

The Auditor-General  
Audit Report No.50 2010–11  
Performance Audit

## **Administration of Tax Office Shopfronts**

**Australian Taxation Office**

Australian National Audit Office

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of Australia 2011

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Canberra ACT  
21 June 2011

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Taxation Office with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Administration of Tax Office Shopfronts*.

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

Yours sincerely

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

Ian McPhee  
Auditor-General

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

## AUDITING FOR AUSTRALIA

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# Abbreviations

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|           |   |
|-----------|---|
| AGIMO     | Australian Government Information Management Office |
| ANAO      | Australian National Audit Office                    |
| ATO       | Australian Taxation Office                          |
| CSA       | Client Services and Assistance                      |
| CSC       | Customer Service Centre                             |
| CPS       | Community Perception Survey                         |
| CSR       | Customer Service Representative                     |
| CSRG      | Channel Strategy Reference Group                    |
| IQF       | Integrated Quality Framework                        |
| ISSC      | Integrated Service Steering Committee               |
| Medicare  | Medicare Australia                                  |
| MoU       | Memorandum of Understanding                         |
| MRC       | Migrant Resource Centre                             |
| NIC       | Non-Interpretative Correspondence                   |
| Shopfront | ATO shopfront                                       |
| TFN       | Tax File Number                                     |

# Glossary

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|                                   |  |
|-----------------------------------|--|
| Channel                           | The term used to describe an access mechanism used by agencies to interact with clients.   |
| Channel strategy                  | A set of business-driven choices aimed at delivering services to clients efficiently and effectively using the most appropriate mix of channels for the client and the agency. |
| Co-location of shopfront services | The provision of shopfront services in locations that are operated with or by other agencies or community organisations.   |
| Non interpretive correspondence   | A written request received in the ATO.   |
| On-site locations                 | Locations where members of the community can personally interact with ATO staff. This can include ATO shopfronts, as well as taxpayer and third party premises.                |

## **Summary and Recommendation**



# Summary

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## Introduction

1. In 2009–10 the ATO employed over 21 000 staff working in 61 locations across Australia. During this period, it managed 39 million taxpayer lodgments, processed over 33 million business activity statements and income tax returns, maintained 23 million active tax file numbers and handled over 10 million incoming phone calls.<sup>1</sup>
2. The same year, 2009–10, also marked the centenary of the establishment of a federal government taxation agency. By comparison, in 1910, the equivalent of today's modern ATO administered a single tax, the federal land tax, and processed only 15 000 taxpayer returns.<sup>2</sup>
3. As the scope and complexity of government systems has grown, including the taxation and superannuation systems, the expectations of the Australian population in terms of the prompt, efficient and effective delivery of public services have increased commensurately. Within this context, the 2010 Moran Review, *Ahead of the Game: a blueprint for the reform of Australian Government administration*, proposed a number of improvements to government service delivery to better meet client and community expectations, including the development of a cross-departmental service delivery strategy.
4. The ATO engages with the Australian community through four service delivery channels<sup>3</sup>:
  - *on-line*, where a member of the community can access a range of ATO products and services through the agency's website;
  - *on-call* services that provide 'local call' 1300 numbers to access ATO products and services from anywhere in Australia, including the provision of interactive voice recognition capabilities;

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<sup>1</sup> Commissioner of Taxation Annual Report 2009–10, Canberra, 2010, p. vi.

<sup>2</sup> *ibid.*, attachment to the report: The Australian Taxation Office Centenary 1910–2010.

<sup>3</sup> A delivery channel is the term used to describe a mechanism used by an agency to provide a service to the community.

- *on-paper* communication that includes direct correspondence with taxpayers by letter and fax; and
- *on-site*, where members of the community can personally interact with ATO staff.

5. The ATO has developed key strategies setting out its future direction for service delivery. These include an overarching Channel Strategy for 2008–12<sup>4</sup> and supporting on-line, on-call, on-paper and on-site strategies. These strategies give effect to the government agenda for a more streamlined and whole-of-government approach, and outline the ATO's clear preference to increase taxpayers' uptake of on-line and on-call services.

6. Supporting this direction, the ATO has provided opportunities for improved service delivery through the application of new information technology, and continues to develop web-based options to meet client needs, such as the adoption of the new on-line security credential, Auskey, that provides access to government on-line services. Further, a wide range of ATO services that are managed by the Customer Service and Solutions business line are available to tax practitioners and the community through 'local call' 1300 numbers from anywhere in Australia.

7. While the future direction for the delivery of services is through greater use of on-line and on-call facilities, the ATO also maintains engagement with the Australian community through 'on-site' services. These services represent approximately three per cent of overall channel use, and are estimated by the ATO to be the most expensive means of delivering a service.<sup>5</sup> Previously referred to as services delivered in a 'face-to-face' environment<sup>6</sup>, the 'on-site' channel definition is broad and includes any location where members of the

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<sup>4</sup> A channel strategy is a set of business-driven choices aimed at delivering services to clients efficiently and effectively using the most appropriate mix of delivery channels.

<sup>5</sup> *Channel Strategy Reference group submission*, Marking Communications Line, 26 August 2009. The unit cost to process a tax file number on-line was calculated at \$0.26, and each shopfront visit was estimated to cost \$12.08.

<sup>6</sup> The ATO recognises the Australian Government classifications established by the Australian Government Information Management office (AGIMO). Department of Finance and Administration; *Delivering Australian Government Services: Managing multiple channels* [Internet]; Canberra. 2006; available from <<http://www.finance.gov.au/publications/delivering-australian-government-services-managing-multiple-channels/docs/mmc.pdf>> [accessed 28 April 2011].

community can personally interact with ATO staff, including at ATO shopfronts.

## ATO shopfronts

8. ATO shopfronts are managed by the Client Services and Assistance stream in the Micro Enterprises and Individuals business line. Services provided within shopfronts enable members of the community to:

- speak to ATO staff in a face-to-face environment;
- collect a range of ATO publications and brochures; and
- use self-help options to access ATO information and services.<sup>7</sup>

9. Shopfronts have also been allocated additional tasks to allow for a minimum effective operational staffing level. These additional responsibilities are:

- responding to non-interpretative correspondence (NIC)<sup>8</sup>;
- resolving a portion of taxpayers' complaints directed at the Micro Enterprises and Individuals business line; and
- assisting the Secondary Schools Education and Tax Help programs.<sup>9</sup>

10. The Alice Springs shopfront also provides additional specific services to Indigenous clients through staffing the National Aboriginal and Islander Resource Centre, and by the manual processing of Indigenous TFN applications.<sup>10</sup>

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<sup>7</sup> Self-help options, also referred to as self-service options, include ATO telephones, computers and publications.

<sup>8</sup> NIC is a written request received in a ATO shopfront for information covered by the Shopfront topic boundaries. Topic boundaries provide staff with guidance on a range of taxation topics and how they should be managed.

<sup>9</sup> The Secondary Schools Education Program entails ATO staff delivering presentations in secondary schools and processing student TFN applications collected by the schools. Tax Help is a community-based program that uses volunteers working within a network of community centres to assist low-income and disadvantaged people to prepare and lodge their income tax returns.

<sup>10</sup> Indigenous TFN applications are available specifically for Aboriginal and Torres Strait Islanders who may not have the necessary documents, such as a birth certificate, to prove their identity.

11. Of the original 27 shopfronts established in the late 1990s<sup>11</sup>, 18 remained operational in or near ATO buildings as at March 2011. Since 2005–06, shopfront interactions have generally been declining, as a result of the greater use of the internet to access the ATO website. During 2009–10, shopfronts had 662 078 general visits, compared to 762 018 in 2005–06.<sup>12</sup> The ATO decided in 2009 to close off-site shopfronts<sup>13</sup>, where practicable, at the end of their lease.

12. As part of a review of shopfronts undertaken in April 2010<sup>14</sup>, the ATO surveyed shopfront clients to identify the characteristics of people who typically conduct their business with the ATO through a shopfront. These clients were identified as people who are not comfortable with other forms of communication with the ATO, or who believe that they are required to visit in person to obtain assistance. Within this group, migrants from a non-English speaking background and older Australians are highly represented.

### **Alternative delivery models of shopfront services**

13. Three programs are underway to trial alternative delivery methods for some of the services available in shopfronts, and to extend them over a wider geographical base. These programs, involving various placements of ATO staff, publications and services in the public contact areas of other agencies or organisations, are:

- a shared services arrangement whereby Centrelink Customer Service Centres (CSCs) and Medicare Australia outlets display and promote certain ATO publications and services, primarily during the peak tax time period from July to October each year. (This program was trialled in 2008; and extended more broadly in 2009–10);
- shopfront services delivered through co-located sites at four Centrelink CSCs and the Rockdale Migrant Resource Centre in Sydney<sup>15</sup>; and

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<sup>11</sup> ATO shopfronts were established in the late 1990s to replace ATO Enquiry Counters. Internal ATO document, *Shopfront Review Report*, Micro Enterprises and Individuals business line, April 2010, p. 10.

<sup>12</sup> Commissioner of Taxation Annual Report 2009–10 and 2005–06.

<sup>13</sup> *ATO Executive Submission*, Micro Enterprises and Individuals, 7 December 2009.

<sup>14</sup> *Shopfront Review Report*, Micro Enterprises and Individuals business line, April 2010.

<sup>15</sup> The formal pilot period ended in December 2010, but the arrangement with the participating Centrelink CSCs was extended for a further six months, to the end of June 2011.

- services delivered through Australia Post outlets, to administer taxpayers' tax file number (TFN) applications, similar to the service that is currently available for passport applications.<sup>16</sup>

## **Administrative arrangements for shopfronts**

14. Responsibility for the administration of ATO shopfronts, the shared services arrangement with Centrelink and Medicare Australia, and the trial of co-located sites, rests with the Shopfronts and Shared Services section of the Client Services and Assistance stream, within the Micro Enterprises and Individuals business line. The TFN enhancement project is administered by the Client Account Services business line.

15. The Micro Enterprises and Individuals business line plan for 2010–11 identifies a client base of around 2.7 million micro businesses, 400 000 self-managed superannuation funds, and approximately 12.6 million individuals who lodge income tax returns. The 18 existing shopfronts provide the full range of shopfront on-site services to a small, and declining, proportion of the business line's client population.

## **Costs of administering shopfront services**

16. For 2010–11, the ATO advised that the average number of full time staff for shopfront operations was 125, with an operating budget of \$9.4 million. The operating budget includes the management of the five co-located pilot sites and the shared services arrangement. The cost to the ATO of the shared services arrangement with Centrelink for 2009–10 was \$178 192. The ATO bears no additional cost in providing publications in Medicare Australia offices.

17. The ATO also allocated \$321 100 for the co-located pilot sites being trialled in four Centrelink CSCs and one Migrant Resource Centre in 2010–11.<sup>17</sup>

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<sup>16</sup> Sixteen Australia Post outlets in Victoria and two in New South Wales are participating in the trial for a 10 month period from August 2010 to June 2011.

<sup>17</sup> This amount includes reimbursement of \$80 000 to Centrelink for the provision of a full shopfront service from the Biggera Waters (QLD) Centrelink CSC.

## Audit objective

18. The objective of the audit was to assess the effectiveness of the services delivered through ATO shopfronts to individual and micro enterprise tax clients. Particular emphasis was given to the:

- delivery of services to clients; and
- planning and reporting processes for shopfront services.

## Overall conclusion

19. Shopfronts were established in the late 1990s, to replace the ATO's Enquiry Counters. The new look, open-plan shopfronts facilitated easy access to ATO staff and publications, as well as providing direct links to ATO phone and web-based services. Over the last decade, however, the provision of face-to-face or on-site services has been overtaken by developments in service delivery capabilities and approaches, and influenced by whole-of-government initiatives.<sup>18</sup>

20. All existing ATO shopfronts provide a standard range of services to the community that are being delivered effectively. However, the availability of telephone advice, and on-line and web-based services has meant that taxpayers have convenient access to a broad range of ATO services at times of their choosing. Service standards outline the level of performance the community can expect when dealing with the ATO, and the standard relating to general enquiries, which measures client waiting times, is the single service standard reported for shopfronts.

21. On-site services, such as those delivered through shopfronts, may provide a more personalised environment, but are generally the most expensive means of delivering a service, are accessible by only the small proportion of ATO clientele living or working in their immediate vicinity, and, only being available during normal business hours, do not provide the flexibility or range of services available through on-line options. While the personal circumstances of some people in the community preclude their use of on-line or phone services to conduct their business with the ATO, the strategy

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<sup>18</sup> Australian Government Department of the Prime Minister and Cabinet; *The Moran Review, Ahead of the Game: a blueprint for the reform of Australian Government administration*; Canberra; 2010.

underpinning shopfronts has not effectively identified the full extent and size of this client group, or developed a specific, targeted service to meet their needs.

