

The Auditor-General
Audit Report No.6 2010–11
Performance Audit

The Tax Office's implementation of the Client Contact - Work Management - Case Management System

Australian National Audit Office

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of Australia 2010

ISSN 1036-7632

ISBN 0 642 81150 4

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Canberra ACT
21 September 2010

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Taxation Office in accordance with the authority contained in the *Auditor-General Act 1997*.

Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *The Tax Office's implementation of the Client Contact - Work Management - Case Management System*.

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 and title.

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

ACQPIF	Active Compliance Quality and Practice Improvement Forum
ANAO	Australian National Audit Office
ATOUC	Australian Tax Office Unit Cost Analysis
CCV	Client Consolidated View
Change Program	Easier Cheaper More Personalised Change Program
CSR	Customer Service Representative
CWC	Client Contact - Work Management - Case Management System
DPP	Director of Public Prosecutions
ELIM	Evidence Litigation Intelligence Management
FHSA	First Home Savers Account
HOTSA	Health Of The System Assessment
ICP	Integrated Core Processing
ICT	Information and Communications Technology
IQF	Integrated Quality Framework
IPEC	Initiate Plan Execute Close
KPI	Key Performance Indicator
QCP	Quality Control Points
Tax Office	Australian Taxation Office
TFN	Tax File Number

Glossary

Case	A case is a set of discrete activities that allow the Tax Office to resolve an issue relevant to the achievement of the Tax Office's compliance objectives.
Client Contact Centres	Client Contact Centres handle client enquiries and provide advice on complying with Australia's taxation laws.
Client contact	The management of client relationships with the Tax Office. These include client enquiries, client correspondence and case management.
Complex casework	Complex casework refers to active compliance cases that are large, cover multiple periods, take a long time or contain many risks and issues.
Compliance model	Illustrates the Tax Office's approach to understanding the compliance behaviour of taxpayers.
Compliance Program	A document that outlines the Tax Office's priorities for compliance activities for the year.
High volume casework	High volume casework refers to active compliance cases that require up to ten hours of direct time.
Scheduled case cycle time	The defined start and end date of an activity or group of activities.
Tax Office-wide processes	A set of common, integrated and standardised processes and technologies that are used by staff across the Tax Office.
Work management	The management and distribution of work activities received by the Tax Office. For example, this can include Tax File Number applications or change of address requests.

Summary and Recommendations

Summary

The Australian Taxation Office

1. The Australian Taxation Office (Tax Office) is the Australian Government's principal revenue collection agency. The role of the Tax Office is to manage and shape taxation, excise and superannuation administrative systems that fund services for Australians, giving effect to social and economic policy.¹ In 2008–09, net cash collections from taxpayers by the Tax Office totalled \$264.5 billion.² The operating expenditure of the Tax Office was \$3.025 billion.³ As at 30 June 2009, the Tax Office employed 22 429 employees.⁴

2. Information and Communications Technology (ICT) systems have a key role in the administration of Australia's taxation system. These include systems to facilitate the registration, lodgement and issuance of taxation assessments, and as required, compliance reviews and audits.

The Tax Office's strategic direction

3. The Tax Office stated in its *Strategic Statement 2006–10* that it will work with the community in the fair administration and effective management of the tax and superannuation systems to add value to the nation. The Tax Office aims to optimise voluntary compliance with tax law in a way that builds community confidence. To achieve these objectives the Tax Office has strategies to:

- help taxpayers and their agents understand their rights and obligations;
- make it as easy as possible for people to comply with the law;
- ensure effective strategies are in place to deter, detect and deal with non-compliance; and

¹ Australian Taxation Office, *Australian Taxation Office Annual Report 2008-09*, Canberra, 2009, p. iii.

² *ibid.*, p. 4.

³ *ibid.*, p. 5.

⁴ *ibid.*, p.iii.

- develop and support the capability of Tax Office staff and of others in the system.⁵

4. The Tax Office's strategic direction has evolved to guide the development of improved administrative systems and thus help all participants in Australia's taxation system improve compliance with their taxation responsibilities. To achieve this, the objectives of the Tax Office were to make compliance as easy as possible and to tailor compliance activities to address specific compliance risks. This required the implementation of fully integrated systems which covered all aspects of the Tax Office's activities.

The Change Program

5. The Easier Cheaper More Personalised Change Program (Change Program) was the key platform for the Tax Office's implementation of its strategic goal of developing a cost effective and integrated system of tax administration. This was to be achieved through integration of core procedural and processing systems which would support the four Tax Office-wide Sub-Plans.⁶

6. Some of the key reasons for the Tax Office making the significant investment in the Change Program, and which underpinned the core objectives outlined in the original business case, included an intention to:

- allow the Tax Office to function as one integrated entity, able to address all relevant aspects of taxpayer and tax professional experience of tax administration in a holistic and integrated manner;
- develop an ability to adopt, as efficiently and effectively as possible, better administrative practices and technological facilities in a rapidly changing environment;
- achieve productivity improvements in an environment of continuing fiscal constraint;
- continue to improve community compliance;

⁵ Australian Taxation Office, *Australian Taxation Office Strategic Statement 2006-10*, Canberra, 2006, p. 3.

⁶ Until 2009 the Change Program and ICT Sub Plans were separate. They are now part of the Enterprise Solutions and Technology Sub Plan.

- reduce risks to revenue; and
- provide increased confidence in the integrity of Australia's taxation system.⁷

7. The Tax Office estimates that the cost of Releases 1 and 2 of the Change Program (the majority of the Client Contact – Work Management – Case Management system (CWC) was implemented in Releases 1 and 2 with a small part in Release 3), was \$282 million, or about 63 per cent of the proposed total Change Program cost of \$445 million in the approved business case. Following additional funding to accommodate expansions in scope requested by the government, the estimated total cost of the Change Program as at 30 June 2010 is some \$824 million. The Change Program had cost approximately \$780 million as at 31 December 2009.

