

The Auditor-General  
Audit Report No.19 2004–05  
Performance Audit

## **Taxpayers' Charter**

**Australian Taxation Office**

© Commonwealth  
of Australia 2004

ISSN 1036–7632

ISBN 0 642 80814 7

### **COPYRIGHT INFORMATION**

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth available from the Department of Communications, Information Technology and the Arts.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Intellectual Property Branch, Department of Communications, Information Technology and the Arts,  
GPO Box 2154  
Canberra ACT 2601 or posted at

**<http://www.dcita.gov.au/cca>**



Canberra ACT  
17 December 2004

Dear Mr President  
Dear Mr Speaker

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett', is positioned above the printed name.

P. J. Barrett  
Auditor-General

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

## AUDITING FOR AUSTRALIA

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

For further information contact:

**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Telephone:** (02) 6203 7505

**Fax:** (02) 6203 7519

**Email:** [webmaster@anao.gov.au](mailto:webmaster@anao.gov.au)

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

### Audit Team

Medha Kelshiker  
Janna Gilbert  
Peter White

# Contents

---

|  |           |
|--|-----------|
| Abbreviations .....  | 7         |
| Glossary .....   | 8         |
| <b>Summary and Recommendations .....</b>                       | <b>11</b> |
| Summary .....  | 13        |
| Background .....   | 13        |
| Audit objective and scope .....                                | 14        |
| Audit findings and overall conclusion .....                    | 14        |
| Development and Review of Charter (Chapter 2) .....            | 14        |
| Strategic Commitment (Chapter 3) .....                         | 15        |
| Charter Support Mechanisms (Chapter 4) .....                   | 16        |
| Quality Assurance (Chapter 5) .....                            | 18        |
| Handling of Complaints (Chapter 6) .....                       | 19        |
| Monitoring and Reporting (Chapter 7) .....                     | 20        |
| Overall conclusion .....                                       | 21        |
| Recommendations .....  | 22        |
| Summary of ATO's response .....                                | 22        |
| Recommendations .....  | 23        |
| <b>Audit Findings and Conclusions .....</b>                    | <b>27</b> |
| 1. Background and Context .....                                | 29        |
| Introduction .....   | 29        |
| The Taxpayers' Charter .....                                   | 30        |
| The audit .....  | 33        |
| 2. Development and Review of the Charter .....                 | 36        |
| Introduction .....   | 36        |
| Client Service Charter Principles .....                        | 37        |
| Review of the Taxpayers' Charter .....                         | 37        |
| Examples of better practice .....                              | 42        |
| 3. Strategic Commitment .....                                  | 43        |
| Introduction .....   | 43        |
| Listening to the Community .....                               | 43        |
| Planning processes .....                                       | 45        |
| Commitment to underlying systems relevant to the Charter ..... | 50        |
| 4. Charter Support Mechanisms .....                            | 53        |
| Introduction .....   | 53        |
| Training .....   | 53        |
| Clearance processes .....                                      | 57        |
| Marketing and education .....                                  | 61        |
| 5. Quality Assurance .....                                     | 64        |
| Introduction .....   | 64        |
| Technical Quality Reviews .....                                | 64        |
| Telephony Quality Reviews .....                                | 67        |

|   |           |
|---|-----------|
| 6. Handling of Complaints .....   | 69        |
| Introduction.....   | 69        |
| Commonwealth and Taxation Ombudsman's investigation into ATO complaint handling ..... | 70        |
| Conclusion.....   | 75        |
| 7. Monitoring and Reporting .....   | 76        |
| Introduction.....   | 76        |
| Monitoring Charter performance .....  | 76        |
| Internal reporting .....  | 78        |
| External reporting .....  | 83        |
| <b>Appendices .....</b>   | <b>85</b> |
| Appendix 1: ATO response .....  | 87        |
| Appendix 2: Client Service Charter Principles .....                                   | 89        |
| Appendix 3: Examples of better practice .....   | 90        |
| Appendix 4: Principles outlined in the Change Program sub-plan .....                  | 91        |
| Appendix 5: Technical training framework .....  | 92        |
| Appendix 6: Strategies for living the Charter.....                                    | 93        |
| Appendix 7: Charter measures.....   | 94        |
| Appendix 8: Client Service Standards 2003–2004.....                                   | 95        |
| Index .....   | 96        |
| Series Titles.....  | 97        |
| Better Practice Guides.....   | 99        |

# Abbreviations

---

|           |  |
|-----------|--|
| ANAO      | Australian National Audit Office                               |
| ARL       | ATO Relations Line   |
| ATO       | Australian Taxation Office                                     |
| Charter   | The Taxpayers' Charter   |
| CMIS      | Complaints Management Information System                       |
| CMPS      | Corporate Management Practice Statement                        |
| CoA       | Certificate of Assurance                                       |
| CSS       | Client Service Standards                                       |
| CTSI      | Centre for Tax System Integrity                                |
| Finance   | Australian Government Department of Finance and Administration |
| GST       | Goods and Services Tax   |
| HOTSA     | Health of the System Assessment                                |
| JCPAA     | Joint Committee of Public Accounts and Audit                   |
| Line      | Business and Service Line                                      |
| LTTC      | Listening to the Community                                     |
| OCTC      | Office of the Chief Tax Counsel                                |
| Ombudsman | The Commonwealth and Taxation Ombudsman                        |
| OPS       | Operations Line  |
| PoA       | Provision of Advice  |
| PTax      | Personal Tax Line  |
| SB        | Small Business Line  |
| TDMS      | Technical Decision Making System                               |
| TQR       | Technical Quality Reviews                                      |

# Glossary

---

|  |  |
|--|--|
| Active Compliance                        | Capability relating to maximising taxpayer compliance. Includes verifications and audits of tax returns, activity statements and other statements.   |
| Brand Management                         | Involves managing the quality of the taxpayers' experience with the ATO by using consistent messages when communicating with them.   |
| Capability                               | Part of ATO structure, capabilities aid the Lines in delivering products. Each capability covers a key aspect of the sub-outputs relevant to Compliance. Examples include provision of advice and client contact.  |
| Certificate of Assurance                 | Process that enables the ATO to demonstrate conformance with relevant statutory and legislative requirements. Staff are required to follow a due diligence process in explaining levels of conformance. The relevant national program manager normally provides CoA. |
| Charter Principles                       | Encompass the taxpayer rights and obligations as outlined in the Charter.  |
| Client Contact                           | Capability that includes all telephony and face-to-face service delivery activities and strategies across business lines. Aims to provide timely, quality advice to taxpayers within Client Service Standards.   |
| <i>Client Service Charter Principles</i> | Finance publication aimed at guiding departments and agencies in the implementation of their charters. Includes mandatory and recommended charter elements.  |
| Client Service Standards                 | Describe the service that a taxpayer can expect in dealings with the ATO. For 2003–04 the ATO had 18 CSS, which covered business activities from refunds and objections to return processing. CSS focus mainly on timeliness.  |
| Compliance Model                         | Explains the range of attitudes and behaviours that taxpayers can have to compliance, and provides guidance as to how the ATO should adjust its strategies in dealing with these taxpayers.  |
| Corporate Management Practice Statement  | Provides direction, assistance and a point of reference on the practices to be followed and also on obligations in performing corporate management duties.   |



|  |  |
|--|--|
| Debt and Lodgement                     | Capability within the Operations Line, which deals specifically with issues relating to taxpayer debt and lodgement activities.  |
| Law Administration Practice Statements | Provide direction and assistance to staff on the approaches to be taken in performing duties involving the application of the laws administered by the Commissioner - usually referred to as 'technical' work. |
| Lines                                  | Delivery mechanisms for ATO work. Sections of the organisation.  |
| Listening to the Community             | A program which involves working with community groups to make it easier and cheaper for people to comply with their tax obligations.  |
| Provision of Advice                    | Capability that aims to improve the ATO's performance on technical decision-making work.   |
| Taxpayers' Charter                     | Document designed to help taxpayers understand their rights and obligations. Describes ATO's service standards, complaint handling and review procedures.  |
| Technical Quality Review               | Involve an examination of a random sample of completed work items to assess the quality of decisions.  |



# **Summary and Recommendations**



# Summary

---

## Background

1. The Australian Taxation Office (ATO) is the principal revenue collection agency in Australia. In 2003–04, through the self-assessment system and a broad range of compliance strategies, it collected revenue of around \$199 billion. The ATO uses compliance strategies to help optimise collections and to instil confidence in the community that the taxation system is operating effectively. The ATO draws authority from the *Income Tax Assessment Act 1936* (the Act), which allows it to exercise broad powers in collecting revenue.

2. In 1993, the then Joint Committee of Public Accounts (now the Joint Committee of Public Accounts and Audit (JCPAA)) assessed the ATO's administration of the Act. As part of the inquiry, the JCPAA highlighted concerns about an imbalance of power between the ATO and taxpayers. It recommended that the ATO adopt a Taxpayers' Charter to redress this imbalance. The Government supported the JCPAA's report. In March 1997, in a statement entitled 'More Time for Business', the Government announced that Service Charters were to apply to all Australian government departments and agencies, whenever they provide a service to the public.

## Taxpayers' Charter

3. The Taxpayers' Charter (the Charter) was introduced in July 1997 and sets out the way the ATO will conduct itself when dealing with taxpayers. It defines the relationship that the ATO seeks with the community—a relationship based on mutual trust and respect.

4. The Charter is designed to help taxpayers understand their rights and obligations and to describe the ATO's service standards, complaint handling and review procedures. It consists of two overview booklets and 10 supporting booklets. It explains 13 Charter principles (taxpayer rights) and outlines six taxpayer obligations.

## Significance of the Charter to the ATO

5. The ATO has stated that:

It is fundamental to the system of self-assessment that taxpayers must have sufficient confidence in the collecting authority—confidence that we will provide them with the information they need and that we will act fairly and treat taxpayers according to their individual circumstances. We believe we need to position ourselves in such a way that demonstrates to Australians that we are fair and reasonable and that we treat people according to their individual compliance behaviour.

6. The ATO uses three interlinked tools—the Charter, the Compliance Model and Brand Management—to support community confidence in the revenue system. The Charter provides the ‘common ground’ of fair and reasonable treatment, which all taxpayers, whatever their compliance behaviour, can expect in their dealings with the ATO. The Compliance Model, on the other hand, analyses taxpayers’ compliance behaviour and determines what is a ‘fair and reasonable’ approach towards individual taxpayers based on their behaviour. The Taxpayers’ Charter and the Compliance Model are supported by the ATO’s approach to Brand Management. This directs that the ATO adopt a consistent style in its various forms of communication—one that projects an image that aligns with the ATO’s professional approach to managing the community’s revenue systems.

## **Audit objective and scope**

7. The objective of the Australian National Audit Office (ANAO) audit was to examine how the ATO manages its responsibilities under the Taxpayers’ Charter as an important element of its performance. This involved an examination of the ATO’s:

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

8. The audit did not examine the ATO’s strategies to monitor taxpayers’ conformance with the latter’s obligations. These are primarily implemented through the ATO’s approach to compliance.

## **Audit findings and overall conclusion**

### **Development and Review of Charter (Chapter 2)**

9. The original Charter gave a commitment to be independently reviewed every three years, with the first review due in July 2000. However, in 2000, the community and ATO staff were just coming to grips with the implementation of the New Tax System. Therefore, the review was delayed to incorporate the impact of tax reform. The revised Charter was released in November 2003. It

complies with the key elements from the *Client Service Charter Principles*<sup>1</sup> and incorporates most suggested charter elements.

10. However, the ANAO has made a number of observations regarding the Review of the Charter to bring about improved Charter reviews in the future. These observations related to Client Service Standards<sup>2</sup>, Charter principles<sup>3</sup> and timely completion of future Charter reviews. They aim to make the findings of the Review more relevant and allow more effective implementation of recommendations.

## Strategic Commitment (Chapter 3)

11. The ANAO sought to determine whether ATO management has given the Charter principles both explicit and implicit recognition in key elements of its management processes to enhance its performance.

12. The ANAO found that the Listening to the Community<sup>4</sup> program is practical evidence of the ATO's strategic commitment to the principles of the Charter. It gives community stakeholders an opportunity to influence how the ATO conducts its business, in particular its administrative processes. The ANAO also found that, within key elements of the ATO's Strategic Statement and sub-plans, there is substantial evidence that the principles of the Charter are being effectively applied by the ATO.

13. Apart from specific references to the Charter in some of the higher-level discussion, much of the Charter's application in the sub-plans is implicit, rather than explicit. The ANAO considers that the information presented in the sub-plans relating to the Charter does not adequately assist a reader in readily grasping the relationship between planned strategies and the Charter principles. Explicitly reinforcing this relationship would provide staff with necessary guidance on how the Charter principles are embedded in the ATO's strategic planning processes. This would assist the ATO to achieve better performance in meeting its challenge of 'living' the Charter.

---

<sup>1</sup> The Department of Finance and Administration (Finance) originally provided guidance to all government agencies on their Charters. In 2000 it launched a publication, *Client Service Charter Principles* to provide a framework for agencies developing charters as well as a focus on measuring, monitoring and reviewing charters. Responsibility for charters was transferred to the Australian Public Service Commission in November 2001, following changes in Administrative Arrangements Orders.

<sup>2</sup> These are primarily timeliness measures and form part of the Charter and are currently linked to the ATO's Agency Agreement.

<sup>3</sup> The 13 principles/commitments made by the ATO under the Charter.

<sup>4</sup> An initiative of the ATO to work jointly with taxpayers and agents to make the tax process easier, cheaper and more personalised.

## **Commitment to underlying systems relevant to the Charter**

14. The ANAO also examined whether high-level direction applied within the ATO on questions such as the:

- application of privacy principles to taxpayers' information;
- confidentiality of information that taxpayers provide to the ATO;
- provision of advice to clients; and
- handling of complaints.

15. Corporate Management Practice Statements (CMPS) within the ATO provide direction, assistance and a point of reference on the practices to be followed and obligations in performing corporate management duties. CMPS that have some relationship to the Charter principles include: data matching; secrecy and privacy obligations; requests for information from Telecommunication Carriers; information technology security; and freedom of information. These CMPS provide guidance on many of the matters covered under the Charter. The ATO has a Certificate of Assurance (CoA) process that involves relevant national program managers and Second Commissioners providing statements on the level of conformance with a broad range of internal integrity matters. Generally there exists a CMPS to support each CoA.

16. However, the ANAO noted that, although there is a CoA relating to Customer Service, there is no corresponding CMPS. Customer Service is a major part of the ATO's responsibilities related to the Charter. The ANAO considers that a CMPS on customer service would better guide the ATO staff on how they are to meet their responsibilities under the Charter.

## **Charter Support Mechanisms (Chapter 4)**

17. The ATO demonstrates its commitment to implementing the Charter through its strategic initiatives and planning processes, as discussed above. The ANAO aimed to establish whether this strategic commitment was reflected in the ATO's business processes. In this context, the ANAO examined some key support processes (training, clearance processes and marketing and education) that can contribute to an effective implementation of the Charter within the ATO.



## Training

18. The ATO makes a number of commitments<sup>5</sup> under its Charter. These commitments require that staff maintain their professional excellence, which includes technical knowledge and understanding. In addition, the Charter Review recommended a need to develop and implement an ongoing education and support strategy to assist and encourage people in the ATO to 'live' the Charter.

19. Overall, the ANAO considered that the ATO has already implemented, or is in the process of developing, a coordinated approach to increasing staff awareness and understanding of the Charter and its principles.

## Clearance processes

20. The ATO requires a systematic clearance process to honour its undertaking to provide assurance that all advice, information and products issued by the ATO comply with the principles of the Charter.

21. The ANAO noted that the ATO has systematic processes in place to help provide assurance that all advice, information and products that are issued by the ATO comply with the principles of the Charter. Although the quality of the written binding advice is tested through a structured quality assurance mechanism, this is not the case with technical publications.

22. The ATO is in the process of publishing a Law Administration Practice Statement (Practice Statement) on technical clearance of ATO publications.<sup>6</sup> The ANAO has recommended that, to be confident that technical publications issued by the ATO take account of the Charter principles, the draft Practice Statement should include explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process.

## Marketing and education

23. The ATO considers effective marketing and education as crucial in its aim to maximise voluntary compliance.<sup>7</sup> For the Charter to be an effective tool

---

<sup>5</sup> Examples are: give you advice and information that you can rely on; offer you professional service and assistance to help you understand and meet your tax obligations; explain to you the decisions we make about the tax affairs; and be accountable for what we do.

<sup>6</sup> This Practice Statement will apply to all ATO publications with technical content. However, TaxPack, publications referred to in TaxPack, and precedential ATO view documents as defined in paragraph four of Law Administration Practice Statement PS LA 2003/3, will be excluded from this definition as they are subject to substantive established clearance processes.

<sup>7</sup> This is because clients need to understand what they have to do to comply and to believe that the revenue system is fairly and firmly administered (resulting in everybody paying their fair share), and that those who deliberately seek to avoid paying tax will be detected and dealt with.

in influencing compliance behaviour, taxpayers need to be aware of their rights, obligations and of the available feedback mechanisms under the Charter.

24. The ANAO noted that, although the ATO has undertaken a series of initiatives at a corporate level, there is no systematic approach to ensure that Charter messages are considered when developing communication products for taxpayers. The ANAO has recommended that the ATO develop protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO. To maintain a consistent and coordinated approach, this recommendation could be incorporated in the ATO's overall strategy for managing marketing and education activities across the ATO.

## Quality Assurance (Chapter 5)

25. Quality assurance provides useful information and assurance that business processes conform with an organisation's policy, procedures and practices. It can also be used as a continuous improvement mechanism to systematically identify the causes of problems and initiate improvements through constructive and timely feedback. Results can be also used as a measure of the effectiveness of the Charter.

26. We examined some of the quality assurance processes undertaken to determine whether they provide assurance that Charter principles are embedded in the ATO's business processes.

### Technical Quality Reviews

27. Technical Quality Reviews (TQR) involve an examination of a random sample of completed work items. They assess the quality of decisions on the interpretation and application of the laws administered by the Commissioner and communicated in writing to the ATO's clients. The ANAO recognises that the TQR process provides a measure of technical decision-making, and, to some extent, assurance on clarity of advice. However, this process has some limitations with regard to its approach to sample selection and its focus on technical accuracy.

28. Recognising the limited scope of the TQRs, Lines<sup>8</sup> have implemented, or were in the process of implementing, supplementary quality assurance processes to gain additional assurance on their case-work. However, the ANAO noted that the supplementary quality assurance processes were not

---

<sup>8</sup> The ATO has several Business and Service Lines that plan and manage delivery of sub-plans.

implemented systematically across the ATO. These were unique to each Line with many of the processes either evolving or in their initial stages of implementation.

29. The ANAO considers that a systematic approach to supplementary quality assurance processes would enable focus on broader aspects of the ATO's business processes. This includes compliance with a range of Charter principles that are not necessarily addressed through the TQR process. Such an approach would be consistent with the ATO's initiatives in achieving efficiencies by harnessing efforts across Lines. A consistent methodology across the ATO would also provide increased assurance about the results.

### **Telephony Quality Reviews**

30. Oral technical advice is an important aspect of service provided by the ATO to assist taxpayers in a self-assessment system. Telephony Quality Reviews provide a 'corporate health' measure on the quality of advice provided to the ATO clients.

31. Broadly, there is consistency across the ATO with regard to Telephony Quality Reviews undertaken. The ANAO considers that the Telephony Quality Reviews provide a useful measure of Charter conformance. The telephony quality assurance processes measure and uphold a range of Charter principles relating to provision of reliable and accurate advice, adherence to privacy principles, and provision of professional services and assistance.

