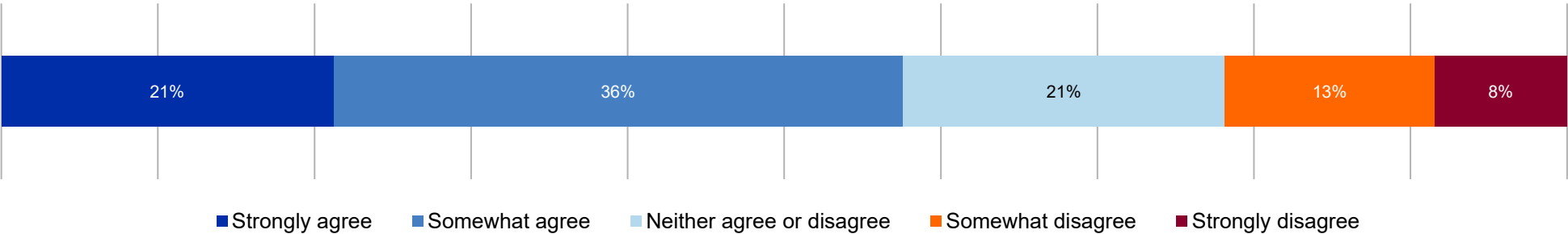
Note: There was a total of 5116 responses to this question — 3484 tax agents and 1632 BAS agents.  
Source: ANAO survey of tax practitioners.

**Figure A.4: In terms of your role as a tax practitioner in Australia’s taxation and superannuation systems, how well do you feel that...**



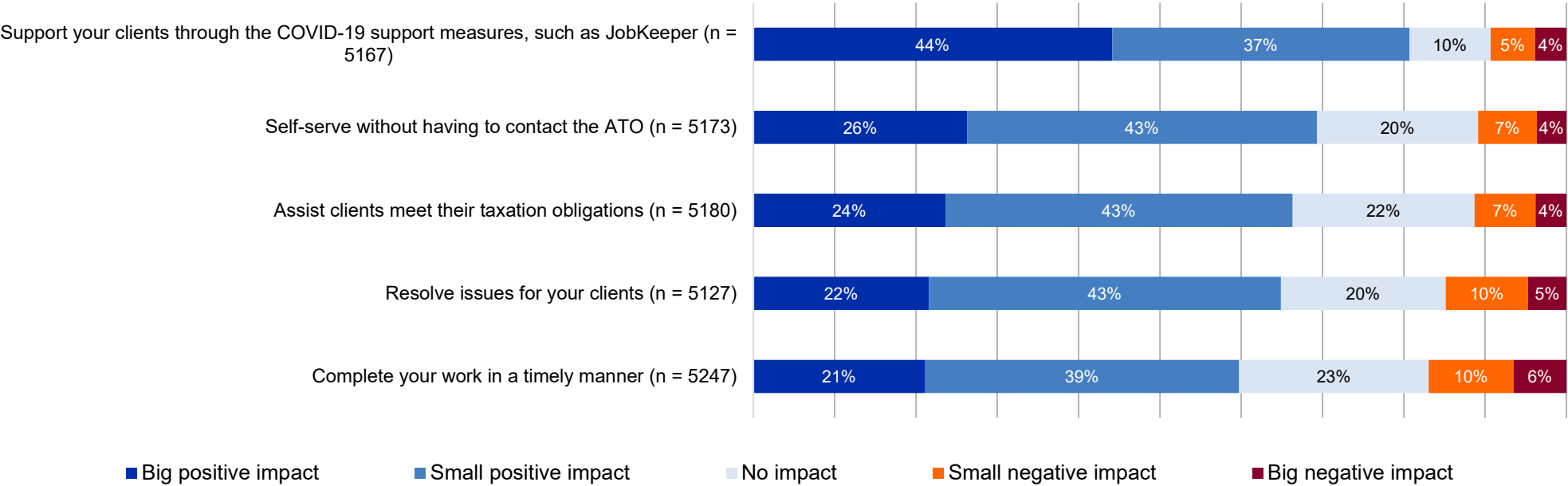
Source: ANAO survey of tax practitioners.

**Figure A.5: Do you agree or disagree that the ATO values the role you play?**



Note: There was a total of 5333 responses to this question — 3579 tax agents and 1754 BAS agents.  
Source: ANAO survey of tax practitioners.