8. The approved Change Program business case anticipated an implementation timeframe of four years, of which delivery of Releases 1 and 2 constituted approximately six and 15 months respectively. The actual implementation dates for Releases 1 and 2 were April 2006 (10 months later than originally planned) and March 2007 (six months later than originally planned) respectively.

The Client Contact – Work Management – Case Management System (CWC)

9. The Change Program included the implementation of the CWC. The CWC is an enterprise level system used to manage cases and work items, as well as manage client relationship interactions arising from telephone calls and correspondence. The CWC is supported by organisationally consistent procedures and processes.

10. The Tax Office purchased a commercial off-the-shelf (COTS) software system, Siebel, to provide the necessary core CWC functionality. COTS software generally refers to ready-made and operating ICT systems which can be implemented relatively quickly. COTS software provides an alternative to in-house development and will usually reduce the overall technical risks of implementation as well as system development and maintenance costs.

⁷ Australian National Audit Office, *Audit Report No. 08 2009-10 The Australian Taxation Office's Implementation of the Change Program: a strategic overview*, Canberra, 2009, p. 48.

However, the benefits of using COTS solutions can be reduced if the software requires extensive integration with other systems.

11. The CWC and the related Integrated Core Processing (ICP)⁸ system, which is being progressively implemented, will be the main systems used by Tax Office staff in the conduct of their work. These systems depend on other enabling systems that include document and content management, reporting and analytics, data matching, and human resources.

12. There are three primary functional areas across the Tax Office that use the CWC functionality and supporting enterprise wide processes. These are Active Compliance, Interpretive Advice and Debt.

Audit objective and scope

13. The objective of the audit was to assess the implementation of the Australian Taxation Office's Client Contact – Work Management – Case Management system (CWC). The audit examined four key areas that included:

- progress of the CWC against the endorsed Change Program business case;
- improvements to the productivity and efficiency of tax administration as a result of the implementation of the CWC;
- improvements to client experiences when dealing with the Tax Office as a result of the implementation of the CWC; and
- effects of the CWC implementation, including additional benefits achievable beyond its current capacity to further improve tax administration.

14. The audit examined the impact of the CWC on the broader Tax Office ICT environment. Fieldwork was conducted in a number of Tax Office compliance, operations and Call Centre areas between June and November 2009. The use of the CWC in the functional areas of Interpretive Advice and Debt was not examined as the CWC in these areas had not yet been fully implemented to a business-as-usual state. The implementation of the related

⁸ The ICP currently provides a baseline functionality for the Tax Office-wide processing requirement. Additional functionality is being added as a part of Release 3. The ICP is tightly coupled with the CWC as part of the Tax Office's integrated suite introduced by the Change Program.

ICP system (primarily Release 3 of the original Change Program project plan) was the subject of a separate ANAO review in Report No 8 of 2009-10, *The Australian Tax Office's Implementation of the Change Program: a strategic overview*.

Overall conclusion

15. The implementation of the CWC has improved and transformed key aspects of Tax Office activity that support tax administration. The Integrated CWC system has provided a new approach to managing internal administration and communication arrangements with taxpayers, tax professionals and the community. The Tax Office now manages correspondence and work resulting from telephone calls on a national, enterprise-wide basis, rather than in a fragmented regional way.

16. The CWC has also provided a single platform for the Tax Office to manage active compliance casework on an enterprise-wide basis. This single platform has replaced approximately 180 case management systems that were previously operational across the Tax Office.

17. The Tax Office's implementation of the CWC has been generally successful when assessed against the original intent of the project, having achieved six of the eight objectives of the Change Program business case. The remaining objectives are expected to be achieved once the ICP component of the overall Change Program has full functionality across the Tax Office.

18. The CWC has contributed to improvements to the productivity, integrity and efficiency of tax administration, and also to client experiences by reducing the number of disparate systems, business processes and business area-centric resources. The Tax Office has also realised further benefits from the CWC system, in addition to those outlined in the original business case.

19. The Tax Office has undertaken surveys to track whether clients have found interaction with the Tax Office to be easier, cheaper and more personalised following the CWC implementation. Not all changes in client experiences can be attributed to the CWC, as taxpayer attitudes are influenced by factors outside the control of the Tax Office and by other Tax Office initiatives. Overall these surveys indicated that clients were now finding it easier to deal with the Tax Office and the CWC underpins most interactions that clients have with the Tax Office.

20. The Tax Office's appreciation of the opportunities to further enhance the CWC is continuing to evolve as additional components of the Change

Program are implemented. Therefore the Tax Office can continue to improve its use of the CWC and its associated processes to gain additional benefits and improvements.

21. It is also important that the Tax Office continues to explore scope for further gains to be made in the area of casework, reflecting the procedural differences between 'high-volume,' as distinct from 'complex' casework.

22. The ANAO made three recommendations directed towards achieving further benefits from the CWC implementation.

Key findings by chapter

Progress Against the Approved Business Case (Chapter 2)

23. In December 2004 the Tax Office Executive endorsed the Change Program business case which incorporated the CWC as a core component of the overall project. The approved business case defined a set of 'outcome statements' and 'sub outcome statements' against which the success of implementation of the CWC and the other components of the Change Program would be measured. To assess the Tax Office's CWC implementation progress, the ANAO examined outcomes from the implementation of the CWC against the outcome and sub outcome statements in the Change Program. The implementation of the CWC has achieved six of the eight objectives of the overall Change Program business case. Some of the outstanding objectives will only be met once the ICP component of the Change Program, which interfaces with the CWC, has full functionality across the Tax Office.

24. The CWC has the potential to further improve staff productivity, reduce staff training time and allow for the faster movement of work between areas at a lower cost. Furthermore the CWC provides a suitable system for an effective active compliance and advice capability and improved organisation-wide management of work. The introduction of the Consolidated Client View (CCV) has allowed the Tax Office to improve client services by providing Tax Office staff with a single source of client information.