32. The ANAO noted that, currently, the Telephony Quality Reviews do not include calls that are transferred to other areas within the ATO. The ANAO has suggested that the ATO consider the merits of including these calls, because it could benefit from a more complete corporate health measure on the quality of oral advice across the ATO.

### **Handling of Complaints (Chapter 6)**

33. An effective complaints handling process is a useful monitoring and reporting tool on the ATO's performance against the Charter. It can serve as a sound compliance mechanism, as well as contribute to the ATO's continuous improvement process.

34. In June 2003, the Commonwealth and Taxation Ombudsman (Ombudsman) published a report on the ATO's management of its complaints. The object of this investigation was to examine both the ATO Complaints' and Lines' complaint handling practices and procedures.<sup>9</sup> The Ombudsman noted

---

<sup>9</sup> Complaints are handled within the ATO at three levels: Line; Relationship Management; and ATO Complaints.

‘the lack of a single complaints handling system is a major contributor to the inefficiencies within the complaints handling system as a whole’. The review identified several weaknesses with the ATO’s complaints handling processes and made a number of recommendations, many directly relevant to effective implementation of Charter principles within the ATO.

35. The ANAO found that the ATO has implemented, or is working towards implementing, the Ombudsman’s recommendations. The new Complaint Management Information System, when implemented, should be an effective compliance mechanism and a valuable source for assessing Charter performance. However, the ANAO has also identified opportunities for improving the current arrangements relating to complaints with a view to strengthening its relationship to Charter performance.

## **Monitoring and Reporting (Chapter 7)**

36. The *Client Service Charter Principles* specify that agencies should publicly account for their performance against their charter. The public and staff would then be aware of the Charter. It would also allow the public to assess and provide feedback on the agency’s related service performance. In reviewing this area, the ANAO aimed to establish whether the ATO effectively monitors and reports (internally and externally) on its performance against the commitments in the Charter.

### **Monitoring Charter performance**

37. At the time of the audit, the ATO did not have a strategy or a systematic approach to measure its performance against the Charter principles. The measures being used provided limited assurance that practices and procedures comply with Charter principles. The ANAO has suggested some additional qualitative measures based on our review of business processes. These additional measures do not require the ATO to introduce new processes to measure the effectiveness of Charter principles. They involve the use of existing information and procedures, such as, the results of quality assurance processes and complaints as well as results of external surveys. The ATO advised that it is in the process of formulating a Charter measurement strategy with a view to reporting on its Charter performance by March 2005.

### **Internal and external reporting**

38. The ANAO found that the ATO had limited internal and external reporting arrangements in relation to the management of its responsibilities under the Charter. The regular internal reports that refer to the Charter are limited to certain timeliness measures. However, there are range of internal reports that contain information which would assist in reporting against the Charter principles.

**39.** The ANAO considers that the ATO should examine the material that is available from its existing reports, and develop a framework for regular internal reporting in relation to its Charter responsibilities. These reports could be quarterly or half yearly, and would include information against qualitative and quantitative measures.

**40.** Although the ATO reports annually on its performance against the Client Service Standards, it does not provide a holistic view on its performance against the broader commitments made in the Charter, that is, the 13 Charter principles. The ANAO considers that, by implementing the recommendations relating to monitoring and reporting on Charter performance, the ATO would be in a better position to build an effective external reporting framework.

## Overall conclusion

**41.** Overall, we concluded that the ATO is managing its responsibilities under the Charter. The ATO has systems and processes to develop, maintain and review the Charter. This framework will be strengthened when the ATO fully implements the recommendations of the recent Charter Review. The ATO has shown its commitment to the Charter principles at the strategic level, and is working to fully integrate these principles with its business processes. The ATO is yet to effectively monitor and report on its performance against the Charter.

**42.** The ANAO has identified a number of areas for improvement so that the ATO achieves better performance in meeting its challenge of ‘living’ the Charter. These include:

- explicitly documenting how relevant strategies and measures within its sub-plans relate to the Charter principles. This would provide staff with guidance on how the Charter principles are embedded in the ATO’s strategic planning processes;
- developing a Corporate Management Practice Statement to provide guidance to ATO staff on how they are to meet their responsibilities under the Charter;
- developing appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO;
- implementing a systematic approach to quality assurance processes to enable the ATO to focus on broader aspects of the ATO’s business processes, including compliance with Charter principles;

- finalising the Charter measurement strategy using qualitative measures to provide assurance on the quality of the relationship with the taxpayer and the quality of services provided; and
- examining the material that is available from existing internal reports to develop a framework for regular internal reporting in relation to responsibilities under the Charter.

## Recommendations

43. The ANAO has made nine recommendations to improve the ATO's management of its responsibilities under the Charter.

## Summary of ATO's response

44. The Charter was introduced in 1997 and was one of the first 'service' charters introduced by a Commonwealth agency. Since its introduction, we have been concerned with ensuring that our practices reflect the Charter's principles. Our approach is to advise taxpayers of the service they can expect, what is expected of them and what they can do to seek redress if needed. This goes to the heart of the relationship we seek with the community.

45. The Australian National Audit Office report recognises and acknowledges the commitment we have to our Charter, the work that we have done in reviewing and updating it and the practices we have in place that underpin it. We agree with their recommendations and see them as suggested improvements to our current practices in relation to the Charter. The ATO's full response is at Appendix 1.

# Recommendations

---

*The ANAO has made nine recommendations aimed at improving the ATO's management of its responsibilities under the Charter. The ANAO considers that the ATO should give priority to Recommendations 2, 3, 5, 6 and 8.*

**Recommendation No.1** The ANAO recommends that the ATO, when undertaking future reviews of the Charter, consider:

**Para. 2.25**

- revisiting Client Service Standards and Charter principles as part of the review, including their revalidation with the community; and
- taking necessary action for timely completion of reviews to increase their relevance and to allow for more effective implementation of recommendations.

*ATO response:* Agree.

**Recommendation No.2** The ANAO recommends that the ATO explicitly document how relevant strategies and measures within its sub-plans relate to the principles of the Charter. This

**Para. 3.31**

would demonstrate the ATO management's commitment to the Charter. It would also provide staff with necessary guidance on how the Charter principles are embedded in the ATO's strategic planning processes.

*ATO response:* Agree.

**Recommendation No.3** The ANAO recommends that the ATO develop a Corporate Management Practice Statement that

**Para. 3.38**

provides clear guidance to staff on how they are to meet their responsibilities under the Charter.

*ATO response:* Agree.

**Recommendation  
No.4  
Para. 4.24**

The ANAO recommends that, when finalising the Law Administration Practice Statement on Technical Clearances, the ATO include explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process. This would provide assurance that technical publications issued by the ATO take account of the Charter principles.

*ATO response:* Agree.

**Recommendation  
No.5  
Para. 4.43**

The ANAO recommends that the ATO develop appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO. To maintain a consistent and coordinated approach, the protocols and procedures relating to Charter messages could be incorporated in the ATO's overall strategy for managing marketing and education activities across the ATO.

*ATO response:* Agree.

**Recommendation  
No.6  
Para. 5.13**

The ANAO recommends that the ATO consider a systematic approach to its supplementary quality assurance processes. Such an approach would complement the existing Technical Quality Review process by providing assurance on broader aspects of the business processes, including compliance with Charter principles.

*ATO response:* Agree.

**Recommendation  
No.7  
Para. 6.24**

The ANAO recommends that the ATO analyse and coordinate complaints information between ATO Complaints and the Charter Section. This would help identify issues relating to Charter performance and improve its reporting and accountability across the ATO.

*ATO response:* Agree.



**Recommendation  
No.8  
Para. 7.7**

To better monitor its performance against the commitments made in the Charter, the ANAO recommends that the ATO:

- finalise its Charter measurement strategy; and
- develop qualitative measures (using existing business processes) to provide assurance on the quality of the relationship with the taxpayer and the quality of services provided.

*ATO response:* Agree.

**Recommendation  
No.9  
Para. 7.31**

To facilitate improved internal reporting against Charter performance, the ANAO recommends that the ATO examine the material that it has available from its existing reports, and develop a framework for regular internal reporting in relation to its responsibilities under the Charter.

*ATO response:* Agree.



## **Audit Findings and Conclusions**



# 1. Background and Context

---

*In this chapter we discuss the origin of the Taxpayers' Charter and its significance to the Australian Taxation Office (ATO). The chapter also covers the objective, scope and methodology of this audit and acknowledges stakeholders for their contributions.*

## Introduction

### What is a charter?

#### 1.1 In Australia:

A charter is a short publication that describes the service experience a client can expect from an agency. It allows for an open and transparent approach that all parties understand and can work within...A charter itself is not intended to confer legally enforceable rights on clients of Commonwealth agencies, although some individual commitments in that charter may have legislative links...<sup>10</sup>

1.2 Therefore, a charter is an important mechanism for clients because it documents the help and support they are entitled to from service delivery organisations.

1.3 Service charters are a powerful tool for departments, agencies, management and staff to continuously improve service delivery to the general public and other stakeholders across the counter, via the telephone or through electronic means. Charters provide a framework in which government bodies are able to change their customer relations culture and are a means by which the performance of an agency may be measured and benchmarked.

### Origin of the Taxpayers' Charter

1.4 The ATO is the principal revenue collection agency in Australia. In 2003–04, through the self-assessment system and a broad range of compliance strategies, this agency collected revenue of around \$199 billion. The ATO uses compliance strategies to help optimise collections and to instil confidence in the community that the taxation system is operating effectively. The ATO draws authority from the *Income Tax Assessment Act 1936* (the Act), which grants it broad powers in collecting revenue.

1.5 In 1993, the then Joint Committee of Public Accounts (now the Joint Committee of Public Accounts and Audit (JCPAA)) assessed the ATO's administration of the Act. As part of the inquiry, the JCPAA highlighted concerns about the imbalance of power between the ATO and taxpayers.

---

<sup>10</sup> Department of Finance and Administration, 2000, *Client Service Charter Principles*, p.6.

**1.6** The JCPAA was concerned that the ATO had begun to ‘ignore the people it serves’. It noted that:

The ATO alone is responsible for income tax collection, has been given exceptional powers and plays a vitally important role in the efficiency of the Australian economy. This accentuates the importance of establishing an administration which is fair, equitable and sufficiently flexible to manage the individuality of taxpayers.<sup>11</sup>

**1.7** The JCPAA recommended the ATO adopt a Taxpayers’ Charter to redress this imbalance. This charter was to include statements on taxpayers’ rights to legal and commercial advice; due process; timely, accurate and confidential advice; independent review; access to administrative and judicial review; information; privacy; the presumption of innocence and individual consideration and treatment.

## **Service Charters in the Australian Public Service**

**1.8** The JCPAA’s report was supported by the Government. In March 1997, in a statement entitled ‘More Time for Business’, the Government announced that Service Charters were to apply to all Australian Government departments and agencies, whenever they provide a service to the public. This was to create ‘a more open and responsive service culture in the public sector’.<sup>12</sup>

**1.9** *Client Service Charter Principles*, launched in 2000 and administered by the Australian Public Service Commission, is the latest guidance on Charters for Australian Government departments.

## **The Taxpayers’ Charter**

**1.10** The Taxpayers’ Charter (the Charter) was introduced in July 1997 and sets out the way the ATO will conduct itself when dealing with taxpayers. It defines the relationship that the ATO seeks with the community—a relationship based on mutual trust and respect.

**1.11** The Charter is designed to help taxpayers understand their rights and obligations and to describe the ATO’s service standards, complaint handling and review procedures. The Charter consists of two overview booklets<sup>13</sup> and ten supporting booklets<sup>14</sup> (as shown in figure 1.1). It explains 13 Charter principles (taxpayer rights) and outlines six taxpayer obligations (see figure 1.2).

---

<sup>11</sup> JCPA report 326, November 1993, *An Assessment of Tax*, p.vii.

<sup>12</sup> The Prime Minister, The Honourable John Howard, MP, *More Time for Business*, 24 March 1997, p.56.

<sup>13</sup> These are entitled ‘*Taxpayers’ Charter--what you need to know*’ and ‘*Taxpayers’ Charter--in detail*’.

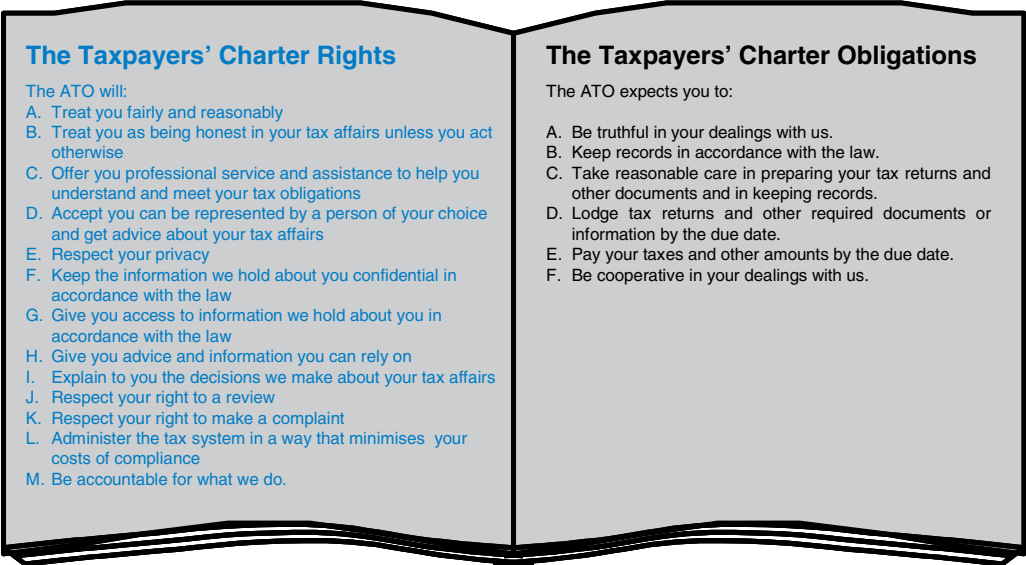
<sup>14</sup> The supporting booklets each address and further explain the Charter principles.

**Figure 1.1**  
**The Charter publications**



Source: ATO

**Figure 1.2**  
**Principles of the Taxpayers' Charter**



Source: Australian National Audit Office (ANAO), adapted from ATO information

**Significance of the Charter to the ATO**

**1.12** Under the system of self-assessment, individuals and businesses collect and prepare the information they need to claim their entitlements and meet

taxation-related obligations. They report this information to the ATO and either make or receive a payment. The ATO has stated that:

Fundamental to this system of self-assessment is that taxpayers must have sufficient confidence in the collecting authority—confidence that we will provide them with the information they need and that we will act fairly and treat taxpayers according to their individual circumstances. We believe we need to position ourselves in such a way that demonstrates to Australians that we are fair and reasonable and that we treat people according to their individual compliance behaviour.<sup>15</sup>

**1.13** The ATO uses three interlinked tools—the Charter, the Compliance Model and Brand Management—to support community confidence in the revenue system.

**1.14** The Charter provides the ‘common ground’ of fair and reasonable treatment that all taxpayers, whatever their compliance behaviour, can expect in their dealings with the ATO. The Compliance Model, on the other hand, analyses taxpayers’ individual compliance behaviour and determines what is a ‘fair and reasonable’ approach towards them based on their behaviour.

#### *The Compliance Model*

**1.15** The Compliance Model explains the range of attitudes and behaviours that taxpayers can have to compliance, and provides guidance as to how the ATO should adjust its strategies in dealing with these taxpayers. If a taxpayer is willing to comply, the ATO will make compliance easy. If the taxpayer has decided not to comply, the ATO will enforce compliance by law.

**1.16** The Taxpayers’ Charter and the Compliance Model are supported by the ATO’s approach to Brand Management.

#### *Brand Management*

**1.17** Brand Management is a relatively recent concept that the ATO introduced in 2003–04. It directs that the ATO adopt a consistent style in its various forms of communication—one that projects an image that the ATO has a professional approach to managing the community’s revenue systems. It involves managing the quality of the taxpayers’ experience with the ATO by using consistent packages and messages when communicating with them. The ATO identifies key elements of Brand Management as:

---

<sup>15</sup> The Commissioner of Taxation, Michael Carmody, has supported this stance, stating in the Charter Foreword that ‘your rights, your obligations and how to be heard are key factors within this relationship. The more you know and understand these factors, the more confident you’ll be in dealing with us’. *Taxpayer’s Charter—in detail*, November 2003, Foreword, p.04.



- Symbols—logo, stationery and overall appearance and design of the Tax Office services and products;
- behaviour or how the ATO interacts with taxpayers and clients as articulated in the Taxpayers' Charter—relationship management and service delivery programs; and
- communication achieved through visual and verbal messages.

**1.18** In adopting these three components, the ATO aims to provide the right experience, at the right time, through the right channel. Under Brand Management, the Charter is seen as an integral element in effectively administering the taxation system.

## The audit

### Objective and scope

**1.19** The objective of the audit was to examine how the ATO manages its responsibilities under the Charter as an important element of its performance. This involved an examination of the ATO's:

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

**1.20** The audit did not examine the ATO's strategies to monitor taxpayers' conformance with the latter's obligations. These are primarily implemented through the ATO's approach to compliance.

### Audit Methodology

**1.21** The Australian National Audit Office (ANAO) developed a framework consisting of four modules to assess the ATO's operations against its Charter. The modules were developed based on the areas of focus identified in the audit objective.

**1.22** In reviewing the extent to which Charter principles are integrated into the ATO's business processes, the audit examined the Personal Tax<sup>16</sup>, Small

---

<sup>16</sup> Personal Tax manages and maintains the part of the income tax system that deals with individual taxpayers.

Business<sup>17</sup>, Goods and Services Tax<sup>18</sup> and Operations<sup>19</sup> Business and Service Lines (Lines). By reviewing the business processes within these Lines, the audit covered almost three quarters of ATO staff and its operations.

**1.23** The audit involved fieldwork in Canberra, Brisbane, Melbourne, Sydney and Perth. We interviewed a range of ATO staff from the four Lines, as well as ATO Complaints<sup>20</sup>, ATO Relations Line<sup>21</sup> and stakeholders.<sup>22</sup>

**1.24** Stakeholder discussions included interviews with: the Institute of Chartered Accountants Australia, CPA Australia, the Taxation Institute of Australia and the Centre for Tax System Integrity (CTSI).<sup>23</sup> The ANAO also consulted the Commonwealth Taxation Ombudsman (Ombudsman) and the Australian Public Service Commission.

**1.25** In addition, we considered charters of some other organisations to identify examples of better practices in charter implementation, monitoring and reporting.

**1.26** The audit was undertaken in accordance with the ANAO auditing standards and cost \$365 000.

## **Audit report structure**

**1.27** Figure 1.3 details the report structure for the audit.

---

<sup>17</sup> Small Business administers the income tax system, including fringe benefits tax, for business taxpayers across the micro business, small to medium enterprise, non profit and government organisations market segments.

<sup>18</sup> Goods and Services Tax is primarily responsible for managing GST, luxury car tax, and the legacy wholesale sales tax that ceased when GST was introduced on 1 July 2000.

<sup>19</sup> Operations provide practical support for the ATO's compliance work. This area also plays a major role in influencing administrative policy for the operation of the tax system.