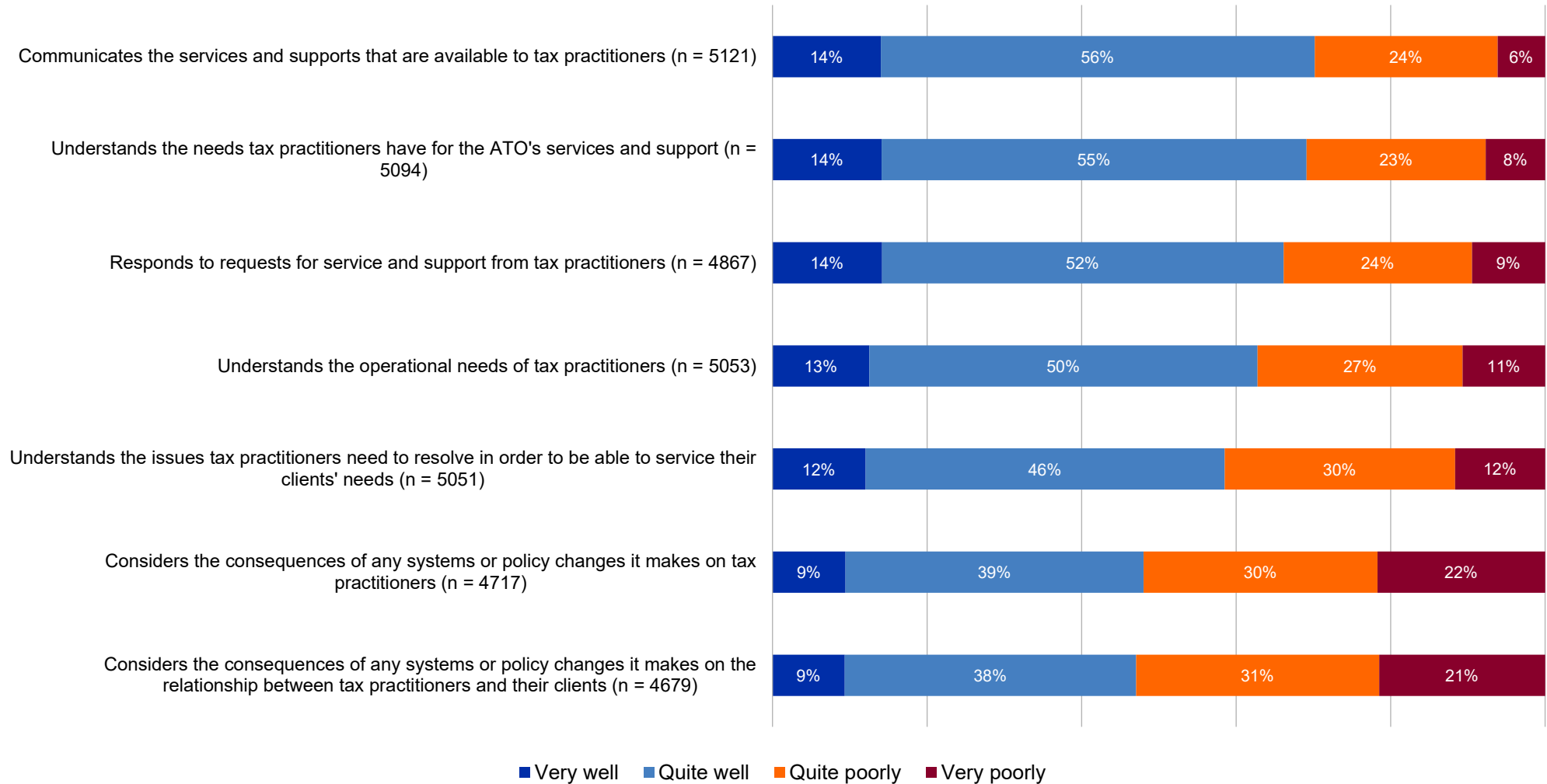
**Figure A.6: In the last three years, what impact do you feel that the ATO’s available tax practitioner services and support have had on your ability to...**



Source: ANAO survey of tax practitioners.