25. The CWC is used across a number of business lines which highlights the importance of a strategic management approach. A central oversight body could provide co-ordinated guidance in the further development of the system.

26. The Tax Office currently uses a range of work effort costing systems but these have limitations and do not apply a standard methodology to determine input parameters. The absence of a standard methodology for recording the

cost of Tax Office effort, at the level of individual cases, may impede the Tax Office's ability to achieve further gains to productivity and efficiency. One potential benefit of the CWC is the introduction of a single Tax Office approach to costing work effort, primarily through the measurement of the time used to create an output. Organisation-wide processes and procedures for managing all compliance work could now facilitate a more structured comparison of work effort across similar processing units. Recommendation 1 (paragraph 2.31) addresses this issue.

Using the CWC for Client Contact and Work Management (Chapter 3)

27. The business case for the CWC elements of the Change Program identified the need for improvements in client contact and work management.

28. The implementation of the CWC has changed the way customer service representatives (CSR) and other Tax Office staff interact with clients. Previously staff were required to refer to several computer systems to obtain enough information to verify a caller's identity, resulting in time-consuming processes for even basic client interactions. Staff only had access to specific items of information on the taxpayer. This meant that advice and information given to the taxpayer was general and could not be tailored to the individual taxpayer's circumstances.

29. To gauge the effect the CWC has had on staff interactions with clients, the Tax Office undertakes a range of surveys using survey questions to measure perceptions and evaluate client experiences. These surveys were designed to assess whether clients found interaction with the Tax Office to be easier, cheaper and more personalised following the implementation. Overall, these surveys indicated that clients were finding it easier to deal with the Tax Office than previously. Not all improvements in client experience can be attributed to the CWC, as taxpayer attitudes will be influenced by other initiatives as well as by factors outside of the control of the Tax Office.

30. In respect to work management activities, the CWC has streamlined the way in which the Tax Office receives and actions correspondence. Previously the Tax Office used labour-intensive, paper-based systems. The use of the CWC has transformed the process into a multi-channel electronic work management system, which allocates work and correspondence to appropriately skilled teams with team members obtaining their work through an electronic in-tray. The Tax Office also introduced consistent work processes for correspondence across the Tax Office. In addition, the use of a central data

warehouse for taxpayer information removes the need for different business lines to request the same information from taxpayers.

31. There are opportunities for the Tax Office to further strengthen the use of the CWC within the client relationship and work management areas. These opportunities include potential productivity and efficiency improvements from automation in the allocation of work, especially where risk levels are considered to be low.

Using the CWC for Case Management (Chapter 4)

32. The business case for the CWC elements of the Change Program identified the need for improvements in compliance case management

33. Benefits from the CWC for case management include the introduction of enterprise-wide processes for, and increasing the transparency of, all casework. The CWC also facilitates the movement of casework to areas of the Tax Office where staff may be underutilised for a specific period or to better manage priorities. Management can monitor work progress and workloads across teams with a view to moving casework to areas of the office where staff have greater capacity, taking advantage of common enterprise-wide processes and procedures. As a result, the Tax Office is better able to use its work force to meet the commitments outlined each year in the Compliance Program.

34. However, there is scope to further improve the use made of the CWC in compliance casework. There are several ICT issues which are common across the active compliance capability including limitations within the search functionality of the CWC and the requirement for case officers to re-enter the same data at several stages during a case. These could be addressed, variously, by a planned upgrade to the CWC, some system reconfigurations, redesign of business practices and procedures to better support the CWC, and refinements to staff training. Recommendation 2 (paragraph 4.37) addresses improvements that could be made in relation to this issue.

35. One use of the CWC is to collect useful reference data, identified in casework, about compliance risks and issues to tax administration. The ANAO observed that the compliance risk model was not applied consistently in the set up of risks and issues in the CWC. The compliance risk model was designed to operate by identifying risks on a whole of tax administration basis that would then facilitate a consistent approach to those risks across all business lines within the Tax Office. Instead, each business line individually developed a risks and issues profile based on identified risks associated with its work in its

particular market segment. This resulted in a business line-specific focus on risks resulting in granular reference data⁹ being developed and implemented. The Tax Office is currently undertaking various measures to address this bottom-up rather than top-down approach to identifying compliance risks.

36. The Tax Office would also benefit from a review of 'scheduled case cycle time', which measures the amount of time to be spent on a case. This performance measure is used for planning workloads into the future. A reduction in the scheduled cycle time for many cases could be achieved because of the centralisation of Tax Office information holdings in a data warehouse which facilitates greater accessibility to client data. Scheduled case cycle time currently does not recognise the elapsed time waiting for further information from taxpayers before a case can be progressed. The manner in which cycle times are currently measured discourages case officers from recording additional risks that may be identified as the additional time that would be needed to address and properly record any newly identified risks is not recognised. Recommendation 3 (paragraph 4.51) addresses this issue.

Summary of the Tax Office's response

37. The Tax Office's summary response to the report is reproduced below.

The ATO welcomes the Australian National Audit Office's (ANAO) recommendations in relation to its implementation of the Client Contact – Work Management – Case Management (CWC) system.

Key outcomes the ATO sought from the implementation of the Change Program were:

- An Integrated Processing System (people/process/technology) for all Tax Office products;
- An Effective Active Compliance and Advice Capability;
- Effective, Improved Client Service;
- Improved Enterprise-Wide outcome Management of Work;
- Delivery of Tax Office business;
- A system with Integrity and Performance;
- Productivity and Sustainability Benefits;
- The Program Delivered Effectively and Professionally.

⁹ Risk and issues are deemed as reference data, which is data that is used to configure the CWC which inform the case selection process in future.

ATO's implementation of the Client Contact — Work Management — Case Management (CWC) system was a key step in the transformational Change Program journey.

The ATO's achievements against the Change Program outcomes are supported by your finding that 'the implementation of the CWC has improved and transformed key aspects of ATO activity that supports tax administration', and that 'the CWC has contributed to improvements to the productivity, integrity and efficiency of tax administration, and also to client experience by reducing the number of disparate systems, business processes and business area-centric resources'.