**22.** The ATO proposes to close off-site shopfronts, where it is practical to do so, at the end of their lease, and is trialling alternative delivery programs designed to provide a form of shopfront, or on-site service offer in these locations. The programs also seek to extend selected services to ATO clients across a wider geographical base, particularly those living in more rural and remote locations. The approach adopted for these programs has been based on existing shopfront arrangements involving a model of service delivery utilising ATO staff, located in ATO premises, with direct access to ATO phone and web-based services through its computer systems.

**23.** Consequently, the alternative delivery options provided through other agency and community sites do not necessarily provide the same level of services available through ATO shopfronts.<sup>19</sup> There is scope to better define the intent of the trials, and to consider if the shopfront service offer is the most appropriate model on which to base the alternative delivery options. The ATO has clearly defined its future strategy for the delivery of services through on-line and on-call services, and extending shopfront services, as is being trialled in the co-located sites, does not readily align with that strategy.

**24.** The ATO is also currently conducting a TFN enhancement program through Australia Post outlets that is more clearly defined. This trial outsources the processing of TFN applications and proof of identity requirements, using the Australia Post network and new technology. If successful, individual taxpayers will be able to apply for a TFN through any Australia Post outlet, with more flexible means of meeting their proof of identity requirements.

**25.** The ATO has developed channel management strategies to provide direction for service delivery initiatives across the agency, but the linkages between the development of the shopfront trials, the TFN project and the broader channel and on-site strategies are unclear. The governance arrangements for the management of the channel and supporting strategies

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<sup>19</sup> Access to ATO staff may be limited to only a few hours per week; other agency staff can only respond to tax related enquiries by referral to ATO self-help options or community programs; and technology constraints currently limit access to some web-based services, including e-tax.

have recently been changed, and the new management structure is likely to provide better integration and increased support and direction for all service delivery trials, including shopfronts.

26. In October 2009, the ATO conducted a survey of shopfront clients to assist with better understanding of the reasons clients attend a shopfront. Survey results identified older Australians and migrants, particularly those from a non-English speaking background, as key users of shopfront services. While the survey identified those people who are most likely to use a shopfront where one exists, the scope and design of the survey did not allow for a more comprehensive understanding of shopfront usage. The survey could more effectively have captured information that would be of value to the on-site strategy, such as identifying those clients whose personal circumstances may preclude their use of alternative delivery channels, and facilitate consideration of different options for delivering a service to them.

27. During the course of the audit, the ATO advised that discussions have commenced, as part of the broader channel management strategy, to conduct surveys to identify ways of moving those taxpayers, who still lodge their income tax return via paper forms, to electronic lodgement.

28. The ANAO has made one recommendation aimed at better informing the direction of shopfront services.

## Key findings by Chapter

### Service Delivery (Chapter 2)

#### *Services delivered through ATO shopfronts*

29. Key processes and practices underpinning the delivery of services in shopfronts are sound: the development of shopfront topic boundaries provides consistency in service provision across shopfronts sites; topic boundaries provide staff with guidance on a range of taxation topics and how they should be managed; and the timeliness of services delivered against a general

enquiries service standard are monitored.<sup>20</sup> The ATO has also implemented an Integrated Quality Framework (IQF) to support the quality of staff interactions with clients.

**30.** Relatively few complaints are received about shopfront services. An analysis of 143 complaints received in the Micro Enterprises and Individuals business line, and processed by shopfront staff, indicated that, in 80 per cent of cases, the client was actually seeking information, rather than expressing dissatisfaction about an aspect of service.<sup>21</sup> Only 12 of the 143 complaints reviewed related specifically to shopfronts servicing. The analysis recommended changes to the ATO's web-site to make it easier for users to navigate, and hence to access information more easily.

**31.** A range of other tasks are undertaken by shopfronts in order to utilise the available resources and staffing levels. However there is no efficiency measure applied to the allocation of these tasks to shopfronts, and the benefit of this arrangement to other areas of the ATO, as well as services to the community, is not assessed.

**32.** The Alice Springs ATO shopfront operates a specialised telephone help service for Indigenous Australians, through the National Aboriginal and Torres Straight Islanders Resource Centre (referred to as the Indigenous Hotline). While this arrangement was aimed at improving services to Indigenous clients, it initially resulted in a high volume of calls not being answered. In 2009–10, approximately 35 per cent of calls resulted in the caller hanging-up prior to the call being answered or diverted to a message facility. Over the last two years, however, the ATO has implemented improvements to the management of calls received by the hotline.

**33.** The Alice Springs shopfront also processes all Indigenous TFN applications, including those accepted at other shopfronts throughout Australia. In 2009–10, the Alice Springs' shopfront team processed all of the 7402 Indigenous TFN applications within the relevant 28 day service

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<sup>20</sup> Under this service standard, the ATO has undertaken to attend to clients within 10 minutes of their arrival at a shopfront, and within 15 minutes during the peak tax period (from July to October). In 2009–10, shopfronts exceeded the general enquiries service standard, with over 95 per cent of clients attended to within the specified timeframe.

<sup>21</sup> The 143 complaints were received in the three months from 1 July – 4 October 2010.

standard.<sup>22</sup> This was the first year that all such TFN applications were processed in the shopfront network.

### *Services delivered through alternative programs*

34. Where practicable, the ATO has decided to close off-site shopfronts as their leases expire, and is trialling alternative models for delivering the on-site services currently provided through its 18 shopfronts. Shopfronts are predominantly located in urban centres, and the shared services arrangement in particular, also aims to extend services to regional and remote locations across Australia.

#### *Shared services arrangement*

35. Through a shared services arrangement with the Department of Human Services, some ATO publications and services are available through the Centrelink network; and similarly, through a Letter of Offer, in Medicare Australia offices, during the peak tax period from July to October each year. The arrangement will be in place for each annual tax time period until 2013.<sup>23</sup>

36. While this arrangement extends the geographical range of a limited ATO service, e-tax facilities could not be provided, as had been envisaged for the 2009–10 peak tax period. Monitoring of the standard of services is limited, based primarily on the number of people accessing the service and referred to Tax Help, and the number of publications that were distributed.

#### *Co-located sites*

37. A six month pilot program extending the reach of a range of shopfront services through four Centrelink Customer Service Centres (CSCs) and one migrant resource centre (MRC) was conducted from July to December 2010. Notwithstanding that people from a non-English speaking background had been identified as a key group using shopfront services, only 23 clients had accessed the service between July and September 2010. Given the low up-take of the service, the ATO decided to cease the MRC pilot half way through the trial period, noting that clients from the migrant community could still access services through the local ATO shopfront.

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<sup>22</sup> *Heartbeat report for fortnight ended 30 June 2010*, Client Services and Assistance, June 2010.

<sup>23</sup> This program was trialled in 2008–09, and so the first year, 2009–10 was effectively post the formal trial period.

38. An evaluation of the first three months of the project reported that the co-located sites were meeting client expectations and the supporting infrastructure arrangements were generally effective.<sup>24</sup> Findings about the service being provided were positive, based on the ease of access to the pilot sites, and that client information needs had been met. The interim report also confirmed findings from the earlier shopfront review, that the majority of clients visited the shopfront service for two reasons: they preferred a face-to-face service or they preferred to present their original documentation in person rather than via the postal service.

39. The provision of the services through the four Centrelink CSCs was extended for a further six months. However, the pilot sites may not have provided sufficient opportunity to fully meet the intent of the pilot. Only one pilot site offered the full range of shopfront services and the closure of the MRC trial, notwithstanding the limited take up of the target group, reduced the potential to identify specific issues associated with clients from a non-English speaking background. None of the trial sites are located in other than established regional and urban locations, but ATO staff participating in the program experienced some difficulties with technology and the use of wireless laptops to log into the ATO system.

40. A draft of the final evaluation report on the six months trial of the five pilot sites included key findings that<sup>25</sup>:

- ATO and Centrelink staff forged constructive working relationships;
- the 'full service' shopfront service model and the 'by-appointment' service model were effective;
- the self-help model was not effective; and
- the 'by-appointment' service provided through the Migrant Resource Centre was not effective.

41. However, the position of the trial in relation to the broader channel and on-site strategies is not clear. The report states that the intent of the 'full service' trial site was to replicate the services provided through an ATO

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<sup>24</sup> *Shopfront co-location interim report evaluation of July to September period 2010*, Micro Enterprises and Individuals business line, 18 October 2010.

<sup>25</sup> *Shopfront Co-location pilot evaluation*. Micro Enterprises and Individuals business line, 7 April 2011. At the time of the audit, this report was in draft form, and had not been considered by the ATO Executive.

shopfront. This does not necessarily align with the general direction of service delivery being promoted in other areas of the ATO, namely to migrate clients away from on-site, and towards on-line service options.

#### Processing TFN applications through Australia Post outlets

42. Eighteen Australia Post outlets are participating in a 10 month trial commencing in August 2010, to process taxpayers' TFN applications. This is the second of a three phase TFN enhancement program directed at improving taxpayers' experience in applying for and validating their TFN, reducing paper transactions and expanding the use of electronic channels, including for proof of identity requirements. Phase one outsourced arrangements for managing TFN mail, and phase three will provide more flexible options for taxpayers to meet their proof of identity requirements.

43. The outcome of this trial, should it prove to be successful, will substantially reduce the proportion of TFN paper based transactions processed by the ATO, which represents around 18 per cent of the work currently undertaken in shopfronts, including a third of all interviews. To maintain minimum effective operational staffing levels, shopfronts would have to find additional work following any reduction in the volume of TFN related work.

### **Planning and reporting of shopfront services (Chapter3)**

44. The ATO's Channel Strategy 2008–12 and supporting on-line, on-call, on-paper and on-site channels provide direction for the planning and development of service delivery approaches across business lines, and outline the ATO's clear preference to migrate taxpayers away from the other channels to on-line service options.

45. *The On-site Strategy 2009–12*, provides a framework for the direction of shopfront services. The key priority areas for the on-site strategy are to:

- deliver on-site services more tightly to meet the special needs of key taxpayer and intermediary groups;
- identify and transition current on-site services that could be provided electronically;
- enhance the remaining core on-site services; and

- capitalise on whole-of-government initiatives.<sup>26</sup>

46. To implement the strategies, the ATO identified the need for an integrated cross-enterprise approach to channel management, and formed the Channel Strategy Reference Group (CSRG) in 2008 to oversee the delivery strategy program of work.<sup>27</sup> The ATO advised that, while there was broad representation on this group, the terms of reference and composition of the CSRG did not allow for the necessary level of direction and co-ordination of the different service delivery options being trialled across the ATO, including in shopfronts.

47. The CSRG was dissolved in September 2010 and revised channel strategy management arrangements were centred in the ATO's newly established Integrated Service Steering Committee (ISSC).<sup>28</sup> Draft governance arrangements for the ISSC bring together the responsibilities previously held by the ATO's Whole-of-Government Steering Committee<sup>29</sup> and will provide support to new enterprise based channel management arrangements, including for shopfronts.

### *Planning for shopfront services*

48. Planning for the operations of the existing shopfronts, the shared services arrangement, and the co-located pilot sites is undertaken in the Client Services and Assistance stream. At a higher level, the Micro Enterprises and Individuals business line plan 2010–11 describes how the business line will deliver on the strategies outlined in the ATO's annual plan, including the piloting of shopfront services.

49. Combined, the business line and stream plans set out the operational arrangements for shopfronts and the service delivery trials, but there is no reference in either plan to the channel or on-site strategies. There is clear 'line of sight' responsibility for decision-making through the Micro Enterprises and Individuals business line. However, the co-ordination of planning

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<sup>26</sup> *On-site Strategy 2009–12*, Micro Enterprises and Individuals business line, July 2009, p. 17.

<sup>27</sup> The ANAO did not review the operations of the CSRG.

<sup>28</sup> Membership of the committee is at the senior executive level, and it is chaired by the ATO's Chief Operating Officer. The committee reports directly to the ATO Executive.

<sup>29</sup> The Whole-of-Government Steering Committee was established to oversee the ATO's Whole-of-Government work program, and was the key internal decision-making and steering forum directing this program.

processes for shopfronts with the overarching channel and supporting strategies and service delivery initiatives in other areas of the ATO, such as the TFN enhancement program, is less well defined.

### *Understanding the taxpayer experience*

50. Undertaking research is important to providing an understanding of taxpayers' experience and expectations of service delivery through all the available ATO channels.

51. With the exception of the survey undertaken as part of the shopfront review in April 2010, the ATO does not undertake any specific channel research. Instead it relies on information provided through generic surveys, which provide the ATO with limited information on clients' preferences and levels of satisfaction with the service provided, or expectations in relation to each channel.

52. Further, the project brief for the shopfront review indicated that the client survey would be conducted at three-monthly intervals to capture details at various trigger points throughout the tax year, and that it may also be of value as part of a longitudinal study to capture and measure shifts in taxpayer behaviour in future years. However, the survey has only been conducted on one occasion as part of the shopfront review, although less detailed surveys have been undertaken as part of the shared services arrangement and shopfront pilot sites.