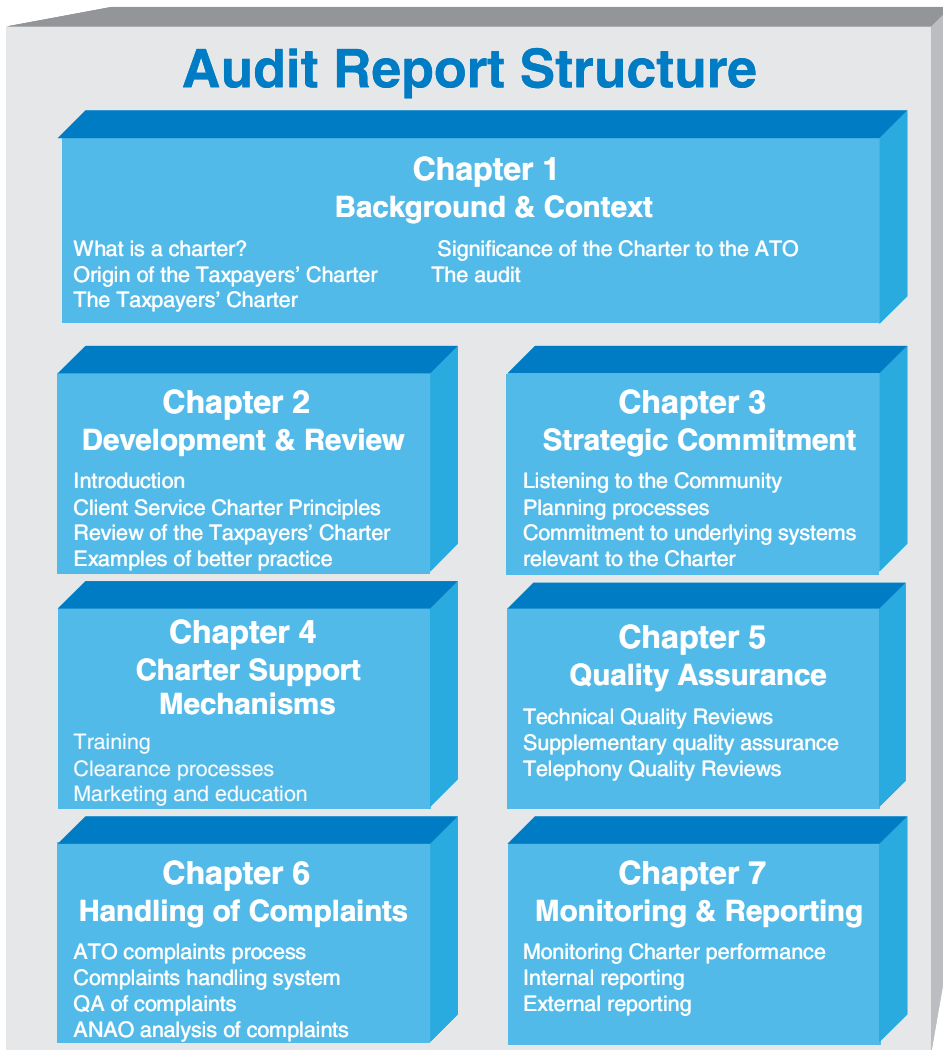
<sup>20</sup> ATO Complaints was established in 1997 as part of the implementation of the Charter. Its role is as an entry point to the ATO for taxpayers who wish to complain or provide feedback. ATO Complaints cooperates with a network of resolvers from each Line to resolve complaints.

<sup>21</sup> ATO Relations leads and manages the ATO's interface with the community, including media, telephony, web, paper, email and face-to-face channels.

<sup>22</sup> The ANAO sent invitations to a number of other key stakeholders for meetings regarding this audit. We conducted meetings only with the organisations that took up this offer.

<sup>23</sup> CTSI is based at the Australian National University. It represents a six year research partnership between the Australian National University and the ATO. It is a specialised research unit that has been set up to extend the ATO's understanding of how and why cooperation and contestation within the tax system occurs.

Figure 1.3



Source: ANAO

## Acknowledgements

**1.28** The ANAO would like to thank the ATO officers who gave their time, effort and expertise to assist in this audit. We appreciate the cooperation and assistance of the Australian Government agencies consulted during the audit, as well as the organisations involved in identifying better practices. We also thank the professional bodies which assisted during our fieldwork.

## 2. Development and Review of the Charter

---

*In this chapter the ANAO: considers whether the Charter broadly adheres to the Client Service Charter Principles; comments on the recent review of the Charter; and identifies examples of better practice for Charter implementation and reporting.*

### Introduction

**2.1** When the Charter was launched by the ATO in July 1997, it was developed in consultation with ATO staff, the general public, business and community groups, tax practitioners, other government agencies and the Special Tax Adviser to the Commonwealth Ombudsman.

**2.2** On its first release, the ATO extensively publicised the Charter. This included a formal launch by the Treasurer, television and press advertisements, promotion to tax agents and a mail-out. The ATO also implemented an internal communication campaign to increase staff awareness. This covered training for staff, and inclusion of Charter-related material on the ATO intranet. The ATO provided an email address to staff for any questions and comments on the Charter.

**2.3** The original Charter gave a commitment to be independently reviewed every three years, with the first review due in July 2000. However, in 2000, the community and ATO staff were just coming to grips with the implementation of the New Tax System. Therefore, the review was delayed to incorporate the impact of tax reform. The revised Charter was released in November 2003 (except for a booklet relating to provision of advice, which has yet to be released).<sup>24</sup>

**2.4** In assessing the development of the Charter, the ANAO considered:

- Charter adherence to the *Client Service Charter Principles*;
- the review of the Charter; and
- better practices of organisations with successful charters.

---

<sup>24</sup> This booklet has been rewritten, but at the time of the audit was on hold pending relevant outcomes of the Treasury's Review of Self-Assessment. This review considered the level of reliance that taxpayers can and should be able to place on taxation rulings and other forms of advice.

## Client Service Charter Principles

**2.5** The *Client Service Charter Principles* publication, which was revised in June 2000, gives guidance about the content, maintenance and review, and monitoring and reporting of service charters. The publication includes mandatory and recommended elements for a charter, and suggests that charters should be externally reviewed every three years.

**2.6** The ANAO found that the Charter includes all mandatory elements as specified in the *Client Service Charter Principles*. Mandatory elements include Client Service Standards (CSS) and client feedback and complaints mechanisms.

**2.7** The ATO has developed CSS, which describe the level of service that a taxpayer can expect in their dealings with the ATO. For 2003–04 the ATO had 18 CSS, which covered a range of business activities, including refunds, objections and return processing. These standards focus mainly on timeliness. As well, the ATO has identified in the Charter avenues for clients to provide feedback and make complaints.

**2.8** The Charter contains almost all the recommended key elements as specified in the *Client Service Charter Principles*. The ATO has commented that the elements have been considered and included, where appropriate, to ATO clients. For example, key contact phone numbers are included in the charter but the street addresses of ATO offices, postal addresses and hours of opening are provided through more appropriate and accessible channels, which can be more easily updated. Appendix 2 provides the ANAO's analysis of the Charter against the *Client Service Charter Principles*.

## Review of the Taxpayers' Charter

### The Taxpayers' Charter Team

**2.9** The Taxpayers' Charter team (Charter Team), which is part of the ATO Relations Line, looks after the Charter within the ATO. Their role includes:

- providing advice to ATO staff about how to apply the Charter to their work;
- ensuring the ongoing relevance of the Charter through the timely capture of intelligence and feedback;
- reviewing and updating Charter content; and
- helping to implement the Charter across the organisation.

**2.10** The ANAO noted that the role of the Team has evolved over time. Over the last couple of years, the team has managed the review and revision of the

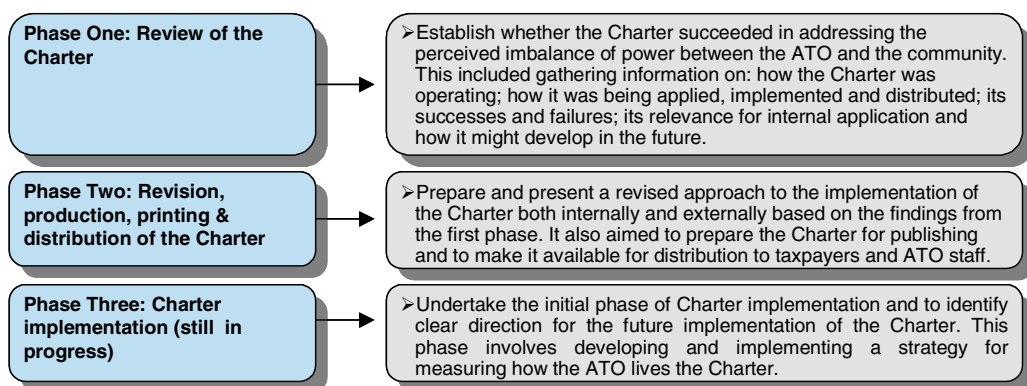
Charter itself. The team is currently exploring a more formal role in ensuring the implementation of Charter principles across the organisation.

## Charter Review

**2.11** The Charter Review (Review) commenced in early 2001. Although the Review was managed in-house, an external market-research firm was engaged to undertake the research component of Phase One of the Review. The Review was run in three phases. The first two phases were completed by November 2003. Figure 2.1 outlines the broad objectives for each phase.

**Figure 2.1**

### Phases of the Charter Review



Source: ANAO depiction of ATO information

### *Review findings*

**2.12** Phase One of the review was completed in April 2002 and found that:

- there was a need to empower taxpayers in their dealings with the ATO by making them aware of their rights and obligations. Approximately 70 per cent of participants were generally unaware of the Charter;
- taxpayers preferred a summary charter booklet instead of the A4 publication. The A4 publication was seen as 'over the top' in terms of size and print quality and therefore considered wasteful in terms of paper and taxpayers' dollars; and
- taxpayers were generally positive towards the concept of the Charter (ie the principles) and commented that the Charter is an 'excellent blueprint for the ideal relationship between the Tax Office and the taxpayer'. Some taxpayers, however, were cynical about the Charter and critical about the validity of CSS.

**2.13** The Review also identified staff views about the Charter. The majority of staff at all levels saw value in implementing the Charter in the ATO.

Support increased with seniority. Staff generally supported the principles but for many staff 'the [Client] Service Standards have become the Charter'. A common theme was the difficulty in meeting other commitments made in the Charter, whilst under pressure to meet timeliness standards.

**2.14** Phase One of the Review made a number of recommendations to address the issues raised by taxpayers and ATO staff. These recommendations primarily aimed to assist and encourage ATO staff to 'live' the Charter. The ATO endorsed them in April 2002.

**2.15** Phase Two focussed on revising and publishing the modified Charter documents in accordance with Phase One findings. As mentioned earlier, the revised Charter was launched in November 2003.

## **ANAO view**

**2.16** The Review was thorough and involved qualitative research to gauge staff<sup>25</sup> and community<sup>26</sup> impressions of the Charter. The ANAO's discussions with stakeholders confirmed the findings from Phase One. The recommendations from Phases One and Two are being implemented through a series of ATO initiatives, referred to throughout these chapters. The format and contents of the Charter documents were also revisited as part of the Review and refined to take account of stakeholder views.

**2.17** However, the ANAO made a number of observations regarding the review of the Charter, to bring about improved Charter reviews in the future. They covered the following areas:

- Client Service Standards;
- development of qualitative measures;
- revalidation with the community; and
- Review timeframe.

### *Client Service Standards*

**2.18** The Client Service Standards (CSS) that form part of the Charter are linked to the ATO's Agency Agreement. The Review did not examine the CSS. Corporate Directions Branch, within the ATO Resource Management Line, is

---

<sup>25</sup> A variety of staff were consulted from all levels (from APS 1 to the Commissioner/Assistant Commissioners), in 40 group sessions and 50 in-depth interviews.

<sup>26</sup> Community groups included large corporates (4 groups), small business (17 groups), individual taxpayers (14 groups), tax agents (12 groups), tax help volunteers (2 groups), complainants (14 interviews) and other key stakeholders (12 interviews).

currently responsible for developing and reviewing the CSS in consultation with Lines and Capability leaders.

**2.19** In June 2002, the Charter Team prepared a briefing paper on CSS. The paper noted that ‘service standards should be appropriate to the needs of an organisation’s clients, as well as to the nature of the organisation and its services. This implies an ongoing role for clients in developing and updating standards’.

**2.20** The ANAO supports the Charter Team’s view and considers that there is an ongoing role for taxpayers in providing input when the CSS are developed and updated. This approach should form an integral part of future reviews of the Charter.

### *Development of qualitative measures*

**2.21** Qualitative measures are integral in assessing the performance of the Charter. The ANAO noted that although Phases One and Two of the Review undertook to examine ways to measure internal compliance with the Charter principles, this did not eventuate. At the time of the audit, the Charter Team was in the process of developing a measurement strategy for the Charter. Better practice, however, suggests that both qualitative and quantitative measures should have been considered and developed in parallel with the principles/commitments made under the Charter. The Charter has been in operation for some seven years and the ATO is yet to develop a Charter measurement strategy. The ANAO considers that qualitative measures, when developed, should also form an integral part of future reviews of the Charter.

### *Revalidation with the Community*

**2.22** The Review made an informed decision to not revisit the Charter principles<sup>27</sup>, given that they are based on law, which has not changed significantly since the Charter was developed. The ATO advised that, nevertheless, the principles were informally validated through the qualitative research of the Review. This involved discussion about the Charter principles with the focus groups. However, the ANAO considers that the Charter principles are fundamental to the Charter. Therefore, there is merit in formally revalidating these with the community. This includes establishing whether the Charter principles:

- can be effectively measured;
- are understood by the taxpayers; and

---

<sup>27</sup> The ATO considered that because circumstances had not significantly altered since the initial broad public consultation on the Charter principles, they were still valid.



- are considered by the taxpayers to be current and relevant.

**2.23** Similarly, the ATO consulted a range of stakeholders during the Review. Following the revision of the Charter and its contents, the ATO did not seek community feedback on the revised edition of the Charter. The ANAO considers that it is important for the ATO to seek such feedback to determine whether the revised Charter met the community's expectations.

### *Review Timeframe*

**2.24** The first two phases of the Review took some two years to complete. Phase three of the Review was in progress at the time of the audit. The *Client Service Charter Principles* state that charters should be reviewed every three years. Therefore, by the time Phase three of the Review is complete, the ATO will need to commence the next review. The ANAO considers that better management of the Review objectives<sup>28</sup>, by adopting a more focussed approach, would allow the reviews to be managed within a shorter timeframe. This would contribute to more timely implementation of recommendations, and an effective review process, making the findings of the review more relevant.

## **Recommendation No.1**

**2.25** The ANAO recommends that the ATO, when undertaking future reviews of the Charter, consider:

- revisiting Client Service Standards and Charter principles as part of the review, including their revalidation with the community; and
- taking necessary action for timely completion of reviews to increase their relevance and to allow for more effective implementation of recommendations.

### *ATO response*

**2.26** Agreed. The future review strategy for the Charter has been developed. This strategy includes both ongoing and periodic review processes.

**2.27** There will be an ongoing review of the Charter's content which will be conducted approximately every twelve months or when an event triggers the need for change. A periodic review, which will include revisiting the principles and standards with the community, stakeholders and our people, will be conducted approximately every three years.

---

<sup>28</sup> Phases One and Two of the Review included some 29 objectives.

**2.28** Focussing on different elements of review at different times will make the review process more efficient and timely.

**2.29** The timeframes for review are: early 2005 for the first review of Charter content and the 2005–06 year for the first periodic review.

**2.30** This approach conforms with the *Client Service Charter Principles 2000* and meets the commitment we make to the community in the Charter.

## Examples of better practice

**2.31** The ANAO assessed service charters from international, private and public organisations to identify examples of better practice relating to Charter implementation, monitoring and reporting. The ANAO found that the Charter compares favourably with those of other organisations. The Charter Review did not undertake such a comprehensive comparison because the ATO's Charter had its genesis in the JCPAA's report and was specifically written as a 'rights' based Charter. Most other Charters were 'service' based.

**2.32** The audit team considered the charters of:

- the Child Support Agency<sup>29</sup>;
- Australian Associated Motors Insurance<sup>30</sup>; and
- the New Zealand Inland Revenue Department.<sup>31</sup>

**2.33** Appendix 3 identifies examples of better practice relating to charter implementation, monitoring and reporting within these three organisations. The ATO has advised that recently it has held discussions with Centrelink and the Child Support Agency around implementation and performance measurement.

---

<sup>29</sup> The Child Support Agency (CSA) is a small agency when compared to the ATO, with around 2 600 staff, compared to the ATO's approximate 20 000 staff. The ANAO decided to analyse the charter of this agency due to the difficulty/complexity of interactions with clientele and because it has similar levels of client interaction as the ATO. CSA won gold Service Charter Awards for Excellence in 2002 for: Integrating their service charter into core service delivery outcomes and organisational culture; Service delivery to rural, remote and regional Australians. They also won a silver Service Charter award for: Service charters driving online service delivery (FACS, 2001–2002, Annual Report, p.27).

<sup>30</sup> This company has a customer base of over 2.5 million policies. It introduced its first service charter in 1996.

<sup>31</sup> The Commissioner of Taxation acknowledged this department for their comprehensive charter reporting. This organisation is smaller in size than the ATO, employing approximately 5 000 staff. It has responsibility for taxation and child support functions within New Zealand.

## 3. Strategic Commitment

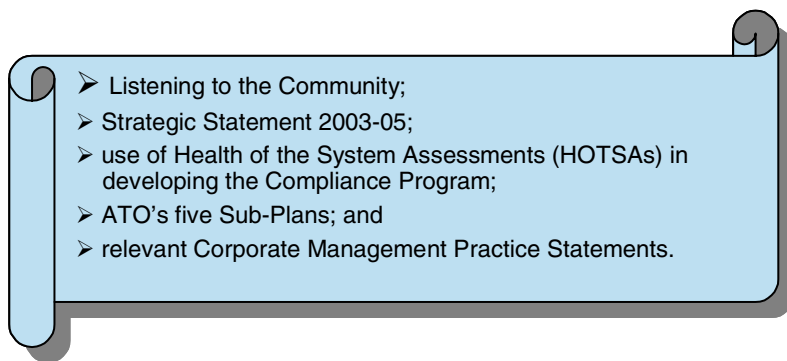
*This chapter assesses the ATO's strategic commitment to the Charter. It also assesses whether clear links exist between the ATO's planning documents and the Charter. These links would provide ATO the assurance that its plans, measures and reports relate clearly to the Charter.*

### Introduction

**3.1** For an initiative such as the Charter to be successful, it needs to be supported at the strategic level. Developing and publishing a charter document, does not in itself demonstrate an organisation's strategic commitment to the Charter and its principles.

**3.2** The ANAO examined the ATO's strategic commitment to the principles of the Charter. In carrying out this examination the ANAO reviewed the key documents and processes that affect the ATO's operations. Figure 3.1 provides an overview of the specific initiatives and plans that the ANAO examined.

**Figure 3.1**



Source: ANAO

**3.3** The ANAO sought to determine whether the Charter principles are given both explicit and implicit recognition in these key elements of the ATO's management processes to enhance its performance. The ANAO also considered whether the relationship between planned strategies and the Charter principles was clearly identified.

### Listening to the Community

**3.4** In March 2002, the ATO announced the Listening to the Community (LTTC) program. This involved working with community groups to develop ideas to make it easier and cheaper for people to comply with their tax obligations.

3.5 Table 3.1 outlines key messages conveyed by the stakeholder groups.

**Table 3.1**

**Key messages about what stakeholders wanted**

| Tax Agents  | Small Business  | Individuals  |
|---|---|--|
| <ul style="list-style-type: none"> <li>✓ Easier and faster transactions with the ATO, plus more certainty that work is correct or being processed.</li> <li>✓ Access to the information that the ATO holds about their clients and their accounts.</li> <li>✓ Improved phone services with reduced waiting times and more accurate advice.</li> <li>✓ A more user-friendly web site.</li> <li>✓ More timely information, that is easy to understand.</li> <li>✓ ATO to take into account their needs, and their clients' needs.</li> <li>✓ Tailored product.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Improved phone services with reduced waiting times, more accurate advice and after hours access.</li> <li>✓ To know their current circumstances and that the ATO needs to provide advice that takes these circumstances into account.</li> <li>✓ Timely, less complicated information in simple language.</li> <li>✓ Assistance with record keeping with software that supports their business and tax needs, and is provided in a timely manner.</li> <li>✓ A more user-friendly web site.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Greater assistance with record keeping.</li> <li>✓ Improved personal services.</li> <li>✓ Improved phone services with reduced waiting times and accurate advice.</li> <li>✓ More on-line options, more information on the internet and the ability to download more tax forms.</li> <li>✓ Simpler language and less complicated information.</li> <li>✓ Easier tax forms.</li> </ul> |

Source: ATO Website, Listening to the Community, What the community told us.