It is pleasing to see that the report specifically notes that 'the ATO has realised further benefits from the CWC system in addition to those outlined in the original Change Program business case'.

Your audit has confirmed we are on the right track with our implementation, and we should continue to continuously improve the effective and efficient use of the CWC.

38. The Tax Office's full response appears in Appendix 1 of this report.

Recommendations

Recommendation No.1

Para 2.31

To gain further productivity and efficiency gains from the Client Contact — Work Management — Case Management system, the ANAO recommends that the Tax Office investigates the costs and benefits of implementing a resource management system that records and costs work effort at a case level.

Tax Office response: Agreed

Recommendation No.2

Para 4.37

In order to improve the consistency and efficiency of the administration of compliance risks, the ANAO recommends that the Tax Office assess the potential for improved use of the case management component of the Client Contact – Work Management – Case Management System across all compliance business service lines.

Tax Office response: Agreed

Recommendation No.3

Para 4.51

To improve the management of scheduled case cycle times, the ANAO recommends that the Tax Office:

- (a) investigates opportunities to improve the separate recording of direct and indirect elapsed time of cases to assist in identifying efficiencies in cycle times; and
- (b) review the cycle times of different case products to determine the most appropriate cycle time for benchmarking purposes.

Tax Office response: Agreed

Audit Findings and Conclusions

1. Introduction

The Australian Taxation Office

1.1 The Australian Taxation Office (Tax Office) is the Australian Government's principal revenue collection agency. In 2008-09, net cash collections from taxpayers by the Tax Office totalled \$264.5 billion.¹⁰ The operating expenditure of the Tax Office was \$3.025 billion.¹¹

1.2 The Tax Office relies heavily on efficient and effective Information and Communications Technology (ICT) systems to process large volumes of transactions in administering Australia's taxation system. These include systems to facilitate the registration, lodgement and issuance of taxation assessments, and to record the Tax Office's interactions with taxpayers.

The Tax Office's strategic direction

1.3 Under Australia's taxation system of self-assessment, the Tax Office aims to optimise voluntary compliance with tax law in a way that builds community confidence. To achieve these objectives the Tax Office has strategies to:

- help taxpayers and their agents understand their rights and obligations;
- make it as easy as possible for people to comply with the law;
- ensure effective strategies are in place to deter, detect and deal with non-compliance; and
- develop and support the capability of Tax Office people and of others in the system.¹²

Managing Tax Reform

1.4 The Tax Office began implementing major tax reform in July 2000, when it responded to a range of government initiatives, the most prominent being the introduction of the Goods and Services Tax (GST). There were,

¹⁰ Australian Taxation Office, *Australian Taxation Office Annual Report 2008-09*, Canberra, 2008, p. 4.

¹¹ *ibid.*, p. 5.

¹² Australian Taxation Office, *Australian Taxation Office Strategic Statement 2006-10*, Canberra, 2006, p. 3.

however, other significant changes for business, including new income tax instalment arrangements aligned to current trading results that required changed administrative practices.

1.5 While the Tax Office successfully introduced this suite of changes, it was not without problems. Tax professionals, in particular, were showing signs of strain in dealing with the extra pressures brought about by some of the changes and operational requirements introduced by this new system.

1.6 At the same time, taxation and superannuation reform required a level of responsiveness from the tax system and its administration beyond that which the systems and processes were at the time able to deliver. Many of the reform changes incorporated the introduction of processing and communication choices for the community in dealing with the Tax Office but also created greater administrative complexity.¹³ This, combined with the increasing level of integration between tax and social policy, created the further need for a flexible and responsive administration.¹⁴

1.7 To better understand the community's expectations and improve taxpayers' experiences of the tax system, the Tax Office initiated the 'listening to the community' project in March 2002. Subsequently, the Tax Office consulted with representatives of the community, especially tax professionals, to co-design an improved administrative tax system that would make compliance with obligations easier for taxpayers.

The Tax Office in transition

1.8 The Tax Office's strategic direction has evolved to guide the development of improved administrative systems and thus help all participants in Australia's taxation system improve compliance with their taxation responsibilities. To achieve this, the objectives of the Tax Office were to make compliance as easy as possible and to tailor compliance activities to address specific compliance risks. This required the implementation of fully integrated systems which covered all aspects of the Tax Office's activities.

¹³ Carmody, M. *Revitalising the Tax Administration System*, Australian Taxation Office, Canberra, 2005, p.7.

¹⁴ *ibid.*

The Change Program

1.9 The Easier Cheaper More Personalised Change Program (Change Program) was the foundation for the Tax Office's implementation of its strategic direction. This was to be achieved through integrated processing systems which would support the four Tax Office-wide Sub-Plans.¹⁵

1.10 Some of the key reasons the Tax Office undertook the significant investment in the Change Program, and which underpinned the core objectives outlined in the original business case, included an intention to:

- allow the Tax Office to function as one integrated entity, able to address all relevant aspects of taxpayer and tax professional experience of tax administration in a holistic and integrated manner;
- develop an ability to adopt, as efficiently and effectively as possible, better administrative practices and technological facilities in a rapidly changing environment;
- achieve productivity improvements in an environment of continuing fiscal constraint;
- continue to improve community compliance;
- reduce risks to revenue; and
- provide increased confidence in the integrity of Australia's taxation system.¹⁶

The Change Program intent

1.11 The intent of the Change Program was providing easier, cheaper and more personalised interactions, information and advice for individuals, business and tax agents.¹⁷ The Tax Office intended to establish a new way of working. This was to be achieved through an integrated whole-of-Tax Office

¹⁵ Until 2009 the Change Program and ICT Sub Plans were separate. They are now part of the Enterprise Solutions and Technology Sub Plan.

¹⁶ Australian National Audit Office, *Audit Report No. 08 2009-10 The Australian Taxation Office's Implementation of the Change Program: a strategic overview*, Canberra, 2009, p. 48.