53. During the course of the audit, the ATO advised that discussions have commenced as part of the broader channel management strategy to conduct surveys to identify ways of moving those taxpayers, who still lodge their income tax via a paper form, to electronic lodgement.

54. There is scope for the ATO to develop a better understanding of client expectations in respect to the services delivered through ATO shopfronts and co-located sites. Such analysis would:

- improve the identification of clients whose personal circumstances may require 'face-to-face' assistance, and assist in identifying different options for delivering such a service;
- assist with transitioning clients to use on-line or on-call services; and
- more effectively contribute to the key priority areas in the on-site strategy.

### *Reporting of shopfront services*

55. The performance of shopfronts and the two service delivery trials is adequately monitored and reported within the Micro Enterprises and Individuals business line, notwithstanding that the performance indicators for the shared services arrangements and shopfront pilot projects are relatively limited. However, there would be merit in the reporting of shopfront service delivery trials to other areas of the ATO in order to contribute to the broader channel strategies.

56. Shopfront performance information is reported in the Commissioner of Taxation's annual reports<sup>30</sup> and information on current year performance against service standards is available on the ATO's website. The 2008–09 and 2009–10 annual reports also detailed the ATO's strategy to migrate shopfront clients from on-site to on-line delivery channels, and provided details of the shopfront pilot programs in Centrelink CSCs and the migrant resource centre.

### **Summary of ATO response**

57. The ATO's summary response to the report is reproduced below. The full response is at Appendix 1 of the report.

The ATO welcomes the Australian National Audit Office's performance audit report into the Administration of Tax Office Shopfronts.

The report notes that key processes and practices underpinning the delivery of services in Shopfronts are sound and that service provision is consistent, quality-checked and monitored.

The ATO agrees to the recommendation and supports the view that the direction of Shopfront services will benefit from more targeted client research and a more co-ordinated approach to service delivery initiatives across all channels.

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<sup>30</sup> The ANAO examined annual reports for 2006–07 to 2009–10. Each report included shopfront performance data relating to the number of client visits, the type of visits (for example, did a client require a more detailed interview to answer the enquiry) and performance against the service standard for attending to general enquiries.

# Recommendation

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## Recommendation

### No.1

#### Para 3.35

To better inform the direction of shopfront services and to support the key priority areas in the on-site strategy, the ANAO recommends that the ATO:

- conduct research to identify key shopfront client groupings and the reasons for their engagement with the ATO; and
- through the Integrated Services Steering Committee, coordinate the planning undertaken for shopfronts, including the development of alternative delivery models.

**ATO response:** Agreed

## **Audit Findings**



# 1. Background and Context

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*This chapter provides the context for the ATO's delivery of shopfront services. The audit objective and scope are also outlined.*

## Background

**1.1** The Australian Tax Office (ATO) is the Australian Government's principal revenue collection agency, with responsibility for the effective administration of Australia's taxation and superannuation systems. In 2009–10, the ATO employed over 21 000 staff working in 61 locations across Australia. During this period, it managed 39 million taxpayer lodgments, processed over 33 million business activity statements and income tax returns, maintained 23 million active tax file numbers and handled over 10 million incoming phone calls.<sup>31</sup>

**1.2** The same year, 2009–10, also marked the centenary of the establishment of a federal government taxation agency. By comparison, in 1910, the equivalent of today's modern ATO administered a single tax, the federal land tax, and processed only 15 000 taxpayer returns.<sup>32</sup>

**1.3** As the scope and complexity of government systems, including the taxation and superannuation systems, has grown, so have the expectations of the Australian population in terms of the prompt, efficient and effective delivery of public services. People expect services to be accessible and provided at a time and in ways that suit their lifestyle.<sup>33</sup>

**1.4** The fifth annual study of Australians' use of, and satisfaction with, e-government services confirms that the internet is the way most people contact government. The study has shown that more people would prefer to contact government by internet than any other way; and, for the first time, the 2009 study also showed that the internet is the most widely used method of contacting government for those aged 55–64. Further, the study showed that

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<sup>31</sup> Commissioner of Taxation, *Annual Report 2009–10*, Canberra, 2010, p. vi.

<sup>32</sup> Ibid, attachment to the report: *The Australian Taxation Office Centenary 1910–2010*.

<sup>33</sup> Australian Public Service Commission, *The Australian experience of public sector reform, Chapter 8 – Service delivery* [Internet]; Australian Public Service Commission; Australia, 2003; available from <<http://www.apsc.gov.au/about/exppsreform10.htm>> [accessed 28 April 2011].

Australians have positive perceptions of on-line government services, but also expect government will keep pace with technology changes in services delivery.<sup>34</sup>

**1.5** The ATO engages with the Australian community through four service delivery channels: on-line, on-call; on-paper; and on-site.<sup>35</sup> Through these channels, it seeks to build confidence in its administration by: helping people to understand their rights and obligations; improving ease of compliance and access to benefits; and managing non-compliance with the law. Table 1.1 explains the ATO's service delivery channels.

**Table 1.1**

**ATO service delivery channels**

| Channel  | Definition   |
|----------|--|
| On-line  | Electronic channels, primarily the ATO website, on-line forms, electronic data exchange systems and electronic messaging systems, including email.               |
| On-call  | The use of a telephone system in providing services, such as contact centres and interactive voice recognition (IVR) systems.                                    |
| On-paper | Paper products being sent or received by the ATO, including letters, informational or educational brochures, forms and faxes.                                    |
| On-site  | Locations where members of the community can personally interact with ATO staff. These can include ATO shopfronts, as well as taxpayer and third party premises. |

Source: Internal ATO document, *Channel Strategy 2008–12*, Micro Enterprises and Individuals, November 2008, p. 8.

## The ATO's direction for service delivery

**1.6** The ATO has developed key strategies that set out its direction for service delivery: the overarching Channel Strategy 2008–12 and supporting on-line, on-call, on-paper and on-site strategies. These strategies give effect to the overarching government agenda for a more streamlined and

<sup>34</sup> Department of Finance and Deregulation; *Interacting with Government Australians' use and satisfaction with e-government services*; Australian Government Information Management Office (AGIMO); Australia; December 2009; available from <<http://www.finance.gov.au/publications/interacting-with-government-2009/index.html>> [accessed 28 April 2011].

<sup>35</sup> A delivery channel is the term used to describe a mechanism used by government to interact with customers, and for customers to interact with government. A channel strategy is an operational plan aimed at delivering services to customers efficiently and effectively using the most appropriate mix of delivery channels for the customer and the agency.

whole-of-government approach to providing services to the community.<sup>36</sup> They also outline the ATO's clear preference to increase taxpayers' uptake of on-line and on-call services.

**1.7** Supporting this direction, the ATO has provided opportunities for improved service delivery through the application of new information technology. Several programs available through the ATO's website provide increased flexibility for taxpayers to access information and comply with their tax and superannuation obligations. These programs include the:

- e-tax facility, released in 1999, that allows individual taxpayers to prepare and lodge their own income tax returns online;
- tax agent portal, implemented in 2003, that is directed specifically at improving tax agents' and businesses' on-line interaction with the ATO. In 2009–10, there were 31.5 million 'log-ins' to the portal supporting 14.5 million transactions;
- facility for clients to download and print publications from the ATO website that is designed to provide access to the full range of information products for individual tax and superannuation clients, and businesses; and
- adoption in May 2010, of a new on-line security credential called Auskey, that provides access to government on-line services.

**1.8** The ATO has also implemented telephone services that allow access to ATO products and services from any location in Australia through 'local call' 1300 telephone numbers. The Customer Contact and Solutions call centre network connects clients to ATO services that range from general enquires to specialist assistance, as well as interpreter services. In 2009–10, the call centre network handled over 10 million incoming calls.

**1.9** Recognising the general direction of government service delivery towards a more streamlined, whole-of-government approach and the increased capacity for clients to engage with the ATO through on-line and on-call facilities, the ATO developed a long-term accommodation plan in

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<sup>36</sup> In September 2009, an Advisory Group was established to review Australian Government administration and develop a blueprint for reform. The outcome from this review was the report, *Ahead of the Game: a blueprint for the reform of Australian Government administration*, (also known as the Moran Review). This report outlines a comprehensive reform agenda that includes the development of a cross-departmental service delivery strategy.

2009–10. Underpinning a business model that relies increasingly on on-line strategies, the plan is to gradually consolidate ATO services around a smaller number of major centre locations.<sup>37</sup>

**1.10** While the future direction for the delivery of services is through greater use of on-line and, to a lesser extent, on-call services, the ATO also maintains engagement with clients through ‘on-site’ locations, including ATO shopfronts.

## **ATO shopfronts**

**1.11** ATO shopfronts are staffed by ATO employees and provide services to taxpayers predominantly in the individual and micro business market segments. Shopfronts are part of the ATO’s ‘on-site’ channel that is defined as ‘locations where members of the community can personally interact with ATO staff. This can include ATO shopfronts, as well as taxpayer and third party premises’.

**1.12** On-site services were previously referred to as ‘face-to face’ service options, but the ATO has aligned its channel types with the classifications established by the Australian Government Information Management Office.<sup>38</sup>

## **On-site services delivered through shopfronts**

**1.13** The on-site services that are delivered to people entering a shopfront are standard across all shopfronts:

- promoting clients’ use of ATO ‘self-help’ options—that is, accessing the ATO’s website and call centres via computers and telephones available in the shopfront. Shopfront staff may assist clients to use the self-help facilities;
- providing a general enquiry service, with the option to arrange an interview with specialist ATO staff;
- processing tax file number (TFN) applications and assisting taxpayers with compromised TFNs<sup>39</sup> who have failed to meet proof of identity requirements over the phone; and

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<sup>37</sup> Commissioner of Taxation, *Annual Report 2009–10*, Canberra, 2010, p. 6.

<sup>38</sup> *On-site Strategy 2009–12*, Micro Enterprises and Individuals business line, July 2009, p. 5.

<sup>39</sup> The ATO considers a compromised TFN to be ‘one that may have been lost, stolen or made known to another person and is therefore in danger of being used by another person for unauthorised or fraudulent purposes.’

- providing access to a range of ATO publications and brochures.

## Shopfront clientele

**1.14** A review of shopfronts undertaken in April 2010<sup>40</sup> described shopfronts as providing:

a necessary face-to-face service for a small subset of personal tax clientele who are not comfortable with other forms of communication with the ATO or who believe they are required to visit in person to obtain assistance.

**1.15** The following key client subsets were identified in the review:

- people from a non-English speaking background who may have little understanding of tax matters;
- older people who may be less comfortable using technology; and
- disadvantaged clients without the means to afford a tax agent and with limited understanding of, or access to, other ATO delivery channels.

## The shopfront on-site service offer

**1.16** The same review defined a proposed shopfront, or on-site, service offer as being one-to-one interactions designed to meet the needs of an identified client base by providing:

- a range of self-service (also referred to as 'self-help') options where a reception service is required; and
- options for an interview service on a 'walk in' or by appointment basis, delivered from ATO locations, other government agencies or community centres.

**1.17** This definition positions the range of services available through an ATO shopfront as the model for on-site services that could have an extended reach into the community through non-ATO locations.

## Additional services undertaken in shopfronts

**1.18** All shopfront locations have been allocated additional responsibilities on behalf of the Micro Enterprises and Individuals business line, to allow for a

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<sup>40</sup> *Shopfront Review Report*, Micro Enterprises and Individuals business line, April 2010.

minimum effective operational staffing level in shopfronts, that accommodates staff absences and movements. These additional responsibilities include:

- responding to non-interpretative correspondence (NIC)<sup>41</sup>;
- resolving a portion of the complaints directed at the Micro Enterprises and Individuals business line; and
- assisting the Secondary Schools Education and Tax Help programs.<sup>42</sup>

**1.19** The Alice Springs shopfront also provides additional specific services to Indigenous clients through staffing the National Aboriginal and Islander Resource Centre, and by the manual processing of Indigenous TFN applications.<sup>43</sup>

**1.20** A table detailing the additional responsibilities allocated to each shopfront is at Appendix 2.

## **Trends in on-site and shopfront use**

**1.21** Services delivered through the on-site channel represent approximately three per cent of overall ATO channel use, and are the most expensive means of delivering a service to the community. In recognition of the cost of operating shopfronts and the increasing number of clients conducting their business with the ATO through on-line and on-call services, a decision was made to close, where practicable, off-site shopfronts at the end of their lease, and to develop alternative delivery models.<sup>44</sup>

**1.22** Of the original 27 shopfronts established in the late 1990s<sup>45</sup>, 18 remained operational in or near ATO buildings as at March 2011. Since 2005–06,

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<sup>41</sup> NIC is a written request received in a ATO shopfront for information covered by the Shopfront topic boundaries. Topic boundaries provide staff with guidance on a range of taxation topics and how they should be managed. ATO shopfronts receive NIC requests for publications and notice of assessment explanations for individual clients.