3.6 The LTTC program is being continued as part of the Change Program, and its results have driven the directions of that Program.<sup>32</sup> As the Change Program gathers momentum, the ATO is now using the LTTC program in a slightly different way. The next few rounds of LTTC are likely to focus on sub-segments of particular markets to ensure that the Change Program fits in with client expectations.

3.7 The ANAO considers that the LTTC program is practical evidence of the ATO's strategic commitment to the principles of the Charter. In observing the process outlined above and the results from the program, there is clear

<sup>32</sup> Sometimes referred to as 'Easier, cheaper, more personalised' or 'Making it Easier to comply.'

evidence that Charter principles<sup>33</sup> are being incorporated in the ATO's operations through the LTTC program.

**3.8** The key underlying outcome from the LTTC program is that community stakeholders in the tax system have an opportunity to influence how the ATO conducts its business, in particular its administrative processes. The ATO considers it important to implement changes arising from the LTTC program. Therefore, it has devoted one of the sub-plans, through which it plans and manages its operations, to the Change Program.

## Planning processes

**3.9** Planning facilitates efficient organisation within the ATO to achieve its corporate and business goals. The Charter needs to be fully integrated into the ATO's planning framework to drive performance improvements and to develop a service culture. The ATO's higher level planning includes different 'views' that cut across the ATO's organisational units. Figure 3.2 sets out the way these 'views' relate to the organisational elements of the ATO.

**3.10** The following discussion draws on Figure 3.2 in explaining the involvement of the Charter principles in the ATO's planning process.

## Strategic Statement 2003-05

**3.11** The ATO's Strategic Statement is its highest level planning document and aims to give the ATO a clear sense of direction and a framework for its activities over a three-year period (2003–05). In discussing the ATO's Business Model, the Strategic Statement makes clear reference to the Charter.

**3.12** In the context of self-assessment, the ATO indicates that it verifies compliance using a risk management approach and makes it as easy as possible for taxpayers to comply. Elaborating on its risk management approach, the Strategic Statement indicates:

The Charter and Compliance Model guide our actions in giving effect to this approach.

The Charter is about being open and fair in our treatment of people, within the framework set by the law. It directs the way we behave towards the community, and what the community can expect from us.

The Compliance Model directs that we better understand why people are not complying and that we develop appropriate and proportionate responses. An

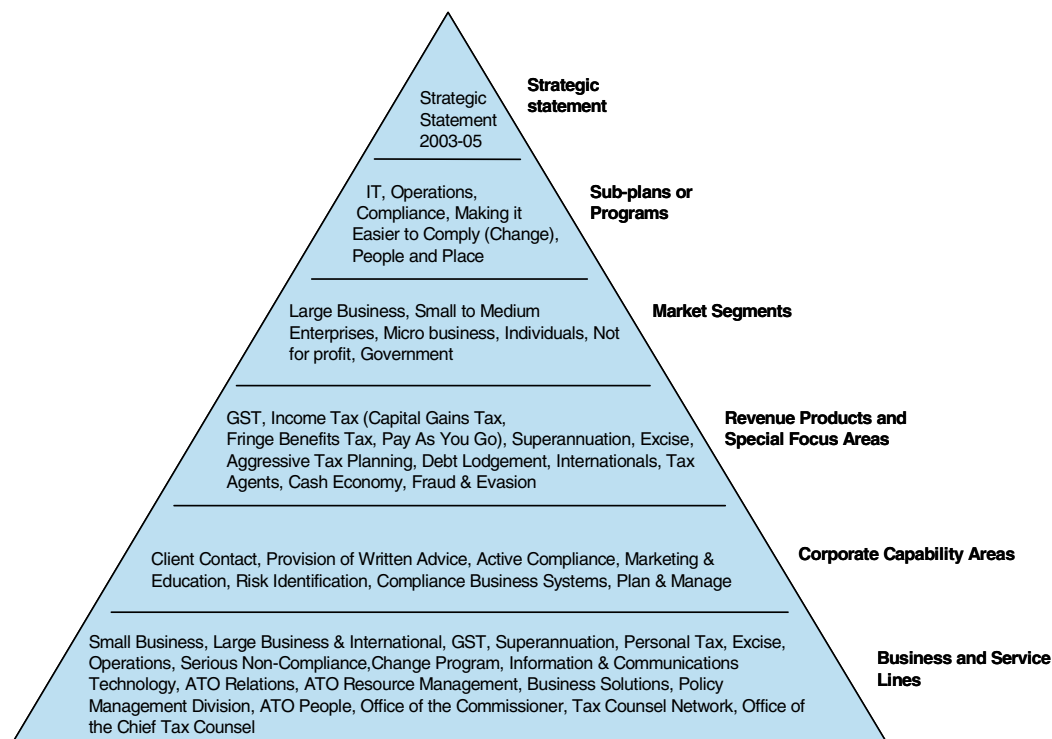
---

<sup>33</sup> Particular principles coming through are that the ATO will: treat taxpayers fairly and reasonably; offer taxpayers professional service and assistance to help them understand and meet their tax obligations; give taxpayers advice and information that they can rely on; and administer the tax system in a way that minimises taxpayers' cost of compliance.

underlying objective is to develop responses that maximise the proportion of the community who are both able to, and choose to, comply.

**Figure 3.2**

## Elements of the ATO planning process



Source: ANAO adaptation of ATO information

**3.13** The ATO therefore considers that the Charter contains some key driving principles to guide its operations throughout the year. This reflects an explicit and high-level recognition of the Charter's role in guiding the ATO's operations.

## ATO sub-plans

**3.14** The ATO has five sub-plans: Information Technology; Operations; Compliance; Making it Easier to Comply (Change); and People and Place. These sub-plans have two parts:

- Part A is the ATO's published program<sup>34</sup>; and

<sup>34</sup> This provides an overview of the ATO's activities relating to each of the sub-plans. The ATO proposes to report publicly against the published plans.

- Part B includes the ATO's internal quantity and quality measures, strategies and activities to deliver corporate outcomes and market segment commitments.

**3.15** The principal sub-plans that are directed at supporting key elements of the Charter principles are Compliance, Operations and Making it Easier to Comply. The ANAO examined these sub-plans to determine how the Charter was reflected in them.

### *Compliance sub-plan*

**3.16** In the self-assessment system, the Compliance sub-plan is central to the ATO's relationship with the taxpayer. An important part of the ATO's Compliance sub-plan is its use of Health of the System Assessments (HOTSAs). HOTSA reports form the basis for priority decision-making leading into the next years' planning processes. The plans emerging from the HOTSA reports also have implications for the other sub-plans.

**3.17** The HOTSA reports address a number of client and community interests<sup>35</sup> that relate to the principles set out in the Charter, including whether the ATO has appropriate capabilities to meet its obligations. The reports include assessments about whether particular products (for example, GST, Excise) or particular market segments (for example, Large Business, Micro) are achieving satisfactory standards in relation to each of the issues addressed. They draw on available quantitative and qualitative data to support their conclusions. The results of the Compliance Executive's consideration of the HOTSAs, together with priorities set by the Commissioner, help shape the ATO's priorities for action in the forthcoming year.

**3.18** Part A of the 2003–04 Compliance Program includes several high level references to the Charter, indicating that the Charter and the Compliance Model guide the ATO's compliance actions.

**3.19** In Part B of this program, the ANAO found that Charter-related matters were principally highlighted through the strategies for capabilities (identified in Figure 3.3). For example, the Provision of Advice capability indicated that it would improve the quality and timeliness of advice through:

- the corporate approach to technical decision making;
- improving case and issue management and shortening cycle times;
- improving practices for referral of issues to other areas and cross delivery line cases;

---

<sup>35</sup> For example, do clients understand their obligations? What is the cost to operate an initiative?

- developing tailored responses to requests for advice to meet the needs of clients; and
- clearing backlogs of cases.

**3.20** Within Part B, there are also measures that relate to matters dealt with under the Charter.<sup>36</sup> This illustrates that a significant number of measures in the Compliance sub-plan relate to Charter principles. However, apart from some higher-level references, much of the material in the sub-plan that related to the Charter was implicit.

**3.21** The ANAO considers that explicit linkage of strategies and related measures within the sub-plan to Charter principles is important. Drawing out these links would assist the ATO in clearly communicating its support for the Charter. This would also provide staff with guidance on how to 'live' the Charter. For example, the Charter principles concerning professional service and assistance, relate clearly to the strategies under the Provision of Advice and Client Contact capabilities. Explicitly reinforcing this relationship, would help the ATO to increase Charter awareness and understanding among staff. It would also provide staff with guidance on how the Charter principles are embedded in the ATO's strategic planning processes.

### *Operations sub-plan*

**3.22** Part A of the Operations sub-plan includes a commitment in 2003–04 to:

- enhance taxpayers' interactions with the ATO through telephone services, information lodgement and electronic services;
- develop administrative solutions for new policy initiatives in partnership with the community; and
- improve the integrity of information the ATO holds on clients.

**3.23** The sub-plan sets out strategies through which these matters will be pursued.<sup>37</sup> Part B includes effectiveness indicators that seek to measure community perceptions of ATO's fairness and effectiveness, client perceptions of ATO's professionalism and service and the cost of compliance to the community. The relationship with the Charter is implicit, as there is no

---

<sup>36</sup> These include: the percentage of technical advice passing quality assurance–trend over time; the number and percentage meeting relevant Charter timeliness standards; and perceptions of ATO professionalism in field operations against benchmark.

<sup>37</sup> For example, through the Letters Improvement Project (discussed in Chapter 4) improving the readability and personalisation of Tax office notices and letters for the community and increasing electronic lodgement opportunities.



identification of the links between the sub-plan and the Charter principles. To assist the ATO staff 'live' the Charter these links need to be explicitly articulated.

*Making it easier to comply (Change Program) sub-plan*

**3.24** Effectively, the whole of this program is implicitly linked to Charter type matters. The ATO comments that this program is not about tax policies or laws, but about the experience that clients have in the tax system, and how the ATO can make it easier, cheaper and more personalised. This Program is built on the Listening to the Community initiative that has now been incorporated within the Program. As part of the Change Program, key principles have been developed to guide the design and development of products and services. Appendix 4 provides details on these principles.

**3.25** The Change Program principles outline how the ATO is seeking to change its service delivery arrangements and behaviour to improve both the service provided to taxpayers, and the management of the ATO's relationship with individual taxpayers. These principles aspire to improve the quality of the ATO's service delivery, whereas the Charter sets some fundamental benchmark principles (and rights) that the ATO will abide by.

**3.26** One of the key strategies adopted by the ATO under the Change Program involves staff and clients working together to identify improvements to the ATO's products and services. The ATO is committed to using this approach to deliver all administrative changes to the tax system.

**3.27** One of the sub-programs in place within the Change Program is Client Relationship Management (CRM) that is directed at improving the client experience through better supported interactions, provision of more personalised and relevant information and easier access to ATO services. The ATO indicates that the sub-program is targeted at introducing a CRM platform and at improving the management and coordination of outbound client communications. This program has an important relationship to the Charter, including the principle that indicates that the ATO will 'give you advice and information you can rely on'.

**3.28** As with the Compliance sub-plan, the ANAO considers that there is no explicit recognition or linkage between the Change Program's sub-plan strategies and the Charter principles.

## **Conclusion**

**3.29** The LTTC program gives practical evidence of the ATO's strategic commitment to the principles of the Charter. It gives community stakeholders an opportunity to influence how the ATO goes about developing and improving its administrative processes. Within key elements of the ATO's

Strategic Statement and sub-plans, there is substantial evidence that the principles of the Charter are being effectively applied by the ATO. The ANAO considers that this reflects a firm strategic commitment by the ATO to applying the principles of the Charter.

**3.30** Apart from specific references to the Charter in some of the higher-level discussion, much of the Charter's application in the sub-plans is implicit, rather than explicit. The ANAO considers that the implicit references to the Charter in the sub-plans do not adequately assist a reader in readily grasping the relationship between planned strategies and the Charter principles. Explicitly articulating links between elements of the sub-plans and the Charter would demonstrate ATO management's commitment to the Charter. It would also provide staff necessary guidance on how Charter principles are embedded into the ATO's strategic planning processes. Therefore, assisting the ATO to better achieve performance in meeting its challenge of 'living' the Charter.

## Recommendation No.2

**3.31** The ANAO recommends that the ATO explicitly document how relevant strategies and measures within its sub-plans relate to the principles of the Charter. This would demonstrate the ATO management's commitment to the Charter. It would also provide staff with necessary guidance on how the Charter principles are embedded into the ATO's strategic planning processes.

### *ATO response*

**3.32** Agreed. We are examining options for making our 2005–06 planning framework more clearly linked to the Charter. This will assist business and service lines to better integrate the Charter principles into their work plans. More overtly linking our plans with the Charter will also assist our people to be clearer about not only what we plan to deliver, but how we should go about doing it.

## Commitment to underlying systems relevant to the Charter

**3.33** With regard to the Charter, the ANAO examined whether high-level direction applied within the ATO on issues such as the:

- application of privacy principles to taxpayers' information;
- confidentiality of information that taxpayers provide to the ATO;
- provision of advice to clients; and
- handling of complaints.

## Corporate Management Practice Statements (CMPS)

**3.34** Corporate Management Practice Statements (CMPS) within the ATO provide direction, assistance and a point of reference on the practices to be followed and obligations in performing corporate management duties. New CMPS and any changes may only occur with the approval of the Commissioner of Taxation, or an approved delegate.

**3.35** CMPS that have some relationship to the Charter principles include: data matching; secrecy and privacy obligations; requests for information from Telecommunication Carriers; information technology security; and freedom of information. These CMPS provide guidance on many of the matters covered under the Charter. The ATO has a Certificate of Assurance (CoA) process that involves relevant national program managers and Second Commissioners providing statements regarding the level of conformance with a broad range of internal integrity matters. Generally there exists a CMPS to support each CoA. (Reporting related to these Certificates is discussed in Chapter 7).

**3.36** However, the ANAO noted that there was no CMPS for customer service (although there is a CoA related to customer service). Customer service is a major part of the ATO's responsibilities related to the Charter. It is important that:

- staff are aware of their Charter-related requirements;
- induction arrangements include Charter training; and
- the Charter is covered appropriately in ongoing annual performance agreements and learning plans.

**3.37** The ANAO considers that by developing a CMPS on Charter-related matters, the ATO would demonstrate its strategic commitment to meeting Charter principles. This would also better guide ATO staff on how they are to meet their responsibilities under the Charter.

## Recommendation No.3

**3.38** The ANAO recommends that the ATO develop a Corporate Management Practice Statement that provides clear guidance to staff on how they are to meet their responsibilities under the Charter.

### *ATO response*

**3.39** Agreed. We agree that using the Corporate Management Practice Statement (CMPS) process is a good way to provide direction, assistance and a point of reference on the practices to be followed to ensure that the Charter is being factored into our day-to-day activities.

**3.40** As noted by the ANAO, there are a number of existing CMPSs which cover issues related to various Charter commitments. We will review these CMPSs to ensure that appropriate guidance in relation to the Charter is incorporated and amend any if required.

**3.41** There are also several CMPSs under development which will provide guidance relevant to Charter commitments—for example, a CMPS on complaint handling. Input into these CMPSs has been sought and provided from a Charter perspective.

**3.42** Where specific Charter commitments or related issues are not covered by a CMPS, we will determine whether an issue-related CMPS would address the gap or whether it would be better covered under a more general Charter CMPS.

**3.43** To ensure that the Charter commitments are considered in all our future CMPSs, the development process now includes mandatory consideration of the relevance of Charter commitments to the subject matter.

**3.44** The CMPS process will complement and support the measurement of our performance against the Charter commitments.

## 4. Charter Support Mechanisms

---

*This chapter examines how the Charter principles are integrated into the ATO's business processes. In forming this view the ANAO examined some key support processes that contribute to an effective implementation of the Charter. These included training, clearance processes and marketing and education.*

### Introduction

**4.1** We noted in Chapter three that the ATO demonstrates its commitment to implementing the Charter through its strategic initiatives and planning processes. The ANAO aimed to establish whether this strategic commitment was reflected in the ATO's practices. In this context, the ANAO examined the following key support processes (across the four Lines) that can contribute to an effective implementation of the Charter within the ATO:

- Training;
- Clearance processes; and
- Marketing and education.

**4.2** These are discussed separately below.

### Training

**4.3** The Charter needs to be promoted on an ongoing basis, to ensure that it is a 'living' document. The ATO makes a number of commitments<sup>38</sup> under its Charter. All these commitments require that staff maintain their professional excellence, including technical knowledge and understanding. The Charter Review recognised this need and recommended the ATO develop and implement an ongoing education and support strategy to assist and encourage staff to 'live' the Charter.

**4.4** Training is currently coordinated within the ATO at the Corporate, Line and Capability level. In this context, the ANAO examined the ATO's initiatives to:

- increase staff's general awareness of the Charter and its relevance (especially the principles) to their day-to-day work; and

---

<sup>38</sup> Examples are: give you advice and information that you can rely on; offer you professional service and assistance to help you understand and meet your tax obligations; explain to you the decisions we make about the tax affairs; and be accountable for what we do.

- help ensure that staff acquire and maintain their technical proficiency to uphold the Charter commitments.

## General awareness

**4.5** The ATO People Line manages the corporate skilling program within the ATO. This program includes:

- developing corporate induction packages for all new staff to the ATO;
- coordinating the Managers' Training;
- organising strategic Conversation<sup>39</sup> days across the ATO; and
- implementing the performance management program within the ATO.

**4.6** These initiatives are discussed briefly in the table below.

**Table 4.1**

### Charter-awareness training initiatives

| Type of training                             | Features   |
|--|--|
| Induction training                           | <ul style="list-style-type: none"> <li>• Target audience is new ATO staff.</li> <li>• Previously a Line responsibility but is now managed as a corporate program.</li> <li>• Charter information is included in all corporate induction training packages (e-learning and face-to-face).</li> <li>• Corporate induction package forms a core part of the Line induction program.</li> </ul>  |
| ATO Managers' training                       | <ul style="list-style-type: none"> <li>• All managers joining the ATO undertake a specialised program, <i>Managing for Success</i>.</li> <li>• Program outlines ATO business context and role of the Manager and covers topics such as managing people, work, resources, relationships and integrity.</li> <li>• Charter-related exercises feature prominently.</li> </ul>   |
| Conversation days                            | <ul style="list-style-type: none"> <li>• Conducted quarterly to allow senior staff to discuss and gain a shared understanding of the ATO's corporate priorities and direction.</li> <li>• Attendees are expected to pass on messages to respective teams to help promote a shared understanding of corporate objectives and values.</li> <li>• The Charter has been covered twice, including case studies and discussions on promulgating the Charter.</li> </ul>    |
| Performance and Development Agreement (P&DA) | <ul style="list-style-type: none"> <li>• Staff create a P&amp;DA based on discussions with managers.</li> <li>• Standard pro-forma refers to the Charter as a guiding principle.</li> <li>• Performance discussions involve reference to staff member's understanding of the Charter and its relationship to the Compliance Model.</li> <li>• Learning Plans are developed based on performance discussions to address ongoing individual training needs.</li> </ul> |

Source: ANAO analysis of ATO information.