¹⁷ Australian Taxation Office, Glossary and Definition – Change Program, <<http://www.ato.gov.au/corporate/content.asp?doc=/content/00139400.htm&page=3&H3>> [accessed 1 March 2010].

management system operating with Tax Office-wide business processes. In this regard, the Commissioner of Taxation stated:

One of the real reasons for the Change Program – there are a number of reasons – is that it provides a better service for the community. Another one is that there are efficiencies in the way that we work. Just as important is that it is a platform that is going to be more robust and flexible to meet the government of the day's requirements.¹⁸

1.12 To make client experiences with the Tax Office easier, cheaper and more personalised through the Change Program, the Tax Office planned to replace all tax processing ICT systems with one Integrated Core Processing (ICP) system. In addition, the Tax Office planned to replace the large number of specialised ICT systems that supported internal client related administrative functions with a single management system.

1.13 The Tax Office also intended to transform its operations by developing a significantly more cost-effective and integrated system of tax administration that would provide improved services to the community, including secure online facilities. Among other things, this would enable taxpayers to engage in a more personalised manner of tax administration, having regard to considerations of risk and complexity of tax affairs.

1.14 Although the implementation of the Change Program was designed to improve productivity and efficiency, the Tax Office anticipated that, in the short term, the implementation of a large and complex system like the Change Program would have an adverse impact on some aspects of tax administration. The Commissioner of Taxation commented that:¹⁹

there may be some temporary reductions in service standards for taxpayers and tax agents along the way and I apologise for this possibility.

Change Program implementation arrangements

1.15 In 2004 the Tax Office began implementing the Change Program. The Tax Office Executive approved the Change Program business case on 10

¹⁸ *Joint Committee of Public Accounts and Audit, Biannual Hearing with the Commissioner of Taxation*, 3 October 2008. <<http://www.aph.gov.au/house/committee/jpaa/taxationbiannual1008/index.htm>> [accessed 19 March 2010].

¹⁹ D'Ascenzo, Michael, Commissioner of Taxation '*Partnership based on trust and respect*' Speech to the National Institute of Accountants Board Meeting Canberra, 8 May 2007, available at: <<http://www.ato.gov.au/corporate/content.asp?doc=/content/00098724.htm>> [accessed 13 January 2010].

December 2004, with the intention of completing the Change Program by June 2008. The initial implementation schedule consisted of:

- Release 1 (to be completed by June 2005): The installation of a client contact system; improvements to online systems (tax agent and business portals); and a new system to develop and maintain the content of letters;
- Release 2 (to be completed by September 2006): The installation of a single case and work management system; the introduction of analytical models; enhancements to client contact; and enhancements to taxation portals; and
- Release 3 (to be completed by June 2008): The installation of the ICP system for all tax products; extension of the case management system to a wider audience; new tax agent and business portals; and updates to work management, client contact, analytics, content and records management and reporting.

1.16 There have been two significant changes to the schedule and budget of the Change Program:

- the first was in early 2007 when the former government's Super Simplification package of new measures was added to the program; and
- in mid 2008 when the Release 3 deployment schedule was extended.

1.17 The Tax Office estimates that the cost of Releases 1 and 2 of the Change Program (representing the majority of the CWC), was \$282 million, or about 63 per cent of the proposed total Change Program cost of \$445 million in the approved business case. Following additional funding to accommodate expansions in scope requested by the Government, the estimated total cost of the Change Program as at 30 June 2010 is some \$824 million. The Change Program had cost approximately \$780 million as at 31 December 2009.

1.18 The approved Change Program business case anticipated an implementation timeframe of four years, of which delivery of Releases 1 and 2 constituted approximately six and 15 months respectively. The actual implementation dates for Releases 1 and 2 were April 2006 (10 months later than originally planned) and March 2007 (six months later than originally planned) respectively.

1.19 For a more detailed analysis of the broader Change Program initiative, see ANAO Audit Report No.8 2009-10, *The Australian Taxation Office's*

Implementation of the Change Program: A Strategic Overview. That audit reviewed the governance arrangements established by the Tax Office during the implementation of the Change Program.

The Client Contact—Work Management—Case Management System (CWC)

Background

1.20 As noted above, Releases 1 and 2 of the Change Program included the implementation of the Client Contact-Work Management-Case Management system (CWC). The CWC is a Tax Office-wide system used to manage cases and work items, as well as managing client relationship issues arising from telephone calls and correspondence. The CWC is supported by Tax Office-wide procedures and processes.

1.21 The Tax Office purchased a commercial off-the-shelf (COTS) software system, Siebel, to provide the necessary core CWC functionality. COTS software generally refers to ready-made and operating ICT systems which can be implemented relatively quickly. COTS software provides an alternative to in-house development and will usually reduce the overall technical risks of implementation as well as system development and maintenance costs. However, the benefits of using COTS solutions can be reduced if the software requires extensive customisation.

1.22 The CWC and the related Integrated Core Processing (ICP)²⁰ system, which is being progressively implemented, will be the main systems used by Tax Office staff in the conduct of their work. These systems depend on other enabling systems that include document and content management, reporting and analytics, data matching, and human resources.

1.23 There are three primary functional areas across the Tax Office that use the CWC functionality and supporting enterprise wide processes. These are Active Compliance, Interpretive Assistance and Debt.

1.24 The interrelated nature of the Change Program components is designed to provide Tax Office clients with a seamless experience. Several

²⁰ The ICP currently provides a baseline functionality for the Tax Office-wide processing requirement. Additional functionality is being added as a part of Release 3. The ICP is tightly coupled with the CWC as part of the Tax Office's integrated suite introduced by the Change Program.

systems function together to provide staff and clients with the information and services necessary. Inbound phone call support and imaging of correspondence is handled by systems other than the CWC, as is analytics and reporting. Some enabling systems including document management, content management and some outbound correspondence are accessed through the CWC. The Tax Agents' online portals operate outside of the CWC but can feed information into CWC.