<sup>42</sup> The Secondary Schools Education Program entails ATO staff delivering presentations in secondary schools and processing student TFN applications collected by the schools. Tax Help is a community-based program that uses volunteers working within a network of community centres to assist low-income and disadvantaged people to prepare and lodge their income tax returns.

<sup>43</sup> Indigenous TFN applications are available specifically for Aboriginal and Torres Strait Islanders who may not have the necessary documents, such as a birth certificate, to prove their identity.

<sup>44</sup> *ATO Executive Submission*, Micro Enterprises and Individuals business line, 7 December 2009.

<sup>45</sup> ATO shopfronts were established in the late 1990s to replace ATO Enquiry Counters. Internal ATO document, *Shopfront Review*, Micro Enterprises and Individuals business line, April 2010, p. 10.

shopfront interactions have generally been declining, as a result of the greater use of the internet to access the ATO website. During 2009–10, shopfronts had 662 078 general visits, compared to 762 018 in 2005–06.<sup>46</sup>

**1.23** Recommendations in the Shopfront Review pertaining to the definition of the shopfront on-site service offer delivered through shopfronts and the pursuit of collaborative interface arrangements through other government, quasi government and volunteer organisations were supported by the ATO Executive in May 2010.<sup>47</sup>

## **Programs for alternative delivery models of shopfront services**

**1.24** Three programs are underway to trial alternative delivery methods for some of the services available in shopfronts, and to extend them over a wider geographical base. These programs, involving various placement of ATO staff, publications and services in the public contact areas of other agency or organisations, are:

- a shared services arrangement: through an arrangement with the Department of Human Services, specifically Centrelink; and via a Letter of Offer with Medicare Australia, Centrelink Customer Service Centres (CSCs) and Medicare Australia offices display and promote certain ATO publications and services, primarily during the peak tax time period from July to October each year. This arrangement was trialled in 2008–09 and rolled out the following year;
- services delivered through co-located sites: the delivery of some components of the shopfront on-site service offer, were trialled through four Centrelink CSCs<sup>48</sup> and the Rockdale Migrant Resource Centre in Sydney, from July to December 2010. Referred to as co-located sites, the arrangement with the four Centrelink CSCs was extended for a further six months, to the end of June 2011.
- services delivered through Australia Post outlets: a program piloting the acceptance and administration of taxpayers' TFN applications

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<sup>46</sup> Commissioner of Taxation, Annual Report 2005–06.

<sup>47</sup> Extract from *ATO Executive minutes*, Micro Enterprises and Individuals business line, 12 May 2010.

<sup>48</sup> The Centrelink CSCs participating in this trial are located in Biggera Waters (QLD); Penrith and Chatswood (NSW); and Joondalup (WA).

through Australia Post outlets, as is currently available for passport applications. Sixteen Australia Post outlets in Victoria and two in New South Wales are participating in the trial for a 10 month period from August 2010.

## **Locations of shopfront services**

**1.25** Figure 1.1 shows the locations of existing ATO shopfronts across Australia (as at March 2011), including the pilot co-located sites (noting that the trial in the Migrant Resource Centre ceased three months into the pilot period). The locations of the shared services arrangement with Centrelink and Medicare Australia, and Australia Post trial sites, are not included.

**Figure 1.1****Location of ATO shopfronts**

Note: On-site shopfronts operate as part of the ATO building; off-site shopfronts operate separately from the ATO building; co-located shopfront services reflect operations through four Centrelink customer service centres and one migrant resource centre.

Source: ATO information.

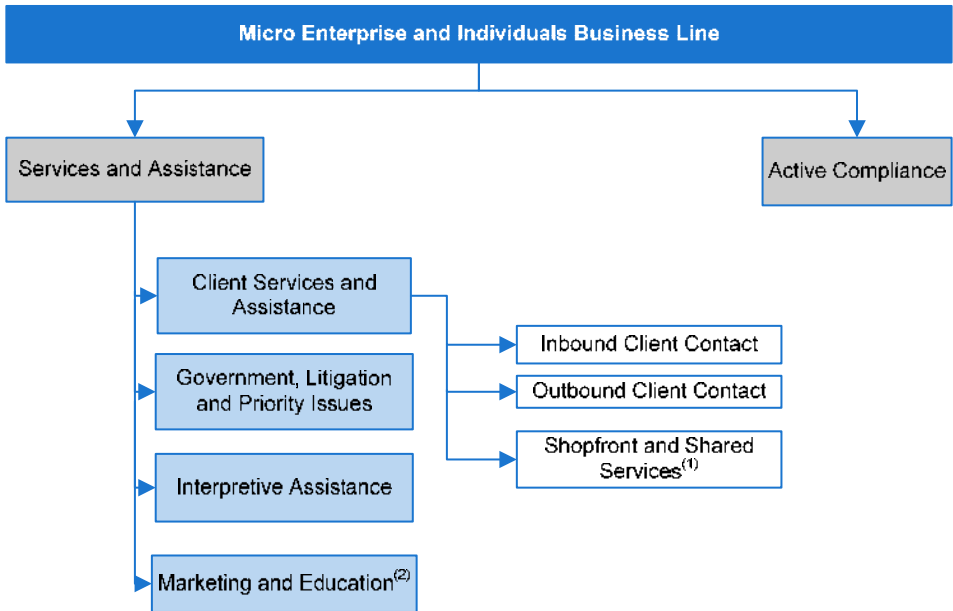
## Administrative arrangements for shopfronts

**1.26** Responsibility for the administration of ATO shopfronts, the shared services arrangement with Centrelink and Medicare Australia, and the trial of co-located sites, rests with the Shopfronts and Shared Services section of the Client Services and Assistance stream, within the Micro Enterprises and Individuals business line. The TFN enhancement project is administered by the Client Account Services business line. Figure 1.2 sets out the management

structure of the Micro Enterprises and Individuals business line, as it relates to the administration of shopfronts.

**Figure 1.2**

**Micro Enterprises and Individuals business line structure, relating to the administration of shopfronts**



Source: ANAO analysis of ATO Information.

Note 1: Incorporates the administration of the shared services arrangement with Centrelink and Medicare Australia, and the five co-located shopfront pilot sites.

Note 2: Responsible for the administration of the Tax Help and Secondary Schools Education programs.

**1.27** The Micro Enterprises and Individuals business line plan for 2010–11 identifies a client base of around 2.7 million micro businesses, 400 000 self-managed super funds, and approximately 12.6 million individuals who lodge income tax returns. The 18 existing shopfronts provide the full shopfront on-site service offer to a very small, and declining, proportion of the business line’s client population. This model, which is based on a ‘face-to-face’ service offer, is being overtaken by other developments in, and approaches to, service delivery.

**Costs of administering shopfronts and delivering shopfront services**

**1.28** For 2010–11, the ATO advised that the average number of full time staff for shopfront operations was 125, with an operating budget of \$9.4 million. The

operating budget includes the management of the five co-located pilot sites and the shared services arrangement.

**1.29** The cost to the ATO of the shared services arrangement with Centrelink for 2009–10 was \$178 192. The ATO bears no additional cost in providing publications in Medicare Australia offices.

**1.30** The ATO allocated \$321 100 for the co-located pilot sites being trialled in four Centrelink CSCs and one Migrant Resource Centre in 2010–11.<sup>49</sup> It also budgeted \$425 180 for the trial of on-line TFN applications and face-to-face interviews with proof of identity authentication services through 18 Australia Post outlets, for the period 25 August 2010 to 30 June 2011. This amount includes an estimated \$17.98 for each completed application. During the trial period, it is anticipated 16 000 TFN transactions would be completed at an estimated cost of \$287 680.

## Audit approach

### Audit objective

**1.31** The objective of the audit was to assess the effectiveness of the services delivered through ATO shopfronts to individual and micro enterprise tax clients. Particular emphasis was given to the:

- delivery of services to clients; and
- planning and reporting processes for shopfront services.

### Audit methodology

**1.32** Fieldwork was conducted in ATO shopfronts located in Dandenong, Geelong, Albury, Parramatta, Hurstville, Brisbane and Biggera Waters between August and November 2010. The ANAO reviewed relevant documentation, observed staff working at the shopfronts and interviewed key staff from the ATO, Centrelink and Medicare Australia.

**1.33** The audit was conducted in accordance with auditing standards at a cost to the ANAO of approximately \$231 164.

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<sup>49</sup> This amount includes reimbursement of \$80 000 to Centrelink for the provision of a full shopfront service from the Biggera Waters (QLD) Centrelink CSC.

## **Acknowledgements**

**1.34** The ANAO appreciates the contribution of ATO staff, and the assistance provided by Centrelink and Medicare Australia staff.

## **Report structure**

**1.35** The structure of this report reflects the particular focus of the audit. The chapters examine the extent to which the ATO has effectively undertaken:

- the delivery of shopfront services (Chapter 2); and
- planning and reporting processes for shopfront services (Chapter 3).

## 2. Delivery of Shopfront Services

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*This chapter examines the services the ATO delivers to the community through shopfronts, and the adequacy of key service delivery processes and practices.*

### Introduction

**2.1** The 18 ATO shopfronts located across Australia provide access to a range of self-help options and the opportunity to arrange an interview with an ATO member of staff. As previously discussed in Chapter 1, some of these services are also being delivered through the shared services arrangement with Centrelink and Medicare Australia. Other services are being trialled through the five co-located pilot sites, and 18 Australia Post outlets.

**2.2** Shopfronts also undertake a number of additional tasks on behalf of the Micro Enterprises and Individuals business line, to facilitate a minimum effective operational staffing level that recognises staff absences and movements.

### Delivery of core services through shopfronts

**2.3** To assess how effectively shopfronts were delivering their core services, the ANAO examined key performance information and administrative approaches relating to:

- managing enquiries and conducting interviews;
- offering self-help options; and
- accepting TFN applications.

### Managing enquiries and conducting interviews

**2.4** When clients enter an ATO shopfront they can either access self-help options (such as selecting a hard copy publication or accessing the ATO's website through a shopfront computer), or they can speak to a member of staff. If clients seek assistance, shopfront reception staff may assist them to access a self-help option, respond to their enquiry immediately or schedule an interview. To monitor the quality of shopfront services, the ATO has identified shopfront topic boundaries, implemented an Integrated Quality Framework (IQF), and monitors the timeliness of services delivered against a general enquiries service standard.

## Topic boundaries

2.5 To promote consistent and accurate response to client enquiries across all shopfronts, the ATO has introduced topic boundaries. Shopfront topic boundaries provide staff with guidance on a range of taxation topics and how they should be managed. Topic boundaries are designed to:

- identify topics that Customer Service Representatives (CSRs) in ATO shopfront sites are trained to answer;
- indicate the point at which a topic becomes complex and should be escalated to the designated specialist area; and
- assist in identifying training needs and ensuring all CSRs are knowledgeable in these topics.<sup>50</sup>

All staff are made aware of the topic boundaries and compliance with them is one of the assessment criteria within the Integrated Quality Framework (IQF) methodology.

## Integrated Quality Framework

2.6 The IQF is the ATO's framework for managing quality, systems and end-to-end processes. It is applied in the shopfronts context to monitor and manage the quality of interactions between CSRs and shopfront clients. Trained technical mentors observe, on average, two client interactions per month for each shopfront staff member, and provide feedback on their performance.<sup>51</sup>

2.7 Shopfront interactions assessed as part of the IQF for 2009–10 exceeded the internal benchmark of 90 per cent being rated as satisfactory. However, inherent problems exist with the assessment process as the CSR is informed when the assessment is being undertaken. The ATO is aware of this limitation and advised that it intends to consult with other organisations using similar service delivery models to improve this aspect of the quality assessment framework for shopfronts.

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<sup>50</sup> *ATO shopfront topic boundaries*, Micro Enterprises and Individuals business line, August 2008.

<sup>51</sup> *Operational Guide to IQF in Micro Enterprises and Individuals Shopfront*, Customer Services and Assistance IQF, Micro Enterprises and Individuals business line, August 2008, p. 52.

## Service standards

**2.8** Service standards outline the level of performance the community can expect when dealing with the ATO. There are 27 service standards against which the ATO reports externally. The standard relating to general enquiries, which measures client waiting times, is the single service standard reported for shopfronts. Under this service standard, the ATO has undertaken to attend to clients within 10 minutes of their arrival at a shopfront, and within 15 minutes during the peak tax period (from July to October). In 2009–10, shopfronts exceeded the general enquiries service standard, with over 95 per cent of clients attended to within the specified timeframe.<sup>52</sup>

**2.9** Waiting times for general enquiry services are monitored through an electronic ticketing system, referred to as the Q system, that manages the flow of clients in a shopfront site. This system issues a ticket to clients waiting to be seen by a CSR, and tracks their waiting times.