<sup>39</sup> Generally Band 2 SES officers run sessions for Executive Level 2 and Band 1 SES officers.

**4.7** The ANAO acknowledges the ATO's efforts in increasing staff's general awareness about the Charter. The effectiveness of the initiatives discussed above was reflected in the results of an (December 2003) internal communication survey undertaken by the ATO Relations Line (ARL).<sup>40</sup> The survey explored the ATO staff's understanding of key organisational issues, including the Charter. The survey found that although staff's level of understanding of strategic topics within the ATO varied greatly, staff generally understood the Charter. The survey noted:

- that the greatest depths of discussions to have occurred across the strategic topics listed in the survey was for the Compliance Model and the Taxpayers' Charter; and
- understanding was highest for those with more interaction with the community (i.e. capabilities such as Active Compliance, Client Contact, Debt and Lodgement and Fraud).

**4.8** However, the ANAO noted that after 7 years (since the Charter was first introduced), only half the respondents (53 per cent) indicated they had received in-depth briefings and now had an understanding of what the Charter means in the work environment. The ANAO recognises that ATO staff have had to cope with a number of changes over the last few years. Nevertheless, to assess the effectiveness of its training strategies, the ANAO suggests that the ATO set targets and timeframes for staff awareness of the Charter. It should then review its training strategies in light of the results against these targets.

## Technical training

**4.9** We previously referred to the ATO's development of Compliance Capabilities to ensure that its client interaction, advice and verification activities across all Lines are of a high quality and meet the needs of the community. We examined the framework to deliver technical training for Compliance Capabilities that involve maximum client interaction.

**4.10** Overall the ANAO found that each Capability had developed a suitable framework for technical training to enable staff to acquire and maintain their technical proficiency. Our detailed findings are summarised at Appendix 5.

---

<sup>40</sup> The overall response rate for the survey was 43 per cent, with 8 617 ATO staff responding to the survey.

During the audit, the ATO advised that it was formulating a Compliance Development Program, a learning system for staff across Capabilities.<sup>41</sup>

## General guidance

**4.11** In addition to structured training, staff receive general guidance on how to apply the Charter in their day-to-day work. The Charter Team has prepared this material and made it available for all staff to access on the ATO intranet. Guidance includes information on: accessing the Taxpayers' Charter; deciding which Charter booklet to use; writing Charter friendly letters and publications; and referring to Charter in staff presentations.

**4.12** The ANAO noted that the Charter Team also identified a number of strategies in the November 2003 Conversations to help and encourage staff to 'live' the Charter (see Appendix 6 for details).

## Conclusion

**4.13** The ATO has already implemented, or is in the process of developing, a coordinated approach to increasing staff awareness and understanding of the Charter and its principles. These include:

- employing a range of strategies to increase ATO staff's awareness and understanding of the Charter and its relevance to their day-to-day work;
- developing a tax technical training and accreditation framework to provide accurate and reliable advice;
- developing the Compliance Development Program for implementation across all Compliance Capabilities; and
- providing guidance to help and encourage staff to live the Charter.

**4.14** However, because there is currently no CMPS on customer service, there is no systematic approach to provide assurance that Charter principles are included in all relevant training materials. The ATO advised that there is a 'learning and development' CMPS being considered. The ANAO is of the view that this CMPS could incorporate guidance on integrating 'living the Charter' with other skilling and training initiatives. This would help maintain an

---

<sup>41</sup> This program aims to improve, support and maintain individual capability across all compliance activities in order to build and sustain the compliance capability of the Tax Office. It includes the development, delivery, support and maintenance of appropriate curricula. The program also aims to provide new starters and current tax officers (within compliance) with identified career paths across the whole Compliance sub-plan and a structured development program to support their progression.



ongoing approach to education and support to assist and encourage ATO staff to live the Charter.

## Clearance processes

**4.15** The ATO guarantees through its Charter, that it will:

Give you advice and information that you can rely on ... Offer professional service and assistance to help you understand and meet your tax obligations. This includes spoken or written advice which is clear, complete, accurate and consistent and information in publications that's easy to understand and readily available through our website or publications distribution service... provide a clear explanation of decisions we make about your tax affairs, except in limited circumstances where, for example, explaining a decision would breach another person's privacy.

**4.16** This undertaking requires a systematic clearance process that provides assurance that all advice, information and products that are issued by the ATO comply with the principles of the Charter. In that context, the ANAO examined the ATO's clearance processes for:

- technical material; and
- general correspondence.

## Technical clearances

**4.17** In reviewing the process for technical clearances, the ANAO considered two main categories of work: written binding advice and technical publications. Letters issued to taxpayers as a result of an audit finalisation process are discussed under General Correspondence.

### *Written Binding Advice*

**4.18** The ATO has systems and processes that support the drafting and issuing of all written binding advice.<sup>42</sup> These include:

- registration of all requests for written advice on the ATO's Technical Decision Making System (TDMS);
- guidance notes (which are similar to issues for consideration) placed on the TDMS to assist staff in preparing the advice;
- staff who make technical decisions access an on-line manual of policies, procedures and other instructions;

---

<sup>42</sup> Audit Report No.7, 2004–05, *Administration of Taxation Rulings Follow-Up Audit*.

- Law Administration Practice Statements issued under the authority of the Commissioner on issues escalation process and referral of issues to Centres of Expertise<sup>43</sup> where there is no precedent; and
- sign off requirements (either SES Officers with specific delegation from the Commissioner can authorise written binding advice or officers who are professionally accredited<sup>44</sup> and hold the appropriate authority under an instrument of authorisation) before issue of any written advice.

**4.19** The ANAO considers that these systems and processes help provide an overall assurance that the Charter principles are considered in the course of providing written binding advice.

### *Technical publications*

**4.20** The quality of written binding advice is tested through a structured quality assurance mechanism, but this is not the case for technical publications. Each Line has its own process for clearing technical publications. The ANAO identified processes within SB and GST as better practice. SB has a specific area that is responsible for clearing all technical publications.<sup>45</sup> When cleared, the material may be released through various print and electronic media, including hard copy publications, CD-Rom, radio and television and internal and external websites.

**4.21** The technical publications within SB are reviewed for accuracy, clarity, understanding and technical correctness (law and ATO Policy perspective). The ANAO was advised that Charter principles are considered when drafting and clearing publications for technical content. Guidelines for technical clearance implicitly refer to the Charter. For example, the guidelines state:

In providing technical clearance, reviewers must bear in mind that technical accuracy of published material is not the only concern, but also, whether the needs of clients are addressed in a fashion that they can understand and benefit from.

---

<sup>43</sup> ATO Practice Statement Law Administration (PSLA 2004/4) states that issues that do not have a precedent ATO view must be referred to a Centre of Expertise. This applies to all work that may give rise to such issues, including: written binding advice; other interpretative advice; technical clearance and authorisation, including drafting of publications; field work; litigation; objections and requests for amendments; law design and improvement; administration issues; public rulings; risk analysis and business intelligence; compliance strategy development; external education; and internal skilling.

<sup>44</sup> Refer to Appendix 5 for further discussion on professional accreditation framework.

<sup>45</sup> Examples include: taxation return forms, instruction books and guides, fact sheets, question and answer sheets, radio comments, flyers, minutes of meetings with externals and media advertisements.

**4.22** The GST Line also has its technical clearance procedures documented. There is explicit reference to produce documents that are easily understood by a varied audience. The procedures also explicitly state that the ATO aims to provide taxpayers and staff with clear and concise information. The ANAO noted that other Lines reviewed did not have technical clearance procedures documented to the same extent as SB or GST.

**4.23** The ANAO noted that the ATO is in the process of publishing a Law Administration Practice Statement (Practice Statement) on the technical clearance of ATO publications.<sup>46</sup> The ANAO reviewed the draft Practice Statement and found that it does not contain any explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process. Including such references in the Practice Statement would provide the ATO assurance that its technical clearance process for publications takes account of the Charter principles.

## Recommendation No.4

**4.24** The ANAO recommends that, when finalising the Law Administration Practice Statement on Technical Clearances, the ATO include explicit references to the Charter, or comment on the relevance of its principles to the technical clearance process. This would provide assurance that technical publications issued by the ATO take account of the Charter principles.

### *ATO response*

**4.25** Agreed. When finalising the Law Administration Practice Statement on Technical Clearances, we will include an explicit reference to the Charter and incorporate its principles into the clearance process. This will provide assurance that technical publications we issue take account of the Charter principles.

## General correspondence

**4.26** The ATO deals with approximately 60 million pieces of correspondence each year (not just letters). In light of the high volume of correspondence and as part of a continuous improvement process, the ATO initiated the Letters Improvement Project (LIP) in December 2002.

---

<sup>46</sup> This Practice Statement will apply to all ATO publications with technical content. However, TaxPack, publications referred to in TaxPack, and precedential ATO view documents as defined in paragraph four of Law Administration Practice Statement PS LA 2003/3, will be excluded from this definition as they are subject to substantive established clearance processes.

**4.27** The Project covered the content of outward correspondence (system generated letters and standard template letters)<sup>47</sup> and letters that deal with sensitive issues. The Project involved:

- developing *Correspondence Guidelines* to reflect community/business best practice. These now form part of the ATO's series of writing tools and are used in conjunction with the *ATO Style Guide*; and
- introducing a Correspondence Improvement Process, which includes a Corporate sign off procedure for all new or redeveloped general correspondence.

**4.28** The ANAO reviewed the Guidelines and the Style Guide and considered that they take appropriate account of the Charter principles and messages. While individual pieces of correspondence continue to be a Line responsibility, the ANAO was advised that Lines were adopting LIP clearance processes and implementing them as part of their work-flow. The ANAO considers that the LIP initiative strongly reflects the ATO 'living' the Charter.

**4.29** The ANAO noted that aside from the LIP, the PTax Line on the contents of some audit finalisation letters also consulted the Charter Team. The Team was requested to review the letters from a Charter perspective. The Charter Team's comments were considered and letters were altered to better align these with the Charter principles. The ANAO considers this as better practice.

**4.30** The ANAO considers that a CMPS on Customer Service (referred to in Chapter 3) could also provide useful guidance to Lines on Correspondence clearance procedures within the ATO.

## **Conclusion**

**4.31** The ATO has systematic processes in place to help provide assurance that all advice, information and products that are issued by the ATO comply with the principles of the Charter. The ANAO notes that while the quality of the written binding advice is tested through a structured quality assurance mechanism, this is not the case with technical publications.

**4.32** The ANAO has recommended improvements to the Practice Statement (currently in draft) that instructs staff on procedures to follow in obtaining technical clearances.

**4.33** The ANAO supports the clearance procedures for general correspondence initiated through the LIP. However, there is scope for Lines to

---

<sup>47</sup> These generally are issued in bulk to 500 or more people.

consult the Charter Team on letters that may involve some sensitivity and perhaps do not fall within the scope of LIP's mandate for clearance.

## Marketing and education

**4.34** The ATO considers effective marketing and education as crucial in its aim to maximise voluntary compliance.<sup>48</sup> The Charter is seen as one of the key tools in influencing compliance behaviour. For the Charter to be effective in influencing the compliance behaviour of the community, taxpayers need to be increasingly aware of their rights, obligations and of the available feedback mechanisms under the Charter.

**4.35** The ANAO considers marketing and education as an important support mechanism in helping achieve this objective. We therefore considered the:

- findings of the 2002–03 Charter Review that were relevant to taxpayers' awareness of the Charter; and
- ATO's initiatives in coordinating marketing and education activities to communicate charter messages to the taxpayer.

## Relevant findings of the Charter Review

**4.36** The research<sup>49</sup> undertaken as part of the 2002–03 Review of the Charter found evidence that the Charter had positively influenced the culture of the ATO and its relationship with the community. However, it had not directly empowered clients as envisaged by the JCPAA.

**4.37** Awareness of the Charter was found to be very low amongst taxpayers.<sup>50</sup> Very few taxpayers across all groups stated that the ATO staff had mentioned the Charter in their dealings with them (except Audit/Review Teams and Superannuation). In terms of its efforts in education, the Review

---

<sup>48</sup> This is because clients need to understand what they have to do to comply and to believe that the revenue system is fairly and firmly administered (resulting in everybody paying their fair share), and that those who deliberately seek to avoid paying tax will be detected and dealt with.

<sup>49</sup> This research covered individual, small and large business taxpayers, tax agents and other stakeholders across Australia.

<sup>50</sup> Less than 17 per cent had 'definitely heard about the Charter'. Small Business taxpayers indicated little awareness of either the existence or the content of the Taxpayers' Charter, with individual taxpayers almost universally unaware of the Charter.

found that professional stakeholders were not always happy with the handling of education efforts.<sup>51</sup>

**4.38** The Review concluded that simply producing and promoting a charter was not sufficient on its own to make taxpayers aware of their rights and obligations.<sup>52</sup> The Review recommended that the Charter Team work with other stakeholders, including business areas, to develop protocols and procedures to advise taxpayers of relevant rights and obligations as a normal part of all interactions. In this context, the ANAO considered the ATO's initiatives to improve Charter awareness amongst taxpayers.

### **ATO initiatives to improve Charter awareness**

**4.39** The ARL leads and manages the ATO's interface with the community, including media, telephony, web, paper, email and face-to-face channels. Some of the initiatives the ATO has undertaken to improve Charter awareness amongst taxpayers include:

- making the Compliance Program<sup>53</sup> publicly available since 2002–03;
- launching Brand strategy (referred to in Chapter 1) in 2003–04 to manage the quality of taxpayers' experience; and
- undertaking a Communications Audit in 2003 to assess how well the ATO meets its Charter commitments in its communications products, including whether these provide taxpayers with relevant information about their rights and obligations. The audit found that overall, the communication products examined were charter-friendly. The only issue of concern in a few cases was the need to inform taxpayers of their relevant rights and obligations, and the best way to do this.

**4.40** Although the ATO has undertaken these initiatives at a corporate level, currently there is no systematic approach to ensure that Charter messages are considered when developing communication products for taxpayers. The ARL has not developed a marketing and education strategy for delivery through Lines to maintain a consistent and coordinated approach to taxpayers' awareness of their rights and obligations.

---

<sup>51</sup> The ATO received feedback specifically in relation to the flood of documents that were required to be forwarded to tax agents/practitioners for distribution to their clients. The issue related to both the quantity and the requirement for the agent to distribute the documents—not only for the cost they must bear, but also because the documents will generate enquiries, which are not billable.

<sup>52</sup> Despite a major publicity campaign to launch the Charter in 1997 (including a formal launch, TV and newspaper advertising) only 21 per cent of taxpayers had heard of the Charter.

<sup>53</sup> Details planned activities for 2003–04 and is published on the ATO's website.

**4.41** ANAO's discussions with PTax and GST Lines indicated that Charter messages were being communicated through individual Line products. However, there was no overarching strategy to communicate Charter messages as part of each Line's normal interactions with the taxpayers.

**4.42** The ARL indicated that marketing and education is now established as a Capability (similar to Provision of Advice and Active Compliance) to improve management and coordination of marketing and education activities across the ATO. In this context, the Line is proposing to develop an overarching marketing and education strategy for delivery through Lines.

## Recommendation No.5

**4.43** The ANAO recommends that the ATO develop appropriate protocols and procedures to advise taxpayers of relevant Charter rights and obligations as a normal part of all interactions with the ATO. To maintain a consistent and coordinated approach, the protocols and procedures relating to Charter messages could be incorporated in the ATO's overall strategy for managing marketing and education activities across the ATO.

### *ATO response*

**4.44** Agreed. We recognise the importance of ensuring that taxpayers are aware of their rights and obligations in all their dealings with us. As shown by our research, taxpayers do not want to know of the Charter itself but of the levels of service they can expect, what is expected of them and what they can do to seek redress if needed. Therefore, our marketing and education material, while not being explicit about the Charter, must ensure that taxpayers are told what they need to know, when they need to know it.

**4.45** Our marketing and education activities are usually developed along this basis. However, we agree that to ensure consistency, we should integrate the Charter into our overarching marketing and education strategy as one of the key elements. This will ensure the Charter flows through to all business and service line practices.

## 5. Quality Assurance

---

*In this chapter we examine how quality assurance processes can be used to provide assurance that Charter principles are embedded into the ATO's business processes and that ATO staff are living the Charter.*

### Introduction

**5.1** Quality assurance processes are designed to provide useful information and assurance that business processes conform with an organisation's endorsed policy, procedures and practices. They can also be used as a continuous improvement mechanism to systematically identify the causes of problems and initiate improvements through constructive and timely feedback. Results of the quality assurance processes can be used as a measure to assess the effectiveness of the Charter (refer to Chapter 7).

**5.2** We examined some quality assurance processes undertaken across the three Compliance Capabilities (Provision of Advice [PoA], Active Compliance and Client Contact) and within the Operations Line (specifically relating to Debt and Lodgement) to determine whether they provide assurance that Charter principles are embedded into the ATO's business processes.

### Technical Quality Reviews

**5.3** Technical Quality Reviews (TQR) involve an examination of a random sample of completed work items to assess: their conformance with relevant Law Administration Practice Statements; technical correctness; and clarity in delivering the decision or advice. Results of the TQR are used also as a corporate outcome measure and form part of the ATO's Agency Agreement.<sup>54</sup> TQRs are conducted twice a year with each Line required to report to the Corporate Assurer, Technical Quality, in the Office of Chief Tax Counsel (OCTC) on the results within a specified period of their completion.

**5.4** The case population for each Line for the review period includes:

- all finalised work items<sup>55</sup>;

---

<sup>54</sup> The targets for 2003–04 (as a percentage of cases receiving 'A' grading—80 per cent for Lines and 90 per cent for Centre of Expertise [CoE]. This is to be increased by 3 per cent for CoE for 2004–05).

<sup>55</sup> This includes all written interpretative work items such as private rulings, administratively binding advice, class rulings, product rulings, disputes, litigations, interpretative decisions arising from active compliance activities and other interpretative advice.



- settlements<sup>56</sup>; and
- penalty work items.<sup>57</sup>

5.5 Therefore, this case population covers PoA, Debt and Lodgement and Active Compliance cases.

5.6 The ANAO considers the TQR process a useful measure to provide assurance that the ATO conforms with some Charter principles, such as: 'give you advice and information you can rely on' and 'explain to you the decisions we make about your tax affairs'. The TQR process also measures the principle relating to 'offer you professional service and assistance to help you understand and meet your tax obligations' through the criterion relating to reasoning and expression.

5.7 However, the ANAO noted that the TQR results are not used as a Charter measure. As with the planning process (discussed in Chapter 3), there is no explicit reference to Charter principles in the TQR documentation.

5.8 The ANAO also noted some limitations<sup>58</sup> with the TQR process. The ATO is aware of these limitations and has developed a Concept Brief to further improve technical quality by 2006. This will be achieved through a two-stage change process. In the medium-term (late 2005), the ATO will refine the infrastructure to enable longer-term change. It will undertake 14 immediate improvement activities at this stage. In the longer-term (2006), the ATO proposes to move from the current TQR model towards total quality management. The ANAO considers that this initiative would strengthen the TQR process and enable the ATO to place greater reliance on the results as a measure for assessing compliance with Charter principles.

5.9 Recognising the limited scope of the TQRs, Lines have implemented, or were in the process of implementing, supplementary QA processes to gain additional assurance on their PoA, Active Compliance and Debt and Lodgement case work.

---

<sup>56</sup> Includes all agreements, which have been finalised in accordance with the ATO Code of Settlement Practice and recorded on the ATO Settlements Register.

<sup>57</sup> Includes all cases finalised, where penalties should have been considered. For example, audits where adjustments have been made; objections against decisions where penalties have been applied; cases which apply or remit Failure to Lodge Penalty; Tax Shortfall Penalty and the General Interest Charge.