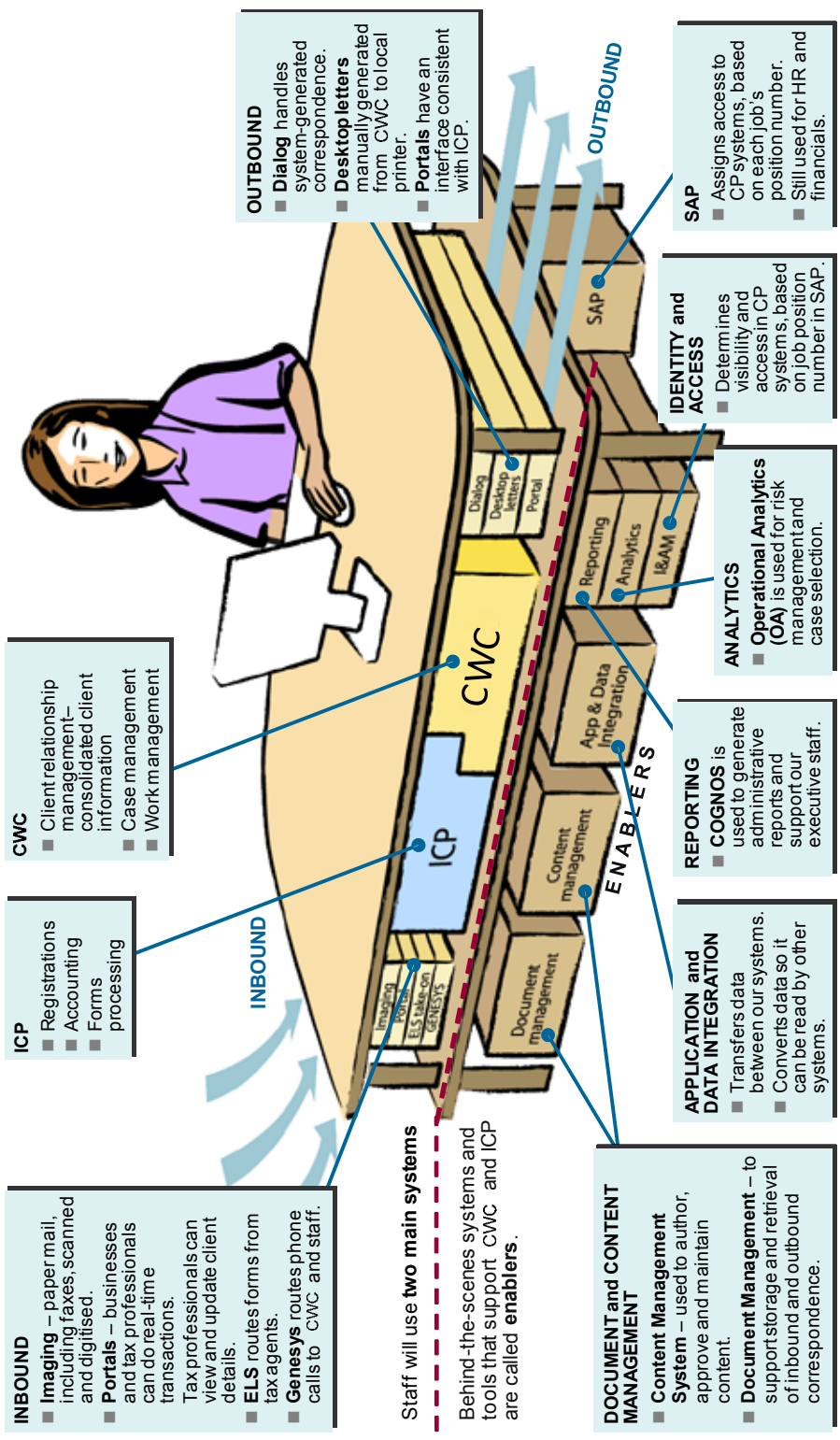
Definition of 'case'

1.25 The Tax Office defines a 'case' as a sequence of discrete activities that staff undertake to resolve an issue or an outcome relevant to the achievement of the Tax Office's compliance objectives, such as the identification of:

- tasks to address an issue or potential issue of non-compliance or client education;
- education campaign activities;
- ruling requests or complaints from clients;
- legal issues and their decisions; or
- documenting case outcomes, including payment arrangements.

Figure 1.1

The working situation of the Tax Office envisaged in the Change Program



Source: Australian Taxation Office.

The future of the Change Program

1.26 The Tax Office is continuing to evolve its operating and administrative arrangements. In April 2008, the Change Program independent assurer²¹ stated that:

As the Tax Office undertakes the Change Program journey, there is an increasing need to plan for the transition from the Change Program to Business-as-usual. In the short-term ... it is critical to manage the tactical details of the transition during the multiple technical releases and associated business deployments to ensure a successful implementation. It is important in the long-run (post deployments) to manage the more strategic details of the transition to Business-as-usual so that business can optimise around new capabilities, enterprise business processes and systems.

1.27 The Tax Office's appreciation of the opportunities to further enhance the CWC is continuing to evolve as additional components of the Change Program are implemented. Therefore, the Tax Office can continue to improve its use of the CWC and its associated processes, to gain additional benefits and improvements. It is also important that the Tax Office continues to explore scope for further gains to be made in the area of casework, reflecting the procedural differences between 'high-volume,' as distinct from 'complex' casework.

Recent developments

1.28 There are several recent developments that may affect the Tax Office's future conduct of business and, more specifically, how it continues to evolve the Change Program, including the CWC, to further improve tax administration. These developments include Australia's future tax system review, the review of the Australian Government's use of ICT and the introduction of the Tax Practitioners Board.

Australia's future tax system review – The Henry Review

1.29 In 2008, the Government commissioned a review of *Australia's Future Tax System*. The review examined Australia's tax and transfer system, including state taxes, and made recommendations designed to position

²¹ In 2004 the Tax Office appointed Capgemini as the Change Program's independent assurer.