**2.10** The system relies on the manual ‘closing’ of a ticket by the relevant CSR when the client is called. Further, shopfront managers could manually adjust the recorded waiting time if a ticket had not been ‘closed’ at the time the client was attended to. To avoid the risk of incorrect reporting, the ATO changed this process in October 2010. The ability to manually adjust a recorded waiting time in the Q system is now restricted to a senior member of staff and administered from a central point.

## Offering self-help options

**2.11** All shopfront sites offer priority phone access to the ATO Customer Service and Solutions call centre, and standalone computers that provide a direct link to the ATO website. Shopfront CSRs are required to promote the use of these facilities and the shopfront team plan requires that 90 per cent of appropriate taxpayer interactions are marketed for self-help options. The ATO reported that this standard was exceeded in 2009–10, with self-help used in 98 per cent of instances where shopfront staff considered this to be the most appropriate form of interaction.<sup>53</sup>

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<sup>52</sup> Australian Taxation Office; *Our Service Standards* [Internet]; Australian Taxation Office; Australia; 2010; available from <<http://www.ato.gov.au/corporate/content.aspx?menuid=0&doc=/content/25940.htm&page=3&H3>> [accessed 28 April 2011].

<sup>53</sup> *Client Services and Assistance Accountability report, July 2009–June 2010*, Client Services & Assistance, June 2010.

**2.12** Shopfront CSRs advised that they are often required to assist clients with these options, especially those from a non-English speaking background who may not be comfortable using the telephone and the elderly, who may not be comfortable navigating the ATO website. Non-English speaking clients are typically connected to the ATO's interpreter services through the call centre facility.

## **Accepting TFN applications**

**2.13** Checking proof-of-identity documentation for new TFN applications and compromised TFNs<sup>54</sup> is a significant part of the shopfronts' work. Over the past five years, processing of TFN applications has represented one third of shopfront interviews and 18 per cent of the overall volume of work.<sup>55</sup> This work represents approximately 60 000, or 35 per cent, of the ATO's processing of paper-based TFN applications, and approximately 10 per cent of the total number of TFN registrations, which includes both paper and the web-based auto registration system.<sup>56</sup>

**2.14** In 2006, following an ANAO audit and directives from ATO Fraud Prevention and Control, a TFN assurance process was implemented.<sup>57</sup> This involves the manager or technical officer of each shopfront site checking all TFN applications accepted on any one day each week. This assurance process helps with early resolution of any issues.

## **Shopfront complaints**

**2.15** Complaints directed at shopfront services represent a very small proportion of total complaints, and these are monitored informally by shopfront management.

**2.16** However, for the period 1 July 2010 to 4 October 2010, a closer analysis of complaints received by the Micro Enterprises and Individuals business line,

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<sup>54</sup> The ATO considers a compromised TFN to be one that may have been lost, stolen or made known to another person and is therefore in danger of being used by another person for unauthorised or fraudulent purposes.

<sup>55</sup> *Shopfront Review Report*, Micro Enterprises & Individuals business line, April 2010, p. 29.

<sup>56</sup> Information provided by the ATO. Total TFN registrations includes applications from permanent migrants and visa holders who typically access the ATO's auto registration system.

<sup>57</sup> The Australian National Audit Office, Audit Report No.47 2004–05: *Australian Taxation Office Tax File Number Integrity*.

and allocated to shopfronts for response, was undertaken as a result of an increase in overall complaints to the ATO for the first half of the year. During the period, 143 complaint items were received which included 12 directed towards shopfronts. Further analysis also showed that around 80 per cent of these were deemed to be enquiries and not complaints—rather, taxpayers were seeking either technical or procedural assistance. Of the remaining ‘complaints’, only 25 were actual complaints expressing a degree of dissatisfaction with an aspect of service.

**2.17** Two recommendations were directed towards reducing the number of enquiries being lodged as ‘complaints’, and better enabling client access to web-based information and services. The recommendations were:

- to improve the design of the ATO’s website so that taxpayers could more easily find the information they required; and
- to provide the capability for email enquiries via the ATO’s website.

**2.18** This brief analysis provided valuable information on aspects of client engagement with the ATO, resulting in specific recommendations to improve service delivery more broadly.

## Conclusion

**2.19** Notwithstanding some measurement problems, core services delivered through the 18 ATO shopfronts were of an acceptable standard. Key processes and practices underpinning these services were sound, being based on a clear delineation of shopfront staff roles in providing advice and other information, and were supported by the application of an Integrated Quality Framework (IQF). Relatively few complaints were received about shopfront processes and practices.

## Delivering additional services through shopfronts

**2.20** As previously discussed, the following additional tasks have been allocated to shopfronts to allow for a minimum effective staffing level:

- responding to non interpretative correspondence (NIC);
- resolving a portion of the Micro Enterprises and Individuals business line complaints; and
- assisting the Secondary Schools Education and Tax Help programs.

**2.21** The Alice Springs shopfront also provides additional specific services to Indigenous clients through staffing the National Aboriginal and Islander Resource Centre, and by the manual processing of Indigenous TFN applications.<sup>58</sup>

**2.22** The ANAO examined key performance information and administrative approaches relating to these tasks.

## **Responding to Non Interpretative Correspondence**

**2.23** Shopfront CSRs respond to NIC that falls within the shopfront topic boundaries. Compared to the overall NIC work completed by the ATO, the proportion allocated to shopfront CSRs is small. In 2009–10, the ATO received 3 707 748 items of inbound correspondence.<sup>59</sup> Shopfront CSRs responded to 4654 items of NIC, which is less than one per cent of all inbound correspondence received by the ATO.<sup>60</sup>

**2.24** The shopfront management team monitor and report on response times to NIC. The benchmark for responding to inbound correspondence is 85 per cent finalised within 28 days. The ATO as a whole achieved this for 84 per cent of inbound correspondence. For the 2010 tax year, 74 per cent of NIC responded to by shopfront CSRs was finalised within 28 days. However, delays with the routing of internal mail resulted in 38 per cent of the work allocated to shopfronts already exceeding the 28 day finalisation service standard before it was delivered to the shopfronts. In 2009–10, if measured only on cases that arrived at shopfronts within the service standard, 98 per cent were finalised within 28 days.<sup>61</sup>

**2.25** Delays in receiving NIC in shopfronts were reported in fortnightly reports and escalated to the ATO Executive. Subsequent improvements in mail distribution resulted in delays in responding to NIC falling from 52 per cent in January 2010 to 11 per cent in September 2010.

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<sup>58</sup> Indigenous TFN applications are available specifically for Aboriginal and Torres Strait Islanders who may not have the necessary documents, such as a birth certificate, to prove their identity.

<sup>59</sup> Commissioner of Taxation, *Annual Report 2009–10* [Internet], Australia, 2010, available from <<http://ato.gov.au/content/downloads/cr00258543AR0910.pdf>> [accessed 12 April 2010], p. 48.

<sup>60</sup> *Heartbeat report for fortnight ended 30 June 2010*, Client Services & Assistance, June 2010.

<sup>61</sup> *Client Services and Assistance Accountability report, July 2009–June 2010*, Client Services & Assistance, June 2010.

## Resolving complaints

**2.26** ATO shopfronts respond to those complaints received by the Micro Enterprises and Individuals business line that fall within the shopfront topic boundaries. For 2009–10, the business line received 4523 complaints, of which 292 were allocated to the Client Service and Assistance stream. Shopfronts managed 219 of these, or just under five per cent of the total number of complaints received by the business line.

**2.27** Responding to all ATO complaints is assessed against a service standard of three days for initial contact with the complainant, and a further 21 days to resolve the case. In 2008–09, the Micro Enterprises and Individuals business line met this standard for 86.9 per cent and 88.2 per cent respectively.<sup>62</sup> No service standard data is available for the small proportion of business line complaints managed by shopfronts.

## Assisting the Secondary Schools Education and Tax Help programs

**2.28** The Secondary Schools Education and Tax Help programs are managed by the Marketing and Education team within the Micro Enterprises and Individuals business line. While the programs have national coverage, only six shopfront sites provide a staff member to assist with these programs, in addition to their shopfront duties. The ATO advised that the work undertaken in these six locations is only a very small proportion of the programs' overall management and administration.

### *Secondary Schools Education program*

**2.29** The Secondary Schools Education program runs throughout the school year, and aims to assist secondary students to better understand the tax system and obtain a TFN before leaving school. Each school that participates in the program by collecting TFN application forms from students is reimbursed \$3.30 per TFN application lodged. This reimbursement covers the cost of processing the proof-of-identity forms and any additional administrative tasks.

**2.30** Shopfront staff who assist with the program provide ATO information packs for schools, deliver presentations to students, and check the

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<sup>62</sup> Due to system changes in 2009-10, available data for this year is not a true reflection of performance within the business line.

accuracy of TFN application forms for approximately 10 per cent of the schools that participate in the program. In 2009–10 shopfronts accepted 7200 TFN applications through the program, resulting in a payment to schools of \$23 760.

### *Tax Help program*

**2.31** Tax Help is a network of community volunteers who provide a free and confidential service to assist low income or disadvantaged individuals with their tax obligations during the peak tax period, from 1 July to 30 October each year. Over the past 19 years, Tax Help has assisted more than 650 000 individuals, including people from a non-English speaking background and young people lodging a tax return for the first time. Tax Help centres are located in a number of different community venues including libraries, community centres and migrant resource centres, in urban, regional and remote areas of Australia. Volunteers also promote the use of electronic lodgement of tax returns, and assist Tax Help clients to access and use e-tax facilities.

**2.32** Shopfront staff assist with the recruitment and training of volunteers for the program throughout the year, and provide resources such as laptops and printers if these are not available in the community venue where the Tax Help program is being offered.

## **Conclusion**

**2.33** While the additional tasks delivered through shopfronts supports the shopfront staffing levels, it represents a very small proportion of the work of the broader business line. There is no efficiency measure applied to this arrangement and, where a decision has been made to close a shopfront, this work has been absorbed by other areas of the business line.

## Services provided to Aboriginal and Torres Strait Islander people

**2.34** The Council of Australian Governments' (COAG) National Indigenous Reform Agreement (Closing the Gap) sets out six principles for the delivery of programs and services for Indigenous Australians. The fourth principle, the *Access Principle*, states that:

programs and services should be physically and culturally accessible to Indigenous people recognising the diversity of urban, regional and remote needs.<sup>63</sup>

**2.35** Consistent with this principle, the ATO's Reconciliation Action Plan 2010–13 focuses on three areas, one of which is the commitment to *developing policies, programs and services that make it easier for the Indigenous communities and individuals to access the ATO*.<sup>64</sup>

**2.36** The Alice Springs' ATO shopfront operates a specialised telephone help service for Aboriginal and Torres Strait Islander peoples, through the National Aboriginal and Torres Strait Islanders Resource Centre (referred to as the Indigenous Hotline), and also processes Aboriginal and Torres Strait Islander peoples' TFN applications (Indigenous TFN applications). All CSRs in the Alice Springs shopfront have participated in cultural awareness training.

**2.37** The Indigenous Hotline was established in 1996 and operates within the ATO shopfront topic boundaries. The top five Hotline topics for 2009–10 related to enquiries about tax file numbers; tax returns and refunds; change of personal details; and notices of assessment.

**2.38** Although unanswered calls are routed to voicemail, very few callers to the Indigenous Hotline take the option of leaving a message and consequently the Hotline had a high number of calls that were not responded to. In 2009–10, approximately 35 per cent of calls resulted in the caller hanging-up prior to the call being answered or diverted to a message facility.<sup>65</sup> Figure 2.1 shows the

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<sup>63</sup> National Indigenous Reform Agreement, (Closing the Gap). Service delivery principles for programs and services for Indigenous Australians. Updated February 2011.

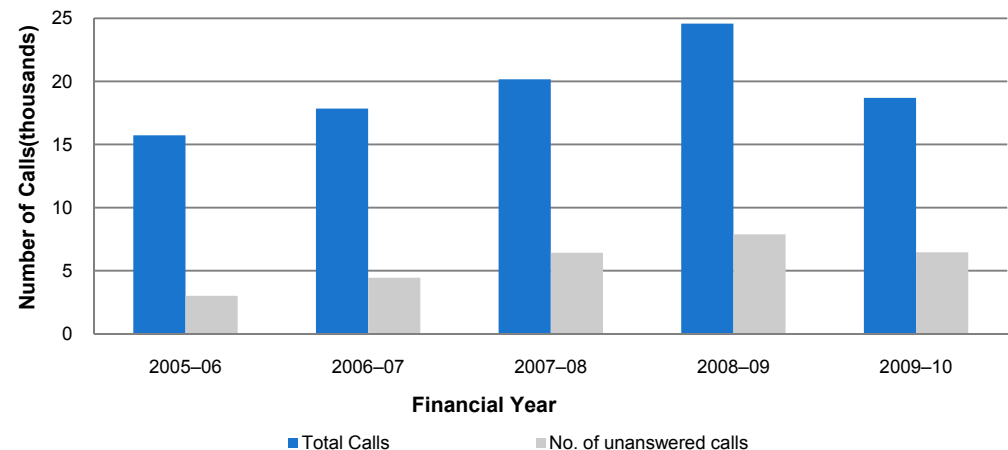
<sup>64</sup> Australian Taxation Office; *Reconciliation Action Plan 2010-13*; Canberra; 2010; available from <[http://www.ato.gov.au/content/downloads/mcl\\_00113248\\_n71684\\_RAPweb.pdf](http://www.ato.gov.au/content/downloads/mcl_00113248_n71684_RAPweb.pdf)> [accessed 28 April 2011] p. 3. The additional two areas are: providing employment and career development opportunities to Indigenous Australians to assist the Indigenous community with their economic wellbeing; and, increasing the cultural capacity of the ATO to build respect and understanding of Indigenous cultures.