<sup>58</sup> The sample selected is not from a stratified population (by type of work or site) and cannot provide assurance on each area of advice. The methodology does not extend to a risk management approach to all aspects of case selection.

## Supplementary quality assurance processes

**5.10** The ANAO noted that the results of the supplementary quality assurance process could provide a useful measure of Charter compliance. However, the ANAO found that:

- these processes were unique to each Line and there was no consistency within each Capability; and
- many of the processes were evolving or in their initial stages of implementation.

**5.11** The TQR is a limited measure of the Charter, because of its approach to sample selection and its focus on technical accuracy. With regard to Active Compliance and Debt and Lodgement, it does not provide assurance on whether overall policy and procedures are being followed. Particularly, with respect to planning, conduct of audit, communication with the client, quality of documentation, storage of audit evidence, system integrity and appropriate authorisations.<sup>59</sup> Although the supplementary quality assurance processes aim to address the TQR limitations, they vary within each Capability. They are not implemented systematically to provide assurance on these broader aspects of business processes and compliance with Charter principles.

**5.12** The ANAO considers that if the ATO implemented a systematic approach to supplementary quality assurance processes within each Capability, it would help overcome the limitations of the TQR process. Therefore, the ATO could continue relying on the results of the TQR for a higher-level assurance on conformance with Charter principles. Such an approach would be consistent with the ATO's initiatives in achieving efficiencies by harnessing efforts across Lines. A consistent methodology across the ATO would also provide an increased assurance on the results.

## Recommendation No.6

**5.13** The ANAO recommends that the ATO consider a systematic approach to its supplementary quality assurance processes. Such an approach would complement the existing Technical Quality Review process by providing assurance on broader aspects of the business processes, including compliance with Charter principles.

---

<sup>59</sup> Charter principles expected to be embedded into these procedures are: treat you fairly and reasonably; treat you as being honest in your tax affairs; keep the information confidential; and administer the tax system in a way that minimises the cost of compliance.

## ATO response

**5.14** Agreed. We are currently examining ways to improve our measurement of technical quality. This should improve our ability to provide consistent assurance of our performance against relevant Charter commitments.

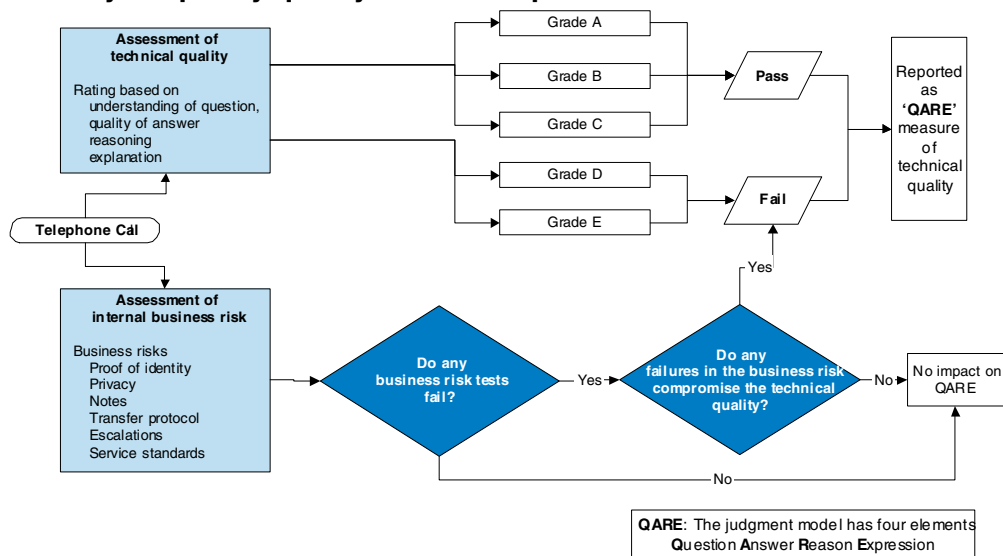
## Telephony Quality Reviews

**5.15** Oral technical advice is an important aspect of service provided by the ATO to assist taxpayers in a self-assessment system. Telephony Quality Reviews provide a 'corporate health' measure on the quality of advice provided to ATO clients. Similar to the TQR process, the Telephony Quality Reviews have been implemented across the Client Contact Capability. These have been implemented across all Lines that have call centres. The ANAO noted that the results of the Telephony Quality Reviews were a useful measure for gaining assurance on a number of Charter principles.<sup>60</sup>

**5.16** Broadly, there is consistency across the Client Contact Capability with regard to the Telephony Quality Reviews being undertaken. Figure 5.1 illustrates the telephony quality assurance process.

**Figure 5.1**

### Monthly telephony quality assurance process



Source: ANAO depiction of ATO information

<sup>60</sup> For example, treat you fairly and reasonably; give you advice you can rely on; offer you professional service and assistance to help you understand your tax obligations; respect your privacy; and be accountable for what we do.

**5.17** The ANAO considers that the technical and business risk aspects of the quality assurance process address a number of Charter principles. This is because a call can be failed if an ATO staff member:

- has not fully understood the question asked by the client, including not updating the ATO systems correctly, where applicable;
- does not provide a correct and current answer; and
- does not adhere to privacy principles and policy.

**5.18** The ANAO noted that similar to the TQR process, the Telephony Quality Review results are statistically valid for the call queue, but are only indicative of results by site. However, call centres supplement the quality reviews with the coaching process<sup>61</sup> to enable feedback at the site and individual level. The ANAO understands that the ATO is currently refining its telephony quality assurance processes to consolidate the information from quality assurance and coaching to improve staff performance. The ATO is keen to move towards a model where all information (i.e. Quality Assurance and coaching information) is captured on one database. Currently there is no systematic process for collecting coaching information across the Capability.

**5.19** Nevertheless, the Telephony Quality Reviews provide a useful measure of Charter conformance. The telephony quality assurance processes measure and uphold a range of Charter principles, relating to providing reliable and accurate advice, adherence to privacy principles, and provision of professional services and assistance.

**5.20** The ANAO noted that, currently, the Telephony Quality Reviews do not include calls that are transferred to other areas within the ATO. The ANAO considers that the ATO could consider the merits of including these calls, because it would benefit from a more complete corporate health measure on the quality of oral advice across the ATO.

**5.21** The ATO advised that it is in the process of implementing a client relationship management system over the next two years. This system is expected to enhance ATO's ability to conduct quality measurement on client contact areas beyond the call centres.

---

<sup>61</sup> A new-starter's calls are subject to quality assurance by designated coaches once a week. Subsequently, quality assurance is undertaken bi-monthly and after the initial induction period, each CSR's call is subject to quality assurance once a month (minimum 5 calls).

## 6. Handling of Complaints

---

*In this chapter we examine complaints handling as a key compliance mechanism in providing assurance that the Charter principles are embedded in the ATO's business processes.*

### Introduction

**6.1** 'Respect your right to make a complaint' is one of the services that is offered by the ATO under the Charter. This service was established to improve the relationship with taxpayers and provide them with assurance that their Charter rights are upheld within the ATO. There are a number of other Charter rights that become relevant when handling complaints within the ATO.<sup>62</sup> An effective complaints handling process is a useful monitoring and reporting tool on the ATO's performance against the Charter. It can serve as a sound compliance mechanism, as well as contribute to the ATO's continuous improvement process.

**6.2** Figure 6.1 shows the process for handling complaints within the ATO. Complaints are handled within the ATO at three levels Line, Relationship Management Program and ATO Complaints.

**6.3** The ATO Complaints (previously referred to as the Problem Resolution Service) was established in 1997 as an integral part of the introduction of the Charter. Its responsibilities include individual complaint resolution and strategic complaints management. In its strategic role, the Section works with the rest of the ATO to improve processes, systems and policies by attempting to identify systemic issues from complaints intelligence.

**6.4** As figure 6.1 shows, complaints are handled within each Line unless referred to ATO Complaints or received through the Ombudsman's office. Until November 2003, ATO Complaints was part of the Branch within the ARL that is responsible for the Charter. However, ATO Complaints now forms part of the ATO's Policy and Management Division, primarily because of its role in liaising with the Ombudsman's Office. One of the reasons for the move was to bring together areas involved in external scrutiny. In addition to the Ombudsman liaison role, the ATO views collection and analysis of intelligence from external complaints as a form of external scrutiny.

---

<sup>62</sup> These include: be fair and reasonable; provide professional service and assistance to help you understand and meet taxpayers' obligations; explain decisions made affecting the taxpayers; and be accountable for actions taken.

## Commonwealth and Taxation Ombudsman's investigation into ATO complaint handling

6.5 In June 2003, the Commonwealth and Taxation Ombudsman (Ombudsman) published a report on the ATO's management of its complaints.<sup>63</sup> This investigation examined both the ATO Complaints' and Lines' complaint handling practices and procedures. The review identified several weaknesses with the ATO's complaints handling processes and made a number of recommendations, many directly relevant to effective implementation of Charter principles within the ATO. These included:

- adopting a consistent complaint-recording system, capable of tracking complaints as soon as practicable;
- reminding Line staff of the need to promptly respond to complainants, consistent with the ATO's service standards;
- developing service standards in relation to complaint resolution; and
- implementing a quality assurance strategy for complaint-handling at all levels.

6.6 Given the recent Ombudsman's review, the ANAO examined:

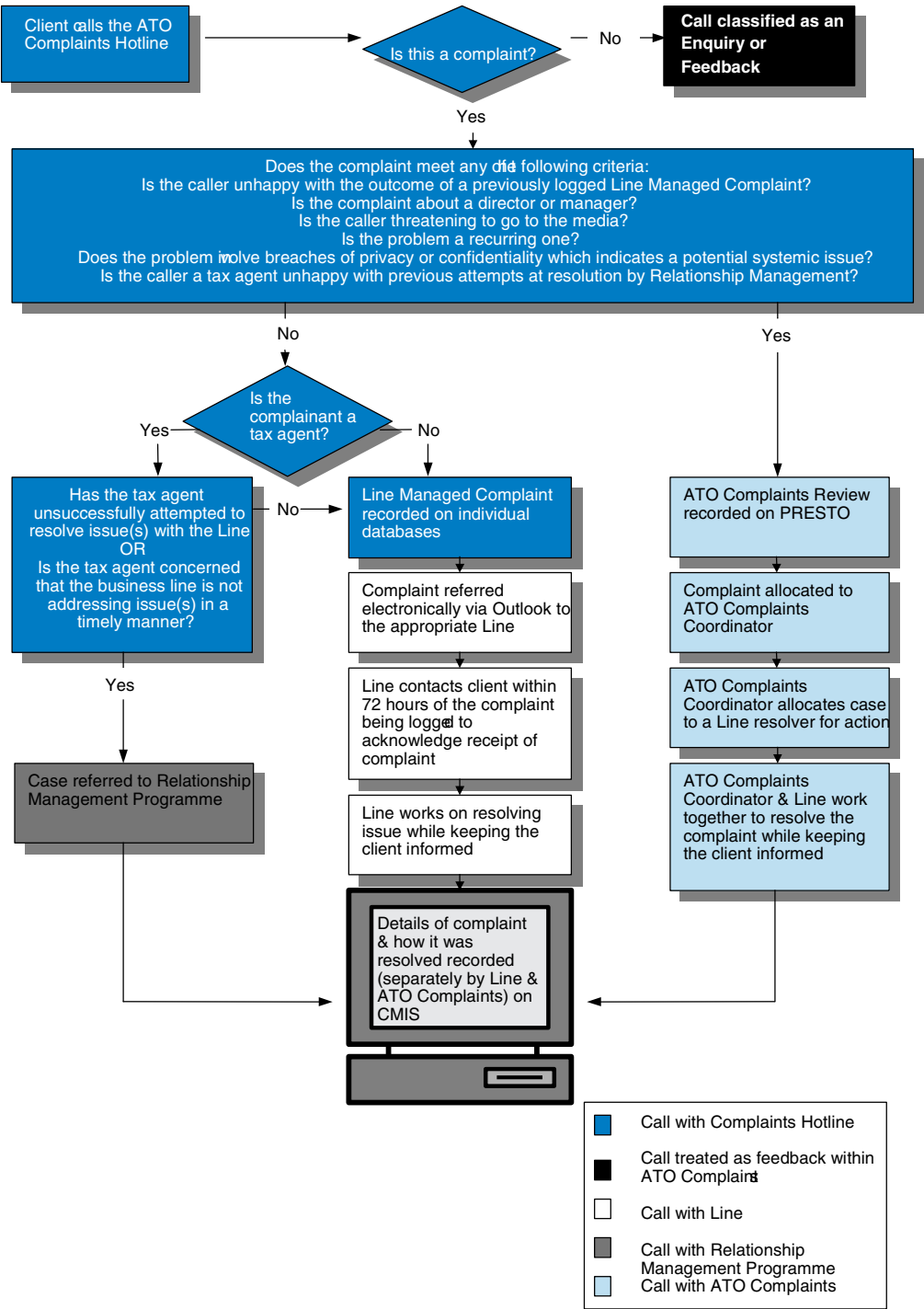
- the ATO's progress in implementing the Ombudsman's recommendations; and
- an indicative sample of complaints handled within each of the four Lines and ATO Complaints. We wanted to understand the nature of complaints, whether they were handled in an effective and timely manner and whether complaint information could be used as a measure to assess the ATO's conformance with the Charter.

---

<sup>63</sup> *Commonwealth and Taxation Ombudsman, Own motion investigation into ATO complaint handling, July 2003*. This report assessed the ATO's approach to complaint handling by both the ATO Lines and the ATO's specialist complaints unit, ATO Complaints. The report examined the ATO's progress in implementing the recommendations made by the Ombudsman in his 1999 interim report, *Complaints Handling in the Australian Taxation Office (Interim Report)*, and the ATO's current performance against the criteria of the Ombudsman's Good Practice Guide for Effective Complaints Handling (*Complaints Good Practice Guide*).

Figure 6.1

ATO complaints process



Source: ANAO depiction of ATO diagram

## **Complaints handling system**

**6.7** At the time of the audit, each Line maintained a separate system for recording and managing its complaints. There was inconsistent reporting of complaints information across the Lines. Although the complaints managed by ATO Complaints were recorded in some detail, they constituted only 5 per cent of the total complaints managed by the ATO.

**6.8** The ATO advised that the new complaints management information system (CMIS) (to be launched by the end of November 2004) will overcome a number of deficiencies relating to management of complaints within the ATO. The ATO expects the new CMIS to:

- improve the recording of complaints data across all Lines;
- strengthen the ATO's ability to report and analyse complaints data;
- introduce a consistent quality assurance process for complaints handling; and
- have a Charter perspective.

**6.9** The ANAO noted that the CMIS will categorise complaints according to the ATO's commitments under the Charter. For example, it will document information relating to the outcome of the complaint; the specific Charter principle that was not met; performance against the Client Service Standards; and comparative information across all Lines.

**6.10** The ANAO acknowledges that CMIS should result in significant improvements to complaints handling within the ATO. However, the ANAO is also aware that two separate areas (ARL and Policy and Management Division) handle responsibilities relating to implementation of complaints and the Charter within the ATO. Therefore, it is important that there is effective coordination of information between the two areas to identify issues relating to Charter performance and improve its reporting and accountability across the ATO.

## **Quality assurance of complaints**

**6.11** The ATO is designing procedures to support the CMIS to ensure consistent business practices when the system is launched. It introduced an ATO-wide complaints quality assurance process in March 2004. This process aims to provide corporate assurance about the integrity and effectiveness of the complaint resolution process. The ATO believes that this should lead to enhancing the client's experience in their dealings with the ATO.



**6.12** The complaints handling quality assurance model has been adapted from the ATO's Judgement Model (discussed earlier) and is designed to reflect the unique requirements of complaint resolution.<sup>64</sup> The complaints QA process assesses two key characteristics of complaint resolution: Issues Management<sup>65</sup> and Contact Management.<sup>66</sup> The results of the quality assurance are reported against these two criteria and at the Line level. The results are analysed by ATO Complaints for inclusion in the monthly complaints report to the ATO Executive. Benchmarks<sup>67</sup> have been established in terms of the results Lines are expected to achieve.

**6.13** The ANAO noted that the quality assurance checklist contains a specific question relating to compliance with the Charter. However, other questions on the check-list also implicitly relate to the Charter. For example, were the actual issues identified by the resolver correct; did the resolver follow through to ensure that the remedy actually took place; were case notes and any communication with the client professional, clear and in plain English; and was regular contact maintained with the complainant?

**6.14** The ANAO believes that the ATO should consider using the results of the complaints quality assurance process as a measure for reporting on the ATO's performance against its Charter. It would be a relevant measure for Charter principles such as A, C, E, H, I, K and L (see Figure 1.2). There would also be benefit in reporting on the overall quality result for complaints. The results from Issues and Contact Management could be amalgamated to produce an overall result to indicate whether the case was handled satisfactorily.

## **ANAO's analysis of complaints**

**6.15** As referred to in paragraph 6.6, the ANAO examined a sample (70 cases) of complaint cases handled by the four Lines and ATO Complaints to provide an indication of complaints handling within the ATO.

---

<sup>64</sup> The quality assurance model has been adapted to introduce a 'documentation' component to facilitate an assessment of the complainant's interaction with the ATO resolver.

<sup>65</sup> Assesses the identification and management of the issues raised by the complainant and how they were finalised.

<sup>66</sup> Assesses how the resolver communicates and maintains a relationship with the complainant. The reviewer will determine how the resolver has sought to improve the complainant's experience with the ATO by working with them to resolve the issues.

<sup>67</sup> Lines are expected to achieve: a 'pass' rating of 90 per cent or higher and an 'A' rating of 80 per cent for both Issues and Contact Management.

**6.16** The overall results are summarised below:

- almost 63 per cent of the cases examined were found to be either upheld or partially upheld, that is, it was a valid complaint; and
- in analysing the nature of the complaints, the ANAO found that in the majority of the cases, the Charter principle relating to offering professional services and assistance was not met. Two other principles that were also often not met related to giving advice and information the taxpayer could rely on and minimising the cost of compliance.

**6.17** With regard to the timeliness standard, the ANAO found that, in over a third of the cases examined (33 per cent), the standard relating to contacting the complainant within three days of lodging the complaint, was not met. On the other hand, in almost 80 per cent of the cases, the ATO met the resolution standard of 21 days (yet to be published externally).

**6.18** The majority of the information referred to above<sup>68</sup> is currently not analysed or reported across the ATO. However, the ATO expects to rectify this with CMIS. The ANAO considers that analyses of some of the trends referred to above would provide useful information on Charter performance.

**6.19** The ANAO also examined the results of the complaints quality assurance for the four Lines included in this audit. The following table presents the data over a period of four months.

**Table 6.1**

**Analysis of quality assurance results of complaints—proportion with ‘pass’ and ‘A’ grade rating<sup>69</sup>:**

| Line       | Issues Management<br>% ‘Pass’<br>Rating | Issues Management<br>% ‘A’ Rating | Contact Management<br>% ‘Pass’<br>Rating | Contact Management<br>% ‘A’ Rating |
|------------|---|-----------------------------------|--|------------------------------------|
| GST        | 55                                      | 29                                | 76                                       | 57                                 |
| SB         | 71                                      | 52                                | 86                                       | 79                                 |
| Operations | 73                                      | 45                                | 80                                       | 70                                 |
| PTax       | 79                                      | 34                                | 81                                       | 54                                 |

Source: ATO

<sup>68</sup> The timeliness standard is partially reported based on cases handled by ATO Complaints area.

<sup>69</sup> These are average results over a period of four months (March 04 to June 04).

**6.20** The results show that there is significant scope for improvement in complaints handling if most of the Lines are to achieve either a 'pass' or an 'A' rating.