Australia to deal with the demographic, social, economic and environmental challenges of the 21st Century.²²

1.30 The review's focus included:

- improvements to the taxation and transfer payments system that affect all taxpayers;
- enhancing the administration of tax collections, including housing and property as well as other forms of taxation, that is currently administered by the states and territories; and
- simplifying Australia's taxation administration and applying appropriate tax practices across Australia's jurisdiction.²³

1.31 The review was released on 2 May 2010 and made 138 recommendations. Any legislation flowing from the implementation of consequential Government decisions may require the Tax Office to reconfigure parts of the CWC as well as developing new products within the CWC.

Review of the Australian Government's use of Information and Communication Technology – The Gershon Review

1.32 In 2008, the Minister for Finance and Deregulation engaged Sir Peter Gershon to lead an independent review of the Australian Government's use of, and management of, ICT. The review provided the Government with a comprehensive and detailed analysis on a range of issues affecting the Government's use and management of ICT.

1.33 On 24 November 2008, the Government announced that it would implement in full the recommendations of the review. The Government stated that it would implement targeted strategies and actions to improve the Commonwealth's use of ICT for public administration and service delivery.

1.34 The Government decision to implement the Gershon Review's recommendations introduced a different approach to the management of ICT and ICT projects to that which was in place during the development and implementation of the CWC and the broader Change Program. A further

²² The Treasury, *Australia's Future Tax System - Terms of Reference*, Canberra, 2008. <<http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/reference.htm>> [accessed 2 December 2009].

²³ *ibid.*

discussion on the impact of the review on the Tax Office can be found in Chapter 5 of *ANAO Audit Report No.8 2009-10, The Australian Taxation Office's Implementation of the Change Program: A Strategic Overview*.

Audit Overview

Objective

1.35 The objective of the audit was to assess the implementation of the Australian Taxation Office's Client Contact – Work Management – Case Management system (CWC). The audit examined four key areas that included:

- progress of the CWC against the endorsed business case;
- improvements to the productivity and efficiency to tax administration as a result of the implementation of the CWC;
- improvements to client experiences when dealing with the Tax Office as a result of the implementation of the CWC; and
- effects of the CWC implementation, including additional benefits achievable beyond its current capacity to further improve tax administration.

Scope

1.36 The audit examined the impact of the CWC on the broader Tax Office ICT environment. While fieldwork was conducted in a number of Tax Office compliance, operations and Call Centre areas between June 2009 and November 2009, Interpretive Advice and Debt CWC use was not examined as the CWC in these areas had not yet reached a business-as-usual state.

1.37 The audit was undertaken in accordance with ANAO auditing standards at a cost of \$517 641.

Audit Structure

1.38 The structure of the remaining chapters reflects the key areas of audit focus outlined in paragraph 1.35 as follows

Figure 1.2

Structure of audit report

Chapter 2 <i>Progress against the approved business case</i>	<ul style="list-style-type: none">• The business case for the Change Program and CWC;• Achieving the business case; and• Progress beyond the business case.
Chapter 3 <i>The impact of the CWC on Client Contact and Work Management</i>	<ul style="list-style-type: none">• Benefits of the CWC for Client Contact;• Benefits of the CWC for Work Management;• Further opportunities for improving Client Contact; and Work Management.
Chapter 4 <i>The impact of the CWC on Case Management</i>	<ul style="list-style-type: none">• The Tax Office’s active compliance capability;• Benefits of the CWC for Case Management;• Case Management framework; and• Potential future adjustments to the CWC.

2. Progress Against the Approved Business Case

This chapter examines progress achieved by the Tax Office against the approved Change Program business case in relation to the processes of client contact, work management and case management following implementation of the CWC.

Introduction

2.1 To assist management to make an informed decision in considering a project initiation, a business case needs to include certain basic elements—such as costs, benefits, risks, expected outcomes, and a timeline. A business case for a project should, inter alia, include a statement of the project's objectives and should present clear concise and compelling reasons to the decision maker to support funding for the project.²⁴

2.2 In assessing the implementation progress of the CWC project, the ANAO examined outcomes from the implementation of the CWC against the outcome and sub outcome statements in the Change Program business case.

The business case for the Change Program and CWC

2.3 In December 2004 the Tax Office Executive endorsed the Change Program business case which incorporated the CWC as a separate component. The approved business case defined a set of 'outcome statements' against which the success of implementation would be measured. Several of these outcomes would be achieved through the implementation of the CWC. These outcome statements described the intended business outcomes. The statements were disaggregated to sub-outcomes or 'acceptance criteria' that described the key end-state features and provided for the measurement of success.

2.4 The outcome statements formed the main justification for the expenditure on the Change Program and included financial and non-financial benefits. Performance against the outcome statements will ultimately be measured by how well the Tax Office achieves key Change Program objectives

²⁴ ANAO Better Practice Guide — Planning and Approving Projects — an Executive Perspective, June 2010, p.54.

relating to clients, staff, productivity, and organisational sustainability and agility.

2.5 The eight Outcome Statements used to measure the success of the overall project and the specific components of the Change Program such as the CWC are detailed below in Table 2.1. The ANAO examined the extent to which the Tax Office had achieved its outcome statements in respect of the CWC implementation in six of the eight areas. Outcome a) was outside the scope of this audit. Outcome h) was reviewed in ANAO Audit Report No. 8 2009-10, *The Australian Taxation Office's Implementation of the Change Program: a strategic overview*, which reported on the progress of the Tax Office's implementation of the overall Change Program.