<sup>65</sup> *Shopfront Review Report*, Micro Enterprises and Individuals business line, 19 April 2010, p. 31.

number of calls received by the Indigenous Hotline as well as the number of unanswered calls from 2005–06 to 2009–10.

**Figure 2.1**

**Number of calls received by the Indigenous Hotline and number that were unanswered for the period 2005–06 to 2009–10.**



Source: *Shopfront Review Report*, Micro Enterprises and Individuals business line, 19 April 2010, p. 31.

**2.39** Prior to the establishment of the Indigenous specific telephone service, calls made by, or on behalf of, Aboriginal and Torres Strait Islander people were handled by the ATO’s national call centre network. A decision was made by the ATO to discontinue this arrangement and establish the Indigenous Hotline in recognition that the:

- ATO has an obligation to provide services aligned to the cultural needs of this community group; and
- cost efficient service provided by a large scale Contact Centre could not provide an appropriate level of service to this group.

**2.40** While this arrangement was aimed at improving services to Indigenous clients, it has resulted in the high unanswered call rates experienced in recent years. The phone systems available in the Alice Springs region limited the ATO’s capacity to divert unanswered calls for the Indigenous Hotline to the national call centre network. This arrangement was also not the ATO’s preferred solution, given the rationale for establishing an Indigenous-specific service.

**2.41** Upgrades to the telephony hardware in Alice Springs has also meant a number of improvements in call management for the Indigenous Hotline, including:

- a queuing system where incoming calls are now ‘parked’ waiting for a free staff member instead of automatically diverting to an answering machine; and
- the capability for anyone using the new hardware in other locations to log into and take Indigenous Hotline calls, and to access the message bank.

**2.42** Following the telephone system upgrade and a revised roster for staff managing the Indigenous Hotline, the ATO compared the number of answered calls between weeks one to 28 for 2009–10, with the same period in 2010–11. The number of hang-ups and unanswered calls declined by around 35 per cent.

**2.43** The ATO further advised that additional improvements to the service are currently being explored, pending the implementation of a wider range of enhancements to the telephony hardware. These improvements include new ways to capture information around message bank calls, and putting arrangements in place for CSR staff in the Darwin and Townsville shopfronts (who have undertaken the necessary cultural awareness training) to have the capability to log into the Indigenous Hotline and pick up calls.

#### *Aboriginal and Torres Strait Islander peoples’ TFN applications*

**2.44** Indigenous Australians can apply for a TFN using the standard TFN application form, or a TFN application form designed specifically for those Indigenous Australians who may not have the usual documentation required to prove their identity. The Alice Springs shopfront team processes all specific Indigenous TFN applications, including those accepted at other shopfronts throughout Australia.

**2.45** In 2009–10, the Alice Springs shopfront processed all 7402 Indigenous TFN applications within the relevant 28 day service standard.<sup>66</sup> This was the first year that all such TFN applications were processed in the shopfront network.

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<sup>66</sup> *Heartbeat report for fortnight ended 30 June 2010, Client Services & Assistance, June 2010.*

## Conclusion

**2.46** Services provided to Indigenous clients through the National Aboriginal and Torres Strait Islander Resource centre in the Alice Springs shopfront support the commitments set out in the ATO's Reconciliation Action Plan, and give effect to COAG's Closing the Gap reform agenda. Changes to the operations of the Indigenous Hotline have resulted in fewer unanswered calls, and further improvements have been planned. The ATO recognises the importance of providing cultural awareness training to staff who provide services to Indigenous clients.

## Alternative programs for the delivery of shopfront services

**2.47** Where practicable, the ATO has decided to close off-site shopfronts as their leases expire, and is trialling alternative models for delivering the on-site services currently provided through its 18 shopfronts. ATO shopfronts are predominantly located in urban centres, and the trial programs extend limited services to regional and remote locations across Australia.

**2.48** Some services that fall within the shopfront on-site service offer are provided through a shared services arrangement with Centrelink and Medicare Australia. Other service offers are being trialled at five co-located pilot sites (four Centrelink CSCs and one Migrant Resource Centre). The TFN enhancement program is being trialled in 18 Australia Post outlets.

## Shared services arrangement

**2.49** A shared services project is managed within the Micro Enterprises and Individuals business line, and seeks to extend a limited range of services to ATO clients across a wide geographical area. Details of the arrangements are set out in a Collaborative Head Agreement, between the ATO and the Department of Human Services, specifically Centrelink, and in a Letter of Offer between the ATO and Medicare Australia.

**2.50** Following a trial conducted through a number of Centrelink CSCs during the 2008 Tax Time period<sup>67</sup>, the initiative was rolled out nationally in 2009–10 across the Centrelink network. During the tax time period, Centrelink CSCs are registered as Tax Help referral centres, with CSC staff promoting the

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<sup>67</sup> This refers to the peak period each year for lodging tax returns, 1 July to 31 October.

use of e-tax, and directing clients to ATO information and services, including the Tax Help program and the ATO website. This arrangement will be in place for each annual Tax Time period until 2013.

**2.51** The 2008 trial also included the displaying of e-tax and 'lost super' publications in several Medicare Australia offices. This initiative was also rolled out to the national Medicare Australia network the following year, and is renewed on an annual basis.

**2.52** In March 2010, the ATO reported on the first year of the shared services arrangement.<sup>68</sup> Overall, the data obtained for Tax Time 2009 indicated that the program achieved its objective of providing greater reach into the community with taxation related information, particularly in areas that are geographically isolated. The success of the initiative was measured by the volume of pamphlets distributed and the number of clients referred to e-tax facilities or the Tax Help program. Limited qualitative feedback from Centrelink CSC staff and customers was also generally supportive of the arrangement.

**2.53** One aspect of the program did not progress as envisaged. System constraints prevented e-tax facilities being available in Centrelink CSCs, limiting the option to promote clients' use of e-tax. However, the report noted that the feasibility of having ATO stand alone computers in a small number of Centrelink sites would be explored.<sup>69</sup> Given the focus on on-line service delivery and the ATO's aim to increase the number of clients using e-tax, there would have been merit in fully exploring system capabilities in the planning stages of this program. Increased co-ordination with developments in on-line services may have identified this issue prior to the trial being rolled out nationally, although the ATO advised this would not have prevented the project going ahead, and technology solutions would be explored with Centrelink.

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<sup>68</sup> *Shared Services Initiative Report, Report for Tax Time 2009*, Micro Enterprises and Individuals business line, March 2010.

<sup>69</sup> *Shared Services Initiative Report, Report for Tax Time 2009*, Micro Enterprises and Individuals business line, March 2010, p. 21. In relation to the availability of e-tax in Centrelink, it was determined that it is not possible to operate e-tax through the Centrelink network due to a number of obstacles, unless changes are made to the product or network capacity, that are unlikely to occur for at least the next five years. ATO stand alone computers in a small number of targeted Centrelink sites for Tax Time 2011 may provide a solution.

**2.54** The ANAO did not examine in detail the implementation arrangements of the agreement between the ATO and the Department of Human Services. However, of six selected metropolitan and regional Centrelink CSCs visited during the course of the audit<sup>70</sup>, only four CSCs had all the relevant publications displayed in the customer service waiting areas, as detailed under the terms of the agreement.

## Co-located pilot sites

**2.55** As previously discussed, the ATO is also trialling the delivery of shopfront on-site services through five selected co-located sites to extend the reach of these services in the community. The pilot phase of the program ran from July to December 2010, and the arrangements were extended in the participating Centrelink CSCs until June 2011. The intent of the shopfront pilot program was to:

- assess the effectiveness of ‘co-located’ service provision;
- assess the merits of different service options at co-located sites; and
- provide insight to inform ongoing service models.<sup>71</sup>

Table 2.1 outlines the service arrangements at each location.

**Table 2.1**

### Shopfront services provided through Centrelink CSCs and one MRC

| Location                                      | Shopfront service provided  |
|---|---|
| Centrelink Biggera Waters (QLD)               | Provision of the full range of shopfront services <sup>(1)</sup>  |
| Centrelink Penrith (NSW)                      | Provision of the full range of shopfront services, but with ATO staff only being available on a part-time basis.  |
| Centrelink Chatswood (NSW) and Joondalup (WA) | The only service provided is the option to arrange an appointment with a ATO staff member during specified hours. |
| Rockdale Migrant Resource Centre (NSW)        |   |

Source: ANAO analysis of ATO information.

Note (1) The full range of shopfront services includes provision of self help facilities (providing clients with access to a range of publications; telephones programmed to ATO information lines; and direct access to www.gov.au sites via two standalone computers) and access to ATO staff on a full time basis.

<sup>70</sup> The metropolitan and regional Centrelink CSCs visited during the course of the audit were Hurstville, Merrylands, Campsie, Albury, Biggera Waters and South Brisbane.

<sup>71</sup> *Co-location Pilot Overview August 2010*, Micro Enterprises and Individuals business line, August 2010.

**2.56** In October 2010, the ATO published an interim report evaluating the first three months of the co-located services trial.<sup>72</sup> The report noted that while it was early in the trial to make any final determinations regarding the merits of the different service models being piloted, indications were that they were meeting client expectations and the supporting infrastructure arrangements were generally effective.

**2.57** The interim report also attempted to capture the ‘client experience’ of the co-located services through a client survey. Approximately one in four clients, representing a sample size of approximately 650 clients attending the co-located sites, participated in the on-going survey. Findings about the service being provided were positive, based on the ease of access to the pilot sites, and that client information needs had been met. The interim report also confirmed findings from the earlier shopfront review, that the majority of clients (71 per cent of those participating in the survey) visited the shopfront service for two reasons: they preferred a face-to-face service or they preferred to present their original documentation in person rather than via the postal service.

**2.58** However, the service trial at the Rockdale Migrant Resource Centre was less successful. Notwithstanding that migrants are one of the key client groups identified as using shopfront services, the MRC pilot closed on the 17 November 2010, after only operating for some four months. Only 23 clients had accessed the service between July and September 2010. The ATO decided to cease the MRC pilot half way through the trial period, noting that clients from the migrant community could still access services through the local ATO shopfront. The Shopfront Review also identified limited English language proficiency as one of the main difficulties for this client group, and the low up-take of the trial reduced the potential to identify specific issues associated with clients from a non-English speaking background.

**2.59** Based on these findings, the interim report noted that discussions were underway with Centrelink to identify other suitable co-located sites, especially

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<sup>72</sup> *Shopfront co-location interim report*, evaluation of July to September period 2010, Micro Enterprises and Individuals business line, October 2010.

at locations where existing shopfront leases were due to expire in 2011–12 and beyond.

**2.60** A draft of the final evaluation report on the six months trial of the five pilot sites included key findings that<sup>73</sup>:

- ATO and Centrelink staff forged constructive working relationships;
- the ‘full service’ shopfront service model and the ‘by-appointment’ service model were effective;
- the self-help model was not effective; and
- the ‘by-appointment’ service provided through the migrant resource centre was not effective.

**2.61** Recommendations in the draft report are aimed at continuing and expanding the ‘full service’ and ‘by appointment’ models; further examining the mix of self-service options that would be most effective; and identifying and implementing information technology solutions to support the delivery of services through other agency and non-government agency sites. The report also noted that the impact of the TFN enhancement project in Victoria had significantly reduced the number of TFN-related visits to Victorian shopfronts.

**2.62** However, the position of the trial in relation to the broader Channel and on-site strategies is not clear. The report states that the intent of the ‘full service’ trial site was to replicate the services provided through an ATO shopfront. This does not readily align with the general direction of service delivery being promoted in other areas of the ATO, namely to migrate clients away from on-site, and towards on-line service options.

## **Processing TFN applications through Australia Post outlets**

**2.63** As previously noted, 18 Australia Post outlets are participating in a 10 month trial to accept taxpayers’ TFN applications. This is the second of a three phase TFN enhancement program directed at improving taxpayers’ experience in applying for and validating their TFN, reducing paper transactions and expanding the use of electronic channels.

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<sup>73</sup> *Shopfront Co-location pilot evaluation*, Micro Enterprises and Individuals business line, 7 April 2011. At the time of the audit, this report was in draft form, and had not been considered by the ATO Executive.