**6.21** The ANAO understands that the ATO Complaints is in the process of investigating the options of establishing benchmarks for what is an acceptable level of complaints received and upheld. The ANAO considers that these initiatives (such as the quality assurance and benchmarking) would strengthen the ATO's capacity to meet its Charter commitments.

## Conclusion

**6.22** The Ombudsman's report identified a number of weaknesses within the ATO's complaints handling system. The ATO has implemented or is working towards implementing the Ombudsman's recommendations.

**6.23** The CMIS, when implemented, should be a valuable source for assessing Charter performance. The ANAO has identified opportunities for improving the current arrangements relating to complaints with a view to strengthening its relationship to Charter performance. These include:

- effective coordination of complaints information between ATO Complaints and the Charter Section;
- analysing complaints trends on implementation of CMIS; and
- using the results of the complaints quality assurance process as a measure for reporting on ATO's performance against the Charter.

## Recommendation No.7

**6.24** The ANAO recommends that the ATO analyse and coordinate complaints information between ATO Complaints and the Charter Section. This would help identify issues relating to Charter performance and improve its reporting and accountability across the ATO.

### *ATO response*

**6.25** Agreed. Complaints information and analysis will provide valuable insight into our performance against the Charter commitments. We will incorporate this data into the Charter measurement process outlined in our response to Recommendation 8.

## 7. Monitoring and Reporting

---

*This chapter examines the ATO's arrangements for monitoring its performance against Charter commitments. We also reviewed the internal and external reporting arrangements through which the ATO accounts for its Charter performance.*

### Introduction

**7.1** The *Client Service Charter Principles* specify that agencies should publicly account for their performance against their Charter. The public and staff would then be aware of the Charter. It would also allow the public to assess and provide feedback on the agency's service-related performance. The Commissioner provides an undertaking in the Charter to monitor the ATO's performance against the commitments in the Charter, with input from taxpayers, ATO staff and others.

**7.2** In reviewing this area, the ANAO aimed to establish whether the ATO effectively monitors and reports (internally and externally) on its performance against the commitments in the Charter.

### Monitoring Charter performance

**7.3** Charter performance measures should ideally be developed at the same time as the Charter principles. Without such measures, monitoring and reporting on the Charter performance will pose a challenge.

**7.4** The ANAO examined whether the:

- ATO has developed measures (qualitative and quantitative) to monitor its performance against the Charter commitments; and
- measures developed were effective in monitoring ATO's performance against the Charter.

### Measures to monitor Charter principles

**7.5** The ANAO noted that at the time of the audit, the ATO did not have a strategy or a systematic approach to measure its performance against Charter principles. The qualitative and quantitative measures that were used provided limited assurance that practices and procedures complied with Charter principles. During the audit, the ATO advised that it is formulating a Charter measurement strategy with a view to reporting on its Charter performance by March 2005.

**7.6** Appendix 7 outlines the qualitative and quantitative measures the ATO uses to assess its performance against some of the Charter principles. The ANAO has suggested some additional qualitative Charter measures based on

our review of business processes (in Chapter 5 and 6). These are also identified in Appendix 7. The additional suggested measures do not require the ATO to introduce new processes to measure the effectiveness of the Charter principles. They involve using existing information and procedures to assess the effectiveness of the Charter.

## Recommendation No.8

**7.7** To better monitor its performance against the commitments made in the Charter, the ANAO recommends that the ATO:

- finalise its Charter measurement strategy; and
- develop qualitative measures (using existing business processes) to provide assurance on the quality of the relationship with the taxpayer and the quality of services provided.

### *ATO response*

**7.8** Agreed. We have a long history of monitoring and reporting our performance across the range of our activities. This means that we will be able to use current qualitative and quantitative measures to give a comprehensive view of our performance against the Charter commitments without the need to develop significant new measures. We have finalised our measurement strategy to report on our performance explicitly against the Charter commitments. Work is well underway to implement this with the first report planned for March 2005.

### *External measures*

**7.9** In addition to the potential measures identified at Appendix 7, the ATO could take account of the work undertaken by external stakeholders where it is directly relevant to measuring the ATO's performance against the Charter. In this context, the ANAO noted the Centre for Tax System Integrity's (CTSI) research work on the Charter.<sup>70</sup>

**7.10** Amongst other projects, CTSI conducted two surveys in 2000<sup>71</sup> and 2002<sup>72</sup>, to obtain a picture of the beliefs, attitudes and motivations held by Australian citizens with respect to the ATO, the tax system, Australian

---

<sup>70</sup> CTSI was established in 1997 with the following broad terms of reference: examine the needs, values, attitudes and behaviours of all key players in the tax system, from tax officers themselves through taxpayers and tax agents, to those who are beneficiaries of the tax system.

<sup>71</sup> *Community, Hopes, Fears and Actions Survey*, Valerie Braithwaite, Monika Reinhart, Malcolm Mearns and Rachelle Graham, April 2001.

<sup>72</sup> *Australian Tax System: Fair or Not Survey*, Valerie Braithwaite, Monika Reinhart, Malcolm Mearns and Rachelle Graham, report yet to be finalised.

democracy, and fellow taxpayers during the first phase of tax reform. Taxpayers were asked about the degree to which they considered the ATO met its obligations under the Charter. Overall, the results were positive. With regard to most of the principles, the respondents generally agreed that the ATO meets its obligations 'at least most of the time'. However, one issue that the surveys identified might be cause for some concern. The performance of the ATO on the Charter principles dropped between the 2000 and 2002 surveys.

**7.11** CTSI survey results have not been used as measures by the ATO to understand or inform on performance against the Charter.

**7.12** The lack of a comprehensive Charter measurement strategy to monitor Charter performance has had an impact on the ATO's capacity to report on its conformance with the Charter principles. The ATO's internal and external reporting mechanisms are discussed in the following sections.

## Internal reporting

**7.13** The Charter has an impact on many areas of the ATO's day-to-day operations. Some of the Charter principles constitute fundamental rights of, or protections for, the taxpayer (some with a legislative basis). In those cases, the key issue is whether the ATO is maintaining systems to allow taxpayers to benefit from these rights or protections. Some of the matters covered in the Charter (for example, privacy and security) are managed by the ATO under a combination of the guidance in the CMPS and the Certificates of Assurance (CoA) in relation to such topics. Maintaining appropriate standards on these matters generally would not prompt any particular response from taxpayers and therefore does not require regular reporting. It is those matters that can positively or negatively affect taxpayers directly, that should be a focus of ongoing reporting.<sup>73</sup>

**7.14** The ANAO examined some key reports used by the ATO to ascertain whether there was regular reporting to provide an assessment of these matters. In addition to these reports, the outcomes of the ATO's Community Perceptions Survey<sup>74</sup>, the CTSI Surveys (or other independent research) and the

---

<sup>73</sup> For example, where the ATO indicates that it will: treat you fairly and reasonably; offer you professional service and assistance to help you understand and meet your tax obligations; give you advice and information you can rely on; explain to you the decisions about your tax affairs; and administer the tax system in a way that minimises your cost of compliance.

<sup>74</sup> The purpose of this survey is to capture trend data to monitor community perceptions of the ATO and its administration of the tax system over time.

ATO Professionalism Survey<sup>75</sup>, provide important inputs to any overall reporting arrangements related to the ATO's performance in meeting its responsibilities under the Charter.

## Corporate Outcome Measures, Service Standards Performance, Monthly Report

**7.15** This report provides an ATO-wide view of timeliness. Business activities must to be accomplished within set times, and a set percentage must be achieved within these time limits. Examples of the standards and benchmarks applied in 2003–04 are set out in Table 7.1. The ATO met or exceeded its benchmark for all service standards identified in this table, except one (general correspondence).

**7.16** Appendix 8 details a list of all Client Service Standards for 2003–04 and also reports on the ATO's performance against these standards.

**Table 7.1**

### Client Service Standards Performance

| Service Standard                        | Standard      | Benchmark (%) |
|---|---------------|---------------|
| Electronic income tax return lodgements | 14 days       | 96            |
| Paper income tax return lodgements      | 42 days       | 92            |
| Activity statement refunds              | 14 days       | 92            |
| General correspondence                  | 28 days       | 87            |
| Private rulings                         | 28 days       | 80            |
| Telephone general enquiry service       | 2 min / 5 min | 83            |

Source: Corporate Outcome Measures Service Standards Performance 2003–04 Monthly Report (December 2003)

**7.17** The ANAO considers that this report provides important information that can contribute towards comprehensive Charter reporting. The principal limitation of the measures reflected in the report is that they relate only to timeliness, and include nothing about the quality of the advice or service provided to taxpayers.

<sup>75</sup> The ATO has been conducting this survey of staff professionalism since 2000. It is undertaken every six months. The November 03 and May 04 surveys were improved in a number of areas. With regard to the Charter, the survey now specifically matches its questions to Charter principles.

**7.18** In addition, the ANAO noted that this report does not explicitly draw the relationship between the Client Service Standards and the Charter, although these measures are commonly referred to as Charter measures within the ATO. For example, in the Compliance Heartbeat Reports (discussed paragraphs 7.19 to 7.23) these measures are included in boxes headed ‘Taxpayer Charter Performance’. As discussed in Chapter 3, explicitly reinforcing these relationships would help increase Charter awareness and understanding among ATO staff.

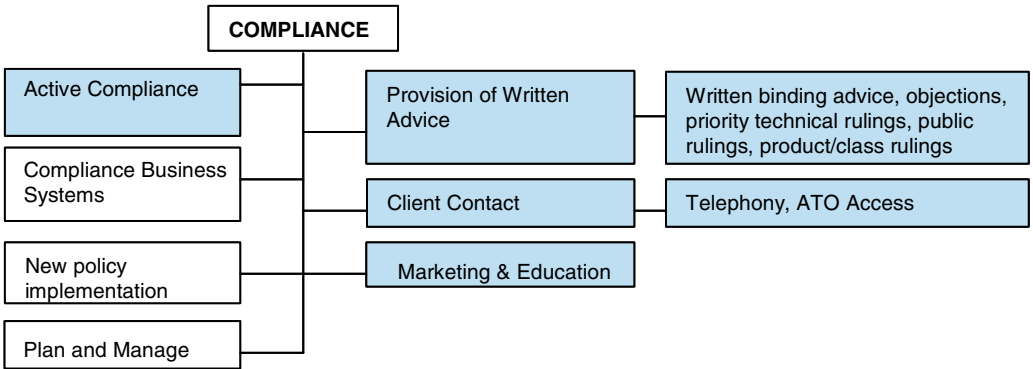
**Compliance and Operations Heartbeat Report**

**7.19** This report is a major monthly report that is compiled by the Compliance area of the ATO, and considered by the Compliance Management Meeting each month. It contains some quantitative material (including service standard information). Some material is only included periodically, when new data is available (for example, the results of Technical Quality Reviews which are conducted twice per year). The June 2004 report included information related to the quality of technical advice.

**7.20** Figure 7.1 outlines the range of information relating to Compliance in this report and highlights the areas that have particular relevance in measuring Charter principles. The areas that are shaded in Figure 7.1 contain information that would assist in reporting against the Charter principles.

**Figure 7.1**

**Compliance reporting in the Heartbeat report**



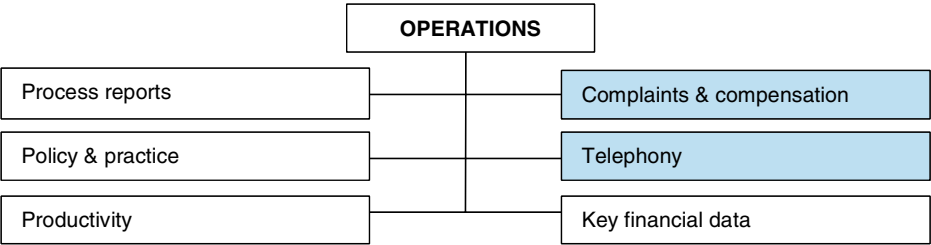
Source: ANAO analysis of ATO information

**7.21** Similarly, there are areas of reporting in relation to the Operations sub-plan that have implications for how well the ATO is meeting the Charter. These are shown in Figure 7.2.



Figure 7.2

Operations reporting the Heartbeat Report



Source: ANAO analysis of ATO information

7.22 There is considerable reporting in this Heartbeat Report relating to Charter principles. However, the ANAO is unaware of any internal reporting arrangements that include comprehensive reporting on these principles. Reporting could cover quantity, timeliness and quality matters for such areas as Provision of Written Advice, Active Compliance, Client Contact, Complaints and Compensation. This would form a more comprehensive reporting of Charter related responsibilities.

7.23 In the Compliance section of the Heartbeat Report, a substantial amount of reporting related to telephony could contribute to a report relating to the Charter. This section includes information relating to the volume of calls, the timeliness of answer times and the results of telephone quality reviews. This section also includes comments on or explains particular results and changes from the previous reported figures.

Certificates of Assurance

7.24 Through the CoA process, the ATO seeks to assure conformance with a broad range of internal integrity matters that form part of the ATO’s integrity framework (these are provided either once or twice a year). The CoA process enables the ATO to demonstrate conformance with relevant statutory and legislative requirements. Those involved in presenting material related to the CoA process are required to follow a due diligence process in coming to a position on the level of conformance. CoAs are normally provided by the relevant national program manager to the appropriate Second Commissioner, and from the Second Commissioner to the Commissioner, noting:

- the matters that are required to be assured;
- the level to which the ATO has complied with the matter; and
- the basis on which the assurance has been given.

7.25 In July 2003, as part of the annual CoA process, the ARL acknowledged a need for more work in order to provide whole of agency reporting on Charter principles. The Line recognised that good governance requires a more

comprehensive approach to measuring conformance with Charter principles than existed within the ATO.

**7.26** In April 2004, as part of the CoA process<sup>76</sup>, ARL also stated to the ATO Executive that, traditionally, the ATO has not reported on qualitative performance against the Charter. Although the Charter includes the standards of quality of the relationship with the client and standards of the quality of services provided, the ATO does not report on performance in these areas.

**7.27** However, the ATO advised in August 2004 that it had developed a strategy that should help provide assurance on the ATO's performance against the commitments made in the Charter. It expects the strategy to be implemented (with reporting on performance as part of the CoA process) by March 2005.

### *Integrity indicators report*

**7.28** The ATO uses this monthly report as a guide to determine what should be covered in some of the CoA. The integrity report covers a broad range of the ATO's integrity related matters. Key Charter measures included in this report are external complaints and internal conformance complaints. Other measures are concerned with some of the underlying systems that relate to the ATO's ability to meet the Charter principles, such as security.

**7.29** Comprehensive complaints information could form an important part of the reporting on how the ATO is managing its responsibilities under the Charter. The ANAO has addressed this issue in Chapter 6.

## **Conclusion**

**7.30** The ATO has limited reporting arrangements regarding its Charter responsibilities. The regular internal reports that refer to the Charter are limited to certain timeliness measures. The ANAO considers that the ATO should examine the material that it has available in its existing reports and develop a framework for regular internal reporting against the Charter. This framework would include measures related to quantity, quality and timeliness, and would also draw on relevant internal and external surveys.

---

<sup>76</sup> When providing the ATO executive with assurance in relation to Customer Service.

## Recommendation No.9

**7.31** To facilitate improved internal reporting against Charter performance, the ANAO recommends that the ATO examine the material that it has available from its existing reports, and develop a framework for regular internal reporting in relation to its responsibilities under the Charter.

### *ATO response*

**7.32** Agreed. Our current reporting includes considerable evidence of our performance against the Charter commitments—both qualitative and quantitative. Our measurement strategy factors this existing evidence into the regular reporting outlined in our response to Recommendation 8.

## External reporting

**7.33** In paragraph 7.1 we mention the *Client Service Charter Principles* requirements that agencies must publicly account for their performance against their Charters. The *Client Service Charter Principles* also state that:

Agencies are accountable for their performance against their service charter standards and must: publish performance against Charter commitments in the departmental Annual Report each year; and provide Charter performance information annually to the Department of Finance and Administration for the Whole-of-Government Report on Service Charters.<sup>77</sup>

**7.34** In this section we examine how the ATO meets its external reporting requirements on Charter performance.

**7.35** The ANAO noted that, in accordance with the *Client Service Charter Principles*, the ATO has regularly reported on its performance against the CSS in its annual report. However, the information on performance does not extend beyond the timeliness standards to report against the broader Charter commitments (that is, the 13 principles). As discussed previously, this can be attributed to the lack of a Charter measurement strategy.

**7.36** The ATO has recognised that it needs to improve its external reporting on performance against the Charter commitments. For the 2003–04 Annual Report, the ATO has reported against the Charter commitments by referencing the various initiatives in the Annual Report to the Charter principles. It has also identified the current measures used to assess performance against each of the Charter principles.

---

<sup>77</sup> Responsibility for service Charters was transferred from the Department of Finance and Administration to the Australian Public Service Commission, following changes to the Administrative Arrangements order in November 2001.

7.37 The ANAO considers that, by implementing the recommendations relating to monitoring and internal reporting, the ATO can improve its reporting on performance against the Charter in its Annual Report.

7.38 The ANAO noted that the ATO also participated in the surveys undertaken (agency and employee) for the 2002–03 State of the Service Report.<sup>78</sup> The agency survey sought high-level information relating to service charters and their monitoring and reporting within the agency. Similar to the agency survey, the employee survey<sup>79</sup> included a section on staff awareness of the Charter. The ANAO's review of the ATO's results indicated that the majority of staff were aware of the Charter and its contents.

---

Canberra ACT  
17 December 2004



P. J. Barrett  
Auditor-General

---

<sup>78</sup> Section 44 of *Public Service Act 1999* (PS Act) provides that the Public Service Commissioner must provide a report to the Prime Minister for presentation to the Parliament, which includes a report on the state of the Australian Public Service (APS) during the year. The State of the Service report draws on a range of information sources. One of its main sources is a survey sent to all APS agencies employing more than 20 staff under the PS Act. Associated with the State of the Service Report 2002–03 is another publication, the State of the Service Employee Survey Results 2002–03. These results provide aggregate results of the APS employee survey conducted to inform the State of the Service report.

<sup>79</sup> This survey involved seeking a stratified random sample of 6279 APS employees to participate in the survey. A total of 3181 valid responses were received. A total of 311 employees from the ATO were included in the sample. 152 of those selected responded to the survey, representing a response rate of 48.9 per cent, which was lower than the overall APS response rate of 50.7 per cent.

# Appendices



## Appendix 1: ATO response



**Australian Government**  
**Australian Taxation Office**

**SECOND COMMISSIONER OF TAXATION**

Mr Oliver Winder  
A/g Auditor General  
Australian National Audit Office  
GPO Box 707  
Barton ACT 2600

Dear Mr Winder

### **ANAO Performance Audit – Taxpayers’ Charter**

Thank you for the letter of 29 October 2004 from your Executive Director Mr Peter White, and the opportunity to provide comments on the proposed audit report on the Taxpayers’ Charter (the Charter).

The Charter was introduced in 1997 and was one of the first ‘service’ charters introduced by a Commonwealth agency. The principles that underpin the Charter were derived following a great deal of work and consultation. These have since been revalidated by the community through the Charter’s review.

Since the Charter’s introduction, we have been concerned with ensuring that our practices reflect the Charter’s principles. This is the case not only with our help functions but also in the way we plan and conduct our compliance activities.

Our approach is to advise taxpayers of the levels of service they can expect, what is expected of them and what they can do to seek redress if needed. This goes to the heart of the relationship we seek with the community and maintaining community confidence in our management of Australia’s revenue systems.

We are pleased that the Australian National Audit Office report recognises and acknowledges the commitment we have to our Charter, the work that we have done in reviewing and updating it and the practices we have in place that underpin it. We would also like to see this positive recognition of both our commitment and performance carried through to the overall conclusion. Read in conjunction with the rest of the report, the conclusion summarises areas for improvement based on what has been achieved to date. Taken in isolation, it lacks the context of what has been achieved.