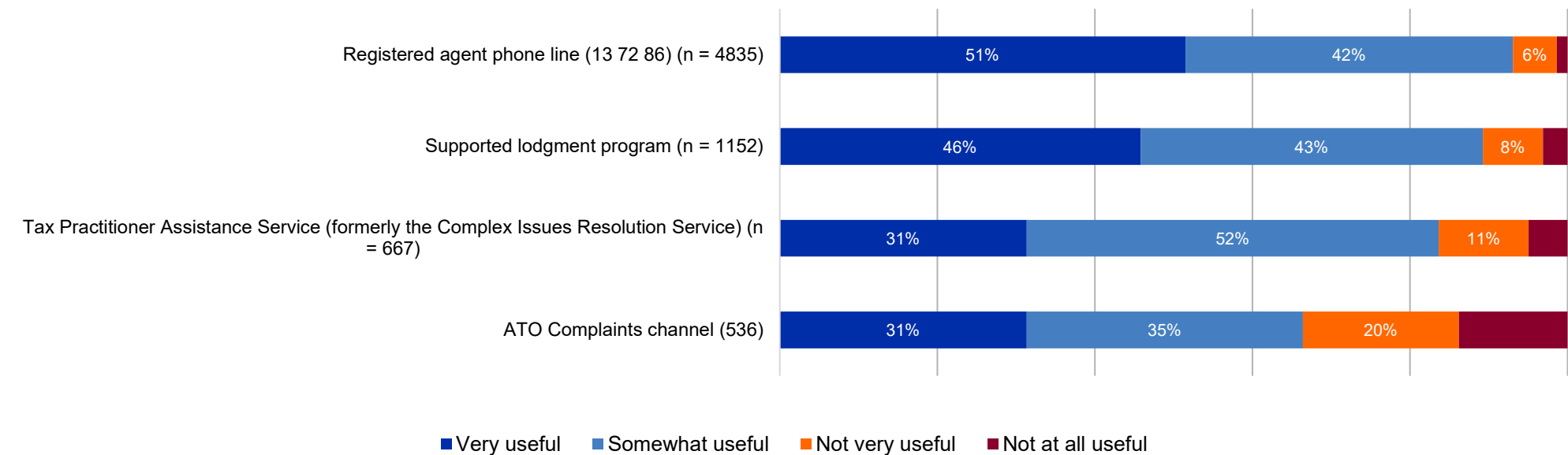


**Figure A.7: In providing services and support for tax practitioners, how well do you feel that the ATO...**



Source: ANAO survey of tax practitioners.

**Figure A.8: How useful have you found the [...] in supporting you to do your job?**



Note: Survey respondents were only asked this question for those services and support that they had used

Source: ANAO survey of tax practitioners.

## Appendix 6 External performance measures related to engagement with tax practitioners

1. The ATO identified five strategic objectives from its corporate plan that relate to its engagement with tax practitioners. The strategic objectives are presented in full in Box 1 and the following table presents the corresponding performance measures and targets.

**Table A.5: ATO external performance measures related to its engagement with tax practitioners, 2020–21**

Objective	Performance measure	Performance target
C1	Compliance cost — adjusted median cost to individual taxpayers of managing their tax affairs	Remain steady
	Digital — proportion of inbound transactions received for key services	91% for 2021–22, 93.5% for 2022–23 and then 95%
C2	Working together — partner perceptions of how the ATO is working together with them to administer the tax and superannuation system	Equal to or better than the 2018–19 result (64/100)
W1	Culture — level of employee engagement	Equal to or better than the average result for large agencies
	Gender equality — female representation in the senior executive service and executive level classifications	Approximately 50% of senior executive service and executive level staff
	Indigenous representation — proportion of ATO staff who identify as Indigenous	3.0%
	Disability representation — proportion of ATO staff who identify with disability	4.0%
	Staff experience — employee perceptions around whether they have access to the tools and resources needed to perform well	Equal to or better than the average result for large agencies
O1	Tax returns — proportion of pre-filled items accepted without change	90%
O2	Availability — key digital systems availability	99.5% (excluding planned outages)

Source: Australian Taxation Office, *ATO Corporate Plan 2021–22*, p. 12, available from <https://www.ato.gov.au/About-ATO/Managing-the-tax-and-super-system/In-detail/Corporate-plan---current-and-previous-years/ATO-corporate-plan-2021-22/> [accessed 30 March 2022].