**2.64** Phase one of the project, which has been implemented and is in effect until 30 June 2011, outsourced arrangements for managing TFN mail. Negotiations are currently underway for phase three, that will trial an on-line proof-of-identity capability through an Attorney General's initiative known as the Document Verification Service. The TFN enhancement program, should it be rolled out nationally, will provide increased options for taxpayers to apply for a TFN and have the capability to meet their proof-of-identify requirements online or by phone.

**2.65** As has been shown by the trials in Victoria, these developments will substantially reduce the proportion of TFN paper-based transactions currently processed by the ATO and, as a consequence, the tasks undertaken by shopfronts. A reduction in the volume of TFN-related work undertaken in shopfronts would reduce the capacity for existing shopfronts to maintain minimum effective operational staffing levels without additional work being allocated to them.

## **Conclusion**

**2.66** The 18 shopfronts operating as at March 2011 aim to meet the needs of those clients in their immediate vicinity. The initiatives being trialled by the Micro Enterprises and Individuals business line are aimed at broadening access to shopfront services, and providing alternatives as shopfronts close. However, the ATO has limited options in being able to replicate, or to provide, a similar level of service that is currently available through an ATO shopfront.

**2.67** Technology constraints currently limit or exclude connectivity to ATO web based services, from sites supporting the shared services arrangement. Also, the advice that can be provided by Centrelink and Medicare Australia staff is limited to directing clients to ATO publications displayed in their respective centres, or to the Tax Help program. Monitoring of the standard of services being delivered by other agencies is limited to the number of clients who access a service, and the volume of pamphlets distributed.

**2.68** The co-located pilot sites may not have provided sufficient opportunity to fully meet the intent of the pilot. Only one pilot site offered the full range of shopfront on-site services, and the site trialling services to migrants ceased after four months, limiting the opportunity to consider how services to the migrant and non-English speaking communities could be better targeted. None of the trial sites are located in other than established regional and urban

locations, as the options were limited to sites with the necessary staffing and infrastructure, including IT capability.<sup>74</sup>

**2.69** While shopfront management has developed a specific on-site service offer that can be effectively provided by ATO staff utilising the agency's technology from ATO locations, it may not be the most appropriate model on which to base alternative on-site delivery options: other agency staff would not have the background in ATO products and services, and there are constraints with information technology. Further, expansion of an on-site offer does not necessarily support the ATO's intent to migrate more clients to on-line services.

**2.70** Shopfronts also aim to provide a service to people who require a necessary face-to-face service for a small subset of personal tax clientele who are not comfortable with other forms of communication with the office or, who believe they are required to visit in person to obtain assistance'.<sup>75</sup>

Establishing the underlying reasons that clients utilise shopfronts is important in developing alternative service options. It may be that clients utilise a shopfront because it is conveniently located to them, but would alternatively use a cost effective on-line or call service. This issue is further discussed in Chapter 3.

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<sup>74</sup> The draft Shopfront Co-location pilot evaluation, April 2011, identified that *the ROAM laptops and USB modems used for the pilot were unable to provide the reliability and level of service required*, and that the risk has been escalated through a business case for resolution between the ATO and Centrelink IT areas

<sup>75</sup> Shopfront Review Report, Micro Enterprises and Individuals business line, 19 April 2010, p.6.

## 3. Planning and reporting shopfront services

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*This chapter examines the ATO's arrangements for the planning and reporting of shopfront services.*

### Introduction

**3.1** The ATO produces a hierarchy of planning documents that link the corporate plan with business line plans, through to individual performance and development agreements for staff. Staff are able to see how the work they do contributes to the delivery of high level strategies identified in the ATO's corporate plan.

**3.2** The ATO's strategy for service delivery is outlined in its *Channel Strategy 2008–12*. This strategy provides high level direction for individual business line managers that have responsibility for the services delivered through the complementary on-line, on-call, on-paper and on-site strategies. Specifically, the *On-site Strategy 2009–12* includes consideration of the shopfront service offer. Effective planning for the operations of the existing shopfronts and the alternative service delivery models being trialled would necessarily be part of the broader ATO channel strategy, given the interdependence of the different service models. The direction to reduce the number of existing ATO shopfronts and to migrate clients to on-line or on-call services also needs to take into account the capabilities and services available through these other channels.

**3.3** Effective planning for future service delivery models also requires an understanding of individual and community expectations of how services should be provided. In balancing the costs and efficiency of different models, the ATO may not necessarily meet all client expectations. However, understanding taxpayers' experience and expectations in engaging with the ATO is a necessary part of the development and implementation of new service delivery models.

**3.4** The ANAO reviewed the channel and on-site strategies, the governance arrangements for the management of these strategies, and planning activities for shopfronts within the Micro Enterprises and Individuals business line. The 'taxpayer experience' research undertaken by the ATO was also reviewed.

## **The ATO's strategy for service delivery**

### ***Channel strategy 2008–12***

**3.5** The intent of the ATO's channel strategy is to

‘transform service delivery by making it easier for taxpayers to comply using accessible, efficient and convenient services so people can interact with the ATO in a manner, time and place of their choice’.<sup>76</sup>

Four major delivery channels are offered by the ATO (as explained in Table 1.1).

**3.6** The channel strategy provides a comprehensive, enterprise-wide oversight of channel initiatives. It outlines the ATO's clear preference to migrate taxpayers to lower-cost, self-help options, thereby reducing their reliance on shopfront services. The strategies objectives are to:

- put the taxpayer at the centre of service delivery by better understanding and improving the taxpayer experience;
- reduce channel costs and provide efficient services;
- integrate multi-channel services with a focus on migrating taxpayers to self-help options; and
- lead and collaborate on whole-of-government initiatives that contribute to building community confidence in the fair administration of the tax and superannuation systems.<sup>77</sup>

### **On-site Strategy 2009–12**

**3.7** The On-site Strategy 2009–12 broadly defines ‘on-site’ as ‘locations where members of the community can personally interact with ATO staff’. The definition includes ATO shopfronts, as well as taxpayer and third party premises where information services are provided, such as at tax agents’ offices; and the delivery of forums, seminars and workshops by ATO staff.

**3.8** The purpose of the on-site strategy is to articulate the future of the ATO's on-site offer, which will:

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<sup>76</sup> *Channel Strategy 2008–12*, Micro Enterprises and Individuals business line, November 2008, p. 14.

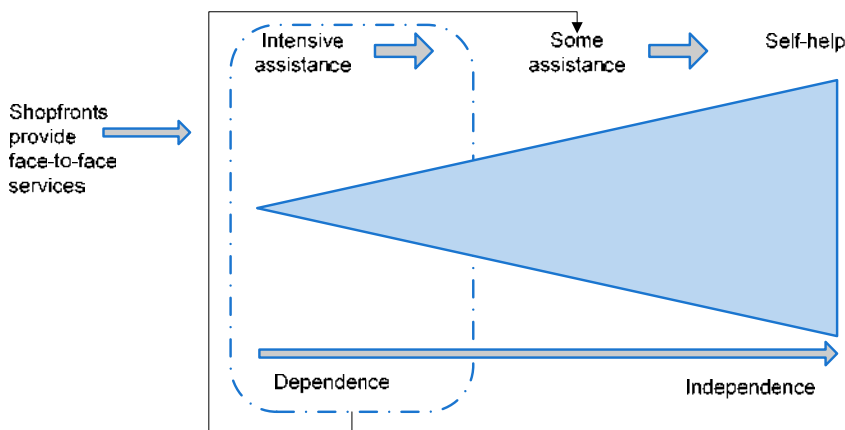
<sup>77</sup> *Channel Strategy 2008–12*, Micro Enterprises and Individuals business line, November 2008, p. 5.

- deliver on-site services more tightly to meet the special needs of key taxpayer and intermediary groups;
- identify and transition current on-site services that could be provided electronically;
- enhance the remaining core on-site services; and
- capitalise on whole-of-government initiatives.<sup>78</sup>

3.9 Figure 3.1 illustrates how on-site service options provide the most intensive direct help and assistance for some tax clients, through to the provision of self-help and on-line services for the majority of clients' interactions with the ATO. The intent of the service delivery strategies is to position self help options as the first choice for client engagement with the ATO.

**Figure 3.1**

### ATO progressive assistance model



Source: ANAO analysis of ATO information.

### *Governance arrangements for the channel and supporting strategies*

3.10 During development of the channel and supporting on-line, on-call, on-paper and on-site strategies, the ATO identified the interdependence of these strategies and the need for an integrated, cross-enterprise approach to

<sup>78</sup> *On-site Strategy 2009–12*, Micro Enterprises and Individuals business line, July 2009.

channel management. The Channel Strategy Reference Group (CSRG) was formed in 2008, to oversee the channel program of work.<sup>79</sup>

**3.11** The ATO advised that, while there was broad representation on this group from relevant areas, the terms of reference and composition of the CSRG did not allow for the necessary level of direction and co-ordination of the different service delivery options being trialled across the ATO, including in shopfronts. The CSRG was dissolved in September 2010 and the revised channel strategy management arrangements were centred in the ATO's newly established Integrated Service Steering Committee (ISSC).

**3.12** The establishment of the new committee was deemed necessary to oversee, align and prioritise the numerous delivery projects into the future. It also aims to overcome the approach where priorities were often confined to the sponsoring sub-plan needs, and not assessed against other sub-plan or corporate priorities.<sup>80</sup> The new arrangements are directed at providing:

clear accountability and governance to ensure work is undertaken in a co-ordinated way, supports the ATO's corporate agenda and enhances the ATO's relationship with the community and Government.<sup>81</sup>

**3.13** Responsibility for the channel strategy resided within the Corporate Relations function, and this arrangement has also been reviewed. Draft governance arrangements for the ISSC bring together the responsibilities previously held by the ATO's Whole of Government Steering Committee<sup>82</sup> and will provide support to new enterprise based channel management arrangements. Membership of the committee is at the senior executive level, and it is chaired by the ATO's Chief Operating Officer. The committee reports directly to the ATO Executive.

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<sup>79</sup> The ANAO did not review the operations of the CSRG.

<sup>80</sup> At a high level, the ATO's annual plan outlines the work the agency intends to perform for the relevant financial year. Business and service lines are grouped into four areas which produce sub-plans, outlining how the higher level corporate plan will be implemented. The four sub-plan groups are: compliance; corporate services and law; enterprise solutions and technology; and operations. The Micro Enterprises and Individuals business line is under the Compliance sub-plan.

<sup>81</sup> *Integrated Service Delivery Steering Committee Charter* (draft, November 2010).

<sup>82</sup> The Whole of Government steering committee was established to oversee the ATO's Whole of Government work program, and was the key internal decision-making and steering forum directing this program. ISSC draft charter, p. 4.

**3.14** The ATO considers that the new arrangements, although not yet ‘bedded down’, will provide a renewed focus for the management of the channel and complimentary on-line, on-call, on-paper and on-site strategies. It will also provide strategic direction and co-ordination of service delivery initiatives across the agency, including for shopfront services.

## Planning for shopfront services

### Shopfronts

**3.15** Planning activities for the 18 shopfronts in operation as at March 2011 is undertaken in the Client Services and Assistance stream, within the Micro Enterprises and Individual business line. The stream’s plan for 2010–11 sets out the operational objectives and performance indicators for the inbound and outbound contact centres and shopfronts, and deals with staffing and operational requirements.

**3.16** At a higher level, the Micro Enterprises and Individuals 2010–11 business line plan describes how the business line will deliver on the strategies outlined in the ATO’s annual plan, including the piloting of shopfront services,

in line with whole of government and citizen centric approaches to service delivery, the provision of shopfront services will be piloted from selected Centrelink sites and other centres.<sup>83</sup>

**3.17** Combined, the business line and stream plans set out the operational arrangements for shopfronts and the two alternative service delivery programs. While both plans refer to management of the co-located pilot sites and shared services arrangements, (evaluate the co-location pilots and ensure the efficient running of the shared services arrangement with Centrelink and Medicare Australia), neither plan includes reference to the ATO’s overarching channel and on-site strategies for the direction and development of service delivery.<sup>84</sup>

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<sup>83</sup> *Micro Enterprises and Individuals business line plan 2010–11*, Micro Enterprises and Individuals line plan, July 2010 p. 8.

<sup>84</sup> While the project brief for the Shopfront review (referred to in Chapter 1) defined that the intent of the project was to clearly articulate the shopfront service offer, taking into account the overarching principles inherent in the Channel and On-site strategies, there was no detail as to how this would be achieved.

**3.18** Planning is undertaken for shopfront operations, and there is clear 'line of sight' responsibility for decision making through the Micro Enterprises and Individuals business line executive to the ATO Executive. Issues warranting high level endorsement, such as the option to close shopfronts at the end of their lease, and the decision to trial the co-located shopfront sites, are appropriately raised with the Executive.