We do agree with all the recommendations made in the report and see them as suggested improvements to our current practices in relation to the Charter. Several of the recommendations are consistent with the findings of our review of the Charter and, as indicated by our responses, were being developed or implemented at the time of the review.

PO BOX 900 CIVIC SQUARE ACT 2608 AUSTRALIA  
ADDRESS

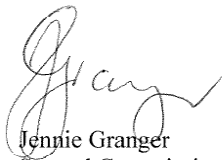
+61 (0)2 6216 1111  
TELEPHONE

+61 (0)2 6216 2743  
FACSIMILE

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

Thank you for your constructive approach to this review. In particular, we appreciated the professionalism of your auditors, Medha Kelshiker and Janna Gilbert.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Granger', written over the printed name.

Jennie Granger  
Second Commissioner of Taxation

29. November 2004



## Appendix 2: Client Service Charter Principles

| <i>Client Service Charter Principles</i>   | Met? | ANAO comments                                   |
|--|------|---|
| <b>Informing clients about the agency:</b> |      |   |
| Agency logo                                | ✓    | Australian Government logo                      |
| What agency does/who are the clients       | ✓    | Explained                                       |
| Agency head statement                      | ✓    | In foreword                                     |
| Relationship to portfolio                  | ×    | Not stated                                      |
| <b>Avenues of Communication</b>            |      |   |
| How to contact the agency                  | ✓    | Number of options given                         |
| Facilities for the disabled                | ✓    | TTY, Braille, etc                               |
| Service counter facilities                 | ×    | Not provided (conscious ATO decision)           |
| Opening hours                              | ×    | Not stated                                      |
| Online services                            | ✓    | Explained                                       |
| *Client service standards                  | ✓    | Clearly stated                                  |
| <b>Client rights</b>                       |      |   |
| Review and appeal                          | ✓    | Clear info given                                |
| Lodge a complaint                          | ✓    | Clear info given                                |
| Privacy and confidentiality                | ✓    | Explained                                       |
| See information held about them            | ✓    | Info about steps for this                       |
| Appropriate access to services             | ✓    | Many options given                              |
| <b>Clients responsibilities:</b>           |      |   |
| Treat staff with courtesy                  | ✓    | Explained                                       |
| Attend meetings on time                    | ✓    | Explained                                       |
| Provide requested information              | ✓    | Explained                                       |
| Abide by the law                           | ✓    | Explained                                       |
| *Client feedback and complaints            | ✓    | Explained                                       |
| Agency welcomes feedback                   | ✓    | Email and address given                         |
| Info on how to make a complaint            | ✓    | Instructions given, including Ombudsman details |
| Info on how to give Charter feedback       | ✓    | Email and address given                         |
| Complaints mechanism is accessible         | ✓    | Numerous avenues available                      |
| Record complaints and feedback             | ×    | No info on how complaints recorded              |
| Recognition of AS 4269-1995                | ×    | Not evident                                     |
| Regular reviews                            | ×    | First review ongoing                            |
| Reporting performance vs standards         | ✓    | CSS reported in the Annual Report               |

Source: ANAO, based on Finance *Client Service Charter Principles* (2000) and Taxpayers' Charter (2003).

\* Indicates mandatory charter element

### Appendix 3: Examples of better practice

#### Examples of better practice relating to implementing, monitoring and reporting on charters

|  | Implementation  | Monitoring  | Reporting  |
|--|---|---|--|
| Australian Associated Motors Insurance | Annual 2 day charter conference between staff and senior management. Gives participants an opportunity to identify implementation issues relating to existing charter principles. Gives management the chance to annually revisit the charter<br>Only put promises (principles) into the Charter when know they can measure them; measures are developed in parallel with principles<br>Awards \$30 to clients when don't meet charter promises | Ongoing audits into the charter promises by independent auditors  | Publishes a specific annual report on the charter. Includes an update on 'promise management', audit procedures and also some case studies against these promises. Reports on the amount of penalties paid to clients. |
| Child Support Agency                   | Client Charter Support Package which aims to help staff understand how the Charter applies to them, in their job.   | Use a Client Satisfaction Survey to monitor charter performance. Clients complete questions over the phone, and key in their responses on a scale of one to seven. All questions measure Charter elements and results can be traced back to individual teams. |  |
| New Zealand Inland Revenue Department  |   |   | Has a quarterly 'Report on Charter Compliance' which measures how successfully the department has complied with charter principles.<br>Annual report includes a summary of initiatives supporting the charter          |

Source: ANAO

## Appendix 4: Principles outlined in the Change Program sub-plan

- You will be able to **do business with us online**- whether through our services or your commercial services;
- You will have **online access to information** that is personal to your dealings with us;
- You will **deal with a tax officer** who has an understanding of your dealings with us and, in some cases, your industry;
- You will **receive notices and forms that make sense** in your terms and that reflect your personal dealings with the revenue system;
- You will receive **high quality responses** to your issues and interactions;
- We will be **reasonable about the level of record keeping required** that is necessary for you to practically comply with your tax obligations;
- We will facilitate the use of commercial services developed to **ease the cost of your record keeping** and compliance with the law;
- You will experience compliance action which **takes into account your compliance behaviour**, personal circumstances and level of risk in the system; and
- If you are a tax agent we will also **acknowledge the important role you play** in the administration of our revenue laws and will develop an open and constructive relationship with you, recognising your practice management issues in our administrative design.

Source: ATO, Change Program Sub-Plan, Part A, pages 6–7

## Appendix 5: Technical training framework

| Provision of Advice   | Client Contact   | Active Compliance  | Debt & Lodgement   |
|---|--|--|--|
| <p>Tax technical training accreditation framework, coordinated and managed by the Office of Chief Tax Counsel (OCTC), includes:</p> <ul style="list-style-type: none"> <li>providing guidance to staff on process and technical aspects through Law Administration Practice Statements, online system and structured training; and</li> <li>a professional accreditation process that focuses on a range of capabilities<sup>80</sup> required to produce high-quality decisions and provide effective technical leadership.</li> </ul> | <p>Training framework currently developed and implemented by individual Lines. There is a structured process for skilling new starters to Line Call Centres. PTax was identified as better practice. Key features:</p> <ul style="list-style-type: none"> <li>all new Customer Service Representatives are required to undertake the Frontline Induction Program, to enable a nationally consistent approach to training;</li> <li>on completion of the induction program, new starters are assessed on their capability; and</li> <li>as part of an incremental approach to training, new staff gradually progress through more advanced skillset phases.<sup>81</sup></li> </ul> | <p>Technical training currently driven at the Line level:</p> <ul style="list-style-type: none"> <li>SB: Charter concepts and principles are being integrated into its Field Development Program to assist staff understand how the Charter applies to them and their clients;</li> <li>GST: Charter principles incorporated into a field product, <i>Negotiation in the Field</i> which discusses effective negotiation, settlement and conflict resolution; and</li> <li>PTax: Implements a skilling program on a needs basis. Training strategies may involve participating in corporate and capability skilling processes or implementing specific packages relevant to PTax compliance staff. As well, Audit Guidance Notes (which contain references to Charter principles) are issued to assist staff undertake compliance activities.</li> </ul> | <p>In 2003, the ATO developed an accreditation program for technical advisers within Debt and Lodgement. This program aims to ensure that staff who provide technical interpretive advice in the debt, lodgement and accounting areas have the required knowledge to perform their roles.</p> <p>The ANAO was advised that the program includes case studies and exercises to test understanding of Charter principles and their relevance to Debt and Lodgement work.</p> <p>Debt and Lodgement have also developed a Learning and Development Plan for 2003–04 to help ensure that staff have the skills, and knowledge needed to deliver targets. The Plan notes that there will be sharper focus on collections and the experience of the community.</p> |

Source: ANAO analysis of ATO information

<sup>80</sup> One of these capabilities is the requirement to be an Authorised Officer. This allows the Officer to issue or withdraw written binding advice.

<sup>81</sup> PTax Client Contact has currently five levels of Skillset.

## Appendix 6: Strategies for living the Charter

### Strategies for living the Charter:

- Ensure the Charter is considered when developing systems, policy and procedures;
- Develop Charter and Compliance Model practical examples as part of all formal learning and development programs (all Lines);
- Implement ongoing team-based learning, led by team leaders;
- Include the Charter in assurance processes for learning and development products;
- Cover application of the Charter and Compliance Model in the workplace, with practical examples/case studies in team-based induction training;
- Develop case studies to include the application of the Charter internally, both in a taxpayer service provided situation, and between staff in general;
- Provide Connect materials (case studies, team-based learning and discussion modules);
- Provide advice and assistance on Charter and Compliance Model issues across the Tax Office;
- Develop guidelines for Charter complaint communication products (including publications, correspondence, web and voice scripts) to be incorporated in corporate communication protocols; and
- Identify measurement of BSL performance against the Charter commitments as well as against the service standards.

Source: ATO

## Appendix 7: Charter measures

| PRINCIPLES  | CURRENT & POTENTIAL MEASURES   |
|---|--|
| A. Treat you fairly and reasonably  | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Community Perceptions Survey</li> <li>Complaints data and quality assurance (QA) of Complaints</li> <li>Telephony quality review</li> <li>Supplementary QA process for Active Compliance</li> </ul>   |
| B. Treat you as being honest in your tax affairs unless you act otherwise                             | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Supplementary QA process for Active Compliance and Debt and Lodgement</li> <li>Complaints data</li> </ul>   |
| C. Offer you professional service and assistance to help you understand and meet your tax obligations | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Client Service Standards</li> <li>Community Perceptions Survey</li> <li>Complaints data and QA of complaints</li> <li>Telephony quality review</li> <li>Technical quality reviews</li> <li>Supplementary QA processes for Debt and Lodgement</li> </ul> |
| D. Accept you can be represented by a person of your choice and get advice about your tax affairs     | <ul style="list-style-type: none"> <li>Supplementary QA process for Active Compliance</li> </ul>   |
| E. Respect your privacy   | <ul style="list-style-type: none"> <li>Community Perceptions Survey</li> <li>QA of complaints</li> </ul>   |
| F. Keep the information we hold about you confidential in accordance with the law                     | <ul style="list-style-type: none"> <li>Community Perceptions Survey</li> <li>Supplementary QA process for Active Compliance</li> <li>Telephony Quality Reviews</li> </ul>  |
| G. Give you access to information we hold about you in accordance with the law                        | <ul style="list-style-type: none"> <li>Complaints data</li> </ul>  |
| H. Give you advice and information you can rely on  | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Community Perceptions Survey</li> <li>Technical quality reviews</li> <li>Community Perceptions Survey</li> <li>Telephony quality review</li> <li>QA of complaints</li> <li>Supplementary QA process for Provision of Advice</li> </ul>                  |
| I. Explain to you the decisions we make about your tax affairs  | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Technical quality reviews</li> <li>Complaints data and QA of complaints</li> </ul>  |
| J. Respect your right to a review   | <ul style="list-style-type: none"> <li>Supplementary QA process for Active Compliance and Provision of Advice</li> </ul>   |
| K. Respect your right to make a complaint   | <ul style="list-style-type: none"> <li>Community Perceptions Survey</li> <li>Complaints data and QA of complaints</li> </ul>   |
| L. Administer the tax system in a way that minimises your cost of compliance                          | <ul style="list-style-type: none"> <li>Community Perceptions Survey</li> <li>Complaints data and QA of complaints</li> <li>Compensation data</li> <li>Supplementary QA processes</li> </ul>  |
| M. Be accountable for what we do  | <ul style="list-style-type: none"> <li>Professionalism Survey</li> <li>Complaints data</li> <li>Compensation data</li> <li>Telephony quality reviews</li> </ul>  |

Source: ANAO

ANAO Audit Report No.19 2004–05  
Taxpayers' Charter

## Appendix 8: Client Service Standards 2003–2004

| Client Service Standards                  | Standard    | Benchmark<br>2003–04<br>% | Achieved<br>2003–04<br>% |
|---|-------------|---------------------------|--------------------------|
| TFN/Registrations                         | 28 days     | 95.0                      | 95.2                     |
| Electronic income tax returns             | 14 days     | 96.0                      | 96.9                     |
| Paper income tax return                   | 42 days     | 92.0                      | 94.6                     |
| Activity Statement Refunds                | 14 days     | 92.0                      | 94.4                     |
| Activity Statement Debits–Electronic      | 14 days     | 92.0                      | 98.3                     |
| Activity Statement Debits–Paper           | 42 days     | 92.0                      | 95.3                     |
| Refund of Overpaid Tax                    | 28 days     | 92.0                      | 92.5                     |
| General correspondence                    | 28 days     | 87.0                      | 86.0                     |
| Private rulings                           | 28 days     | 80.0                      | 88.0                     |
| Telephone general enquiry service         | 2min/5min   | 83.0                      | 91.3                     |
| Visit general enquiry service             | 10min/15min | 88.0                      | 95.6                     |
| Objections to private rulings             | 28 days     | 88.0                      | 86.5                     |
| Paper requests for amendments             | 56 days     | 92.0                      | 88.9                     |
| Electronic requests for amendments        | 28 days     | 92.0                      | 96.7                     |
| Objections (including against Assessment) | 56 days     | 70.0                      | 80.0                     |
| Audit finalised advice                    | 7 days      | 99.0                      | 99.8                     |
| Clerical and administrative errors        | 14 days     | 70.0                      | 77.4                     |
| Complaints (ATO Complaints)               | 3 days      | 100.0                     | 99.3                     |

Source: ATO

# Index

---

## A

Audit, 33

## B

Background and Context, 5, 29

Better practice, 34, 36, 42, 90,

## C

Centre for Tax System Integrity, 34,  
77-78

Certificate of Assurance, 16, 51, 78,  
81-82

Change Program, 9, 15, 43-45, 49

Charter measures, 15, 20-23, 25, 37,  
38-41, 72, 76-77, 79-80, 83, 89, 95

Charter principles, 13-21, 23-24, 30,  
33, 37-39, 43, 45, 48, 50, 53, 56, 59,  
64-70, 72-73, 76, 78, 80-83, 89, 92,  
95

Charter Review, 14, 17, 21, 36, 38, 42,  
53, 61

Charter Support Mechanisms, 16-17,  
24, 36, 51, 53-60, 79, 92-93, 95

Complaints, 19-20, 69-73, 75, 89

## J

Joint Committee of Public Accounts  
and Audit, 13, 29, 30, 42, 61

## M

Marketing and Education, 53, 63

Monitoring and reporting, 14, 16, 19,  
20-23, 25, 33-34, 37, 42, 51-52, 56,  
60, 69, 76-78, 81-84, 90

## N

New Zealand Inland Revenue  
Department, 42, 90

## O

Ombudsman, 19, 20, 34, 36, 69-70, 75,  
89

## Q

Quality Assurance, 9, 17-21, 24, 48,  
58, 60, 64-68, 70, 72-75, 80

## S

Strategic commitment, 14-16, 18, 21,  
23, 33, 43-51, 53, 56, 65, 80, 91

## T

Taxpayers' Charter Team, 37, 40, 56,  
60-62

Training, 55-56, 92



# Series Titles

---

Audit Report No.18 Performance Audit  
*Regulation of Non-prescription Medicinal Products*  
Department of Health and Ageing  
Therapeutic Goods Administration

Audit Report No.17 Performance Audit  
*The Administration of the National Action Plan for Salinity and Water Quality*  
Department of Agriculture, Fisheries and Forestry  
Department of the Environment and Heritage

Audit Report No.16 Performance Audit  
*Container Examination Facilities*  
Australian Customs Service

Audit Report No.15 Performance Audit  
*Financial Management of Special Appropriations*

Audit Report No.14 Performance Audit  
*Management and Promotion of Citizenship Services*  
Department of Immigration and Multicultural and Indigenous Affairs

Audit Report No.13 Business Support Process Audit  
*Superannuation Payments for Independent Contractors working for the Australian Government*

Audit Report No.12 Performance Audit  
*Research Project Management Follow-up audit*  
Commonwealth Scientific and Industrial Research Organisation (CSIRO)

Audit Report No.11 Performance Audit  
*Commonwealth Entities' Foreign Exchange Risk Management*  
Department of Finance and Administration

Audit Report No.10 Business Support Process Audit  
*The Senate Order for Departmental and Agency Contracts (Calendar Year 2003 Compliance)*

Audit Report No.9 Performance Audit  
*Assistance Provided to Personnel Leaving the ADF*  
Department of Defence  
Department of Veterans' Affairs

Audit Report No.8 Performance Audit  
*Management of Bilateral Relations with Selected Countries*  
Department of Foreign Affairs and Trade

Audit Report No.7 Performance Audit  
*Administration of Taxation Rulings Follow-up Audit*  
Australian Taxation Office

Audit Report No.6 Performance Audit  
*Performance Management in the Australian Public Service*

Audit Report No.5 Performance Audit  
*Management of the Standard Defence Supply System Upgrade*  
Department of Defence

Audit Report No.4 Performance Audit  
*Management of Customer Debt*  
Centrelink

Audit Report No.3 Business Support Process Audit  
*Management of Internal Audit in Commonwealth Organisations*

Audit Report No.2 Performance Audit  
*Onshore Compliance—Visa Overstayers and Non-citizens Working Illegally*  
Department of Immigration and Multicultural and Indigenous Affairs

Audit Report No.1 Performance Audit  
*Sale and Leaseback of the Australian Defence College Weston Creek*  
Department of Defence

# Better Practice Guides

---

|  |           |
|--|-----------|
| Fraud Control in Australian Government Agencies  | Aug 2004  |
| Security and Control Update for SAP R/3  | Jun 2004  |
| AMODEL Illustrative Financial Statements 2004  | May 2004  |
| Better Practice in Annual Performance Reporting  | Apr 2004  |
| Management of Scientific Research and Development<br>Projects in Commonwealth Agencies | Dec 2003  |
| Public Sector Governance   | July 2003 |
| Goods and Services Tax (GST) Administration  | May 2003  |
| Managing Parliamentary Workflow  | Apr 2003  |
| Building Capability—A framework for managing<br>learning and development in the APS    | Apr 2003  |
| Internal Budgeting   | Feb 2003  |
| Administration of Grants   | May 2002  |
| Performance Information in Portfolio Budget Statements                                 | May 2002  |
| Life-Cycle Costing   | Dec 2001  |
| Some Better Practice Principles for Developing<br>Policy Advice                        | Nov 2001  |
| Rehabilitation: Managing Return to Work  | Jun 2001  |
| Internet Delivery Decisions  | Apr 2001  |
| Planning for the Workforce of the Future   | Mar 2001  |
| Contract Management  | Feb 2001  |
| Business Continuity Management   | Jan 2000  |
| Building a Better Financial Management Framework                                       | Nov 1999  |
| Building Better Financial Management Support   | Nov 1999  |
| Managing APS Staff Reductions<br>(in Audit Report No.49 1998–99)                       | Jun 1999  |
| Commonwealth Agency Energy Management  | Jun 1999  |
| Cash Management  | Mar 1999  |

|   |          |
|---|----------|
| Security and Control for SAP R/3                                  | Oct 1998 |
| Selecting Suppliers: Managing the Risk                            | Oct 1998 |
| New Directions in Internal Audit                                  | Jul 1998 |
| Controlling Performance and Outcomes                              | Dec 1997 |
| Management of Accounts Receivable                                 | Dec 1997 |
| Protective Security Principles<br>(in Audit Report No.21 1997–98) | Dec 1997 |
| Public Sector Travel  | Dec 1997 |
| Audit Committees  | Jul 1997 |
| Management of Corporate Sponsorship                               | Apr 1997 |
| Telephone Call Centres Handbook                                   | Dec 1996 |
| Paying Accounts   | Nov 1996 |
| Asset Management Handbook   | Jun 1996 |