**3.19** It is less clear how the planning processes for shopfronts and the service delivery trials in the Micro Enterprises and Individual business line are co-ordinated with the overarching channel and supporting strategies. Specifically, alignment between the on-site strategy and service delivery initiatives in other areas of the ATO, such as the TFN enhancement program and new web-based capabilities, has not been articulated.

**3.20** The ATO advised that key decisions about shopfront services and the trial programs are approved through the ATO Executive. There was no detailed advice regarding how developments being implemented, and, or research being undertaken, in other channel strategies was considered within the Micro Enterprises and Individual business line, in either the development of the trials or in their evaluation.

**3.21** In establishing the CSRG in 2008 and the ISSC in 2010, the ATO identified the need for an integrated cross agency approach to channel management, in order to oversee, align and prioritise the numerous service delivery projects being undertaken across the ATO. The ATO advised that the terms of reference and structure of the newly established ISSC are likely to strengthen the ATO's co-ordination and planning of its channel strategies.

## **Understanding the taxpayer experience**

**3.22** The draft terms of reference for, and responsibility of, the ISSC over the next five years is to establish and steer the ATO's service delivery agenda to deliver 'the right services through the right channels providing the right client experience in a whole of government context.'

**3.23** The channel and on-site strategies also refer to the importance of identifying clients' needs and preferences in relation to how they conduct their business with the ATO, in order to achieve strategy objectives.

**3.24** The ANAO reviewed research undertaken by the ATO to provide an understanding of the taxpayer experience, particularly:

- the *Community Perceptions Survey (CPS)*. First conducted in 1996, the CPS was run biannually until 1999, and annually since 2000. The purpose of the CPS is to capture trend data to monitor community perceptions of the ATO and its administration of the tax system, over time; and
- the *Tracking the Individuals Segment Survey*. First conducted in 2006 and repeated in 2009, the survey included analysis of taxpayers' awareness, attitudes and behaviour in relation to compliance with the tax system, as well as perceptions of the extent to which the ATO and its products support compliance.<sup>85</sup>

**3.25** The ATO also relies on research commissioned by the Australian Government Information Management Office (AGIMO) regarding Australians' use of and satisfaction with e-government services, as well as a cross section of published surveys. While the ATO advised that it has an annual research program that provides insight into the behaviours and needs of the community, as at November 2010, it had not conducted any specific on-site channel research.

**3.26** In October 2009, as part of the broader Shopfront Review, the ATO undertook a survey of shopfront clients. The survey was designed to identify the drivers behind clients choosing to attend a shopfront. The results showed that, during the period the survey was undertaken, almost half (46 per cent) of shopfront clients were repeat visitors, and 12 per cent were multiple repeat visitors (in excess of three visits). This may have impacted the survey results to some degree as the reasons behind clients' multiple repeat visits was not examined.

**3.27** Results from the 6000 responses to the survey provided some insight into why people visit a shopfront, including that:

- 44 per cent stated a preference for a face-to-face interaction;
- 38 per cent would be prepared to use the ATO web services instead;
- six per cent identified difficulty in contacting the ATO by telephone;

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<sup>85</sup> Colmar Brunton Intelligence, *Tracking the Individuals Segment Survey 2009* [Internet]. ATO, Australia, 2009, available from <<http://www.ato.gov.au/content/downloads/cor00248511.pdf>> [accessed 25 November 2010], p. 15.

- 27 per cent believed they were required to visit in person;
- 12 per cent stated they were just passing by; and
- eight per cent identified their non-English speaking background as the reason for attending a shopfront.

**3.28** The survey results could more effectively have provided information about shopfront clients that would have supported key areas in the on-site strategy. Specifically, the survey results did not identify:

- the profile of clients who would continue to need the ‘necessary face-to-face’ service provided through a shopfront, or on-site, location;
- why clients who would be prepared to use web services did not do so; and
- what information has, or has not been provided to clients who believed they were required to visit in person, but may have been able to conduct their business on-line or through the call centre.

**3.29** The project brief for the review also indicated that the client survey would be conducted at three monthly intervals to capture details at various trigger points throughout the tax year. It may also be of value as part of a longitudinal study to capture and measure shifts in taxpayer behaviour in future years. However, the survey has only been conducted on one occasion as part of the shopfront review, although less detailed surveys have been undertaken as part of the evaluation of shared services arrangement and shopfront pilot sites.

**3.30** During the course of the audit, the ATO advised that discussions have commenced as part of the broader channel management strategy to conduct surveys to identify ways of moving those taxpayers, who still lodge their income tax via a paper form, to electronic lodgement.

**3.31** With the exception of the survey conducted as part of the Shopfront Review and the evaluation of the pilot sites, the ATO does not undertake any specific channel research. Instead it relies on information provided through generic surveys, which provide limited information on clients’ preferences, levels of satisfaction with the service provided or expectations in relation to each channel.

## Conclusion

**3.32** The ATO's channel strategy and supporting strategies were developed to provide direction and co-ordination for complex service delivery options across the agency, and to reflect the whole-of-government agenda for the delivery of government services. However, the planning, development and co-ordination of service delivery trials for variations of the shopfront service offer with other channel strategies and service delivery options being developed in other areas of the ATO, is not well defined.

**3.33** The structure of the governance arrangements for the implementation of the channel and supporting strategies changed in September 2010. There is renewed focus on the future options for service delivery, with strong linkages through senior executive committees to whole-of-government working groups. The revised governance arrangements for the channel strategy provide new opportunities to better integrate planning of shopfront services. This will enable shopfront management to better position the future shopfront service offer within the ATO's broader service delivery strategies.

**3.34** There is scope for the ATO to better understand client expectations of the services delivered through ATO shopfronts and co-located sites. Such analysis would more effectively contribute to the objectives of the on-site strategy by:

- identifying the relatively small number of clients who may require direct, personal 'face-to-face' assistance, and facilitate consideration of different options for delivering such a service;
- developing assistance for clients to transition from shopfront services to on-line or on-call services; and
- providing better information for the design and targeting of services that would most benefit the community and could be effectively delivered through co-located and shared service arrangements.

## Recommendation No.1

**3.35** To better inform the direction of shopfront services and to support the key priority areas in the on-site strategy, the ANAO recommends that the ATO:

- conduct research to identify key shopfront client groupings and the reasons for their engagement with the ATO; and
- through the Integrated Services Steering Committee, coordinate the planning undertaken for shopfronts, including the development of alternative delivery models.

**ATO response:** Agreed.

## Reporting of shopfront services

**3.36** Effective reporting and monitoring arrangements are key aspects of a sound governance framework, and should generate information that is appropriate for both internal and external performance management and accountability requirements.

### Internal reporting of shopfront services

**3.37** Shopfront performance is monitored and reported at several levels across the Micro Enterprises and Individuals business line. Shopfront managers participate in a weekly telephone hook-up to discuss day-to-day operational issues and other matters relevant to shopfront business. This includes progress of the shared services arrangement, the five shopfront pilot co-located sites, and preparation for the busy tax time period.

**3.38** The ANAO reviewed minutes from these meetings for a six month period in 2010, and found that shopfront managers have a sound understanding of their roles and responsibilities. The meeting minutes reflected discussion on performance against key timeliness and quality measures, as well as the direction of shopfront service delivery.

**3.39** Monthly Client Services and Assistance leadership meetings provide directors and assistant directors with an update on their respective portfolio

responsibilities, and an opportunity to discuss any emerging issues.<sup>86</sup> The ANAO reviewed accountability reports covering the period January to October, 2010, which are prepared for these meetings. These reports provided comprehensive information on the performance of all the services managed through shopfronts, including the Indigenous Hotline.

**3.40** The Micro Enterprises and Individuals business line Executive meets monthly. A governance report is prepared by the Client Services and Assistance stream within the business line. While including basic shopfront performance data, the main thrust of this report is to inform the Executive of the status of key shopfront operations. These reports include: progress of the shopfront co-located pilot sites and shared services arrangement; staff productivity and workforce management; and tracking against budget.

**3.41** These reports and meetings deliver timely and useful information about the administration of shopfronts at both the operational and business line executive levels. Overall, the ANAO considers that the performance of shopfronts and the two service delivery trials is adequately monitored and reported across the Micro Enterprises and Individuals business line, notwithstanding that the performance indicators for the shared services arrangements and shopfront pilot projects are relatively limited.

**3.42** Shopfront performance information is reported in the Commissioner of Taxation's annual reports and information on current year performance against service standards is available on the ATO's website.<sup>87</sup> The 2008–09 and 2009–10 annual reports also detailed the ATO's strategy to migrate shopfront clients from on-site to on-line delivery channels, and provided details of the shopfront pilot programs in Centrelink CSCs and the Migrant Resource Centre.

**3.43** ATO clients may be able to access shopfront performance and service standards on-line and in annual reports. However, the ATO could also consider providing information to shopfront clients on performance standards and the level of service that they can expect from the organisation by clearly displaying in shopfront waiting area information about:

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<sup>86</sup> *National Leadership Meeting Minutes, Shopfronts*, Micro Enterprises and Individuals business line, September 2010.

<sup>87</sup> The ANAO examined annual reports for 2006–07 to 2009–10. Each report included shopfront performance data relating to the number of client visits, the type of visits (that is, did a client require a more detailed interview to answer the enquiry) and performance against the service standard for general enquiries.

- shopfront service standards and benchmarks in relation to waiting times for general enquiries;
- the principles embodied in the Taxpayers' Charter and any other document relevant to taxpayers' rights; and
- how to make a complaint.

## Conclusion

**3.44** The performance of shopfronts and the two service delivery trials is adequately monitored and reported within the Micro Enterprises and Individuals business line, notwithstanding that the performance indicators for the shared services arrangements and shopfront pilot projects are relatively limited. However, there would be merit in the reporting of shopfront service delivery trials to other areas of the ATO in order to contribute to the broader channel strategies.

**3.45** The ATO could also consider providing information on service standards to shopfronts clients. Displaying these standards in shopfront waiting areas would make clients aware of the services they can expect from the ATO.

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Ian McPhee  
Auditor-General

Canberra ACT  
21 June 2011

# Appendices



## Appendix 1: ATO response

Ms Barbara Cass  
Acting Group Executive Director  
Performance Audit Services Group  
Australian National Audit Group  
GPO Box 707  
CANBERRA ACT 2601

Dear Ms ~~Cass~~ <sup>Barbara</sup>

### PERFORMANCE AUDIT: ADMINISTRATION OF TAX OFFICE SHOPFRONTS

Thank you for your letter of 6 May 2011 submitting the proposed performance audit report on the *Administration of Tax Office Shopfronts*.

The ATO welcomes the Australian National Audit Office's (ANAO) recommendation in relation to better informing the direction of shopfront services and supporting the key priority areas in the on-site strategy.

The report notes that key processes and practices underpinning the delivery of services in shopfronts are sound and that service provision is consistent, quality-checked and monitored. The report also notes that the ATO *On-site Strategy 2009 – 2012* provides a framework for the direction of shopfront services with key priorities being to:

- deliver on-site services more tightly to meet special needs groups;
- identify and transition current on-site services to electronic media;
- enhance the remaining core on-site services; and
- capitalise on whole-of-government initiatives.

The ATO agrees with the recommendation contained within the report.

#### Recommendation 1

##### Paragraph 3.34, Page 63

To better inform the direction of shopfront services and to support the key priorities areas in the on-site strategy, the ANAO recommends that the Tax Office:

- conduct research to identify key shopfront client groupings and the reasons for their engagement with the tax office; and
- through the Integrated Services Steering Committee, coordinate the planning undertaken for shopfronts including the development of alternative delivery models.

If you have any questions in relation to our response please contact Ms Erin Holland, Deputy Commissioner, Micro Enterprises and Individuals on (03) 927 54890.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce', followed by a long horizontal line.

Bruce Quigley  
Second Commissioner Compliance  
6 June 2011

## Appendix 2: Additional responsibilities performed by shopfronts.

| Shopfront location | Non-Interpretative Correspondence (NIC work) | ME&I Business Line Managed Complaints | Secondary Schools Education and Tax Help Programs | National Aboriginal and Islander Resource Centre and Indigenous TFN applications |
|--------------------|--|---------------------------------------|---|--|
| Albury             |  |                                       | ✓   |  |
| Alice Springs      |  | ✓                                     | ✓   | ✓  |
| Canberra           |  | ✓                                     |   |  |
| Casselden Place    |  | ✓                                     |   |  |
| Dandenong          | ✓  |                                       |   |  |
| Darwin             |  |                                       | ✓   |  |
| Geelong            |  | ✓                                     |   |  |
| Hobart             |  | ✓                                     | ✓   |  |
| Hurstville         | ✓  |                                       |   |  |
| Launceston         |  | ✓                                     | ✓   |  |
| Northbridge        |  | ✓                                     |   |  |
| Parramatta         |  | ✓                                     |   |  |
| Sydney             | ✓  |                                       |   |  |
| Townsville         | ✓  | ✓                                     | ✓   |  |
| Waymouth           |  | ✓                                     |   |  |

Source: ANAO analysis of ATO information.

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