Table 2.1

Change Program Outcomes Statements

	Outcome Statement
a	An integrated processing system (people/process/technology) for all Tax Office products
b	An effective active compliance and advice capability
c	Effective, improved client service
d	Improved organisation-wide outcome management of work
e	Delivery of the Tax Office business
f	A system with integrity and performance
g	Productivity and sustainability benefits
h	The Change Program delivered effectively and professionally

Source: ANAO analysis of Tax Office information

Achievement of Change Program Outcomes Statements in relation to the CWC

b) Effective active compliance and advice capability

2.6 One objective of the business case was to establish a single case management system. The Tax Office replaced over 180 case management systems that were previously in use in active compliance activities. There was not a common definition of a 'case' in the Tax Office's compliance sub-plan before the Change Program, and there was a range of processes and procedures for completing cases. This created challenges when moving staff or work to different areas. In addition, with no central record of compliance action, case officers in different business lines could undertake compliance

action on the same taxpayer without necessarily being aware of activities occurring elsewhere in the Tax Office. This could lead to case officers requesting information from the taxpayer that had already been provided to another area of the Tax Office. Management also had an incomplete understanding of work on hand or case officer responsibility for that work.

2.7 Implementation of the CWC has streamlined the handling of compliance work. Most Tax Office case officers now use a single electronic in-tray to receive their work and action cases using a single case management system. Case officers also receive alerts for cases they are working on when another staff member starts a case on the same taxpayer. Cases are allocated to staff or teams automatically, and staff cannot pick and choose which case to action. This adds integrity to the system. The IPEC structure (Initiate, Plan, Execute and Close), a common case structure, is used across the active compliance capability with the aim of ensuring that a consistent process is taken to case management. New case types can be added without customisation to the CWC, which reduces the cost of maintaining the system. The Tax Office has the capacity for improved communication across the office by its specialist areas. The CWC also permits the segmentation of case work in relation to a range of variables to better inform case selection.²⁵

c) Effective, improved client service

2.8 The CWC has facilitated the introduction of enterprise-wide business processes to achieve an easier and simpler client and staff experience and improved productivity by using one client contact system. Previously, Customer Service Representatives (CSR) would have to access several different systems and data stores in order to verify the identity of a client, which wasted the time of the CSR and the client. That CSRs would not have an overall view of the client and their past dealings and current obligations led to inefficiency and potentially to poorly targeted advice.

2.9 The implementation of the CWC included a Client Consolidated View (CCV) which provided a single source view of client information. The CCV reduces the time required to determine proof of identity and allows CSRs and

²⁵ The variables that the Tax Office can use to segment case work include: taxpayer type (for example, individuals, partnerships, companies, superannuation funds, companies, government or semi-government agencies); taxation type (for example, income tax, company tax, GST, Excise, Superannuation); capability; behaviour; risk; and industry.

other Tax Office staff to provide advice that is more specific to a client's needs. Staff can see in a single view all relevant information about a client's details, contact history, correspondence, advice, case activity and transactions. Clients can nominate their preferred channel of communication with the Tax Office interactions (for example, mail, phone, email, etc.).

2.10 The Tax Office considers that the CWC enabled provision of improved and effective service to taxpayers as illustrated in the following case study on the Tax Office's response to the 2009 Victorian Bushfires.

Case Study: Australian Taxation Office and natural disasters (Victoria's Bushfires)

On Saturday 7 February 2009, the state of Victoria experienced the most devastating bushfires in its history, resulting in a catastrophic loss of life and destruction of public and private property.²⁶ Tax Commissioner Michael D'Ascenzo said he 'understands that for many people and businesses their tax affairs are the furthest thing from their minds. That's the way it should be. But when they're ready, there are some special arrangements in place to ensure people get the help they need'.²⁷

The Tax Office set up an emergency help line for those affected by the disaster. Through the use of the CCV, the Tax Office was, within three days, able to identify those people who were possibly affected by the fires. This was achieved by identifying case work in the CWC that related to clients in the postcode regions affected by the fires and prioritising this work. The Tax Office was then able to provide help to these people by:

- fast tracking refunds;
- giving people more time to meet Business Activity Statement and other lodgement obligations, without penalties;
- giving people extra time to pay debts, without interest charges;
- helping reconstruct tax records where documents had been destroyed;
- offering visits from field officers to help reconcile lost records; and
- helping them claim tax hardship concessions.²⁸

²⁶ Terms of reference for Victoria Bushfires Royal Commission.

²⁷ Australian Taxation Office, *Bushfires media release 2009/13*.

²⁸ *ibid.*

d) Improved organisation-wide outcome management of work

2.11 An objective of the Change Program was to provide better management of work items across the Tax Office. The Tax Office now images²⁹ all correspondence received and uses the CWC to electronically route correspondence to the relevant team or officer. For example, the Tax Office, between July 2006 and June 2009, classified and routed 61 per cent of mail (approximately 3 million pieces of correspondence) by an auto-classification process. This replaces the previous system whereby business lines and teams utilised separate mail boxes, and the achievement of uniform service levels for inbound correspondence was not able to be centrally managed.

2.12 Implementation of the CWC also strengthened management of general workflow. Before the implementation of the Change Program, Tax Office management had a limited view of stocks and flows of work. There was limited ability to review and monitor the level of effectiveness of teams as information on the flows of work sent to and completed by teams was dependant on the accurate completion of subsequent work reports. Work items could sit un-actioned for periods greater than the Tax Office service standards, with no visibility of the Tax Office staff member responsible for the item.

2.13 Tax Office management can now view all stocks and flows of work and can use this to allocate resources effectively. Team leaders and managers have access to information needed to review and monitor workflow in their teams. Activities can also be moved within the Tax Office for action by another staff member using the one system.

e) Delivery of the Tax Office business

2.14 A key driver for the Change Program was reducing the cost and time involved in developing and implementing administrative systems for new tax, superannuation and excise legislation. The cost of implementing new legislation was high because of the many systems and procedures potentially affected. The Tax Office also needed substantial time to develop and implement legislative changes. The Commissioner of Taxation, when asked about major change to the taxation system, stated:

²⁹ All correspondence received by the Tax Office is scanned into the Inbound Outbound Document Library and viewed through Image Viewer linked to the CWC and maintained as an electronic record.

If we had not invested through the self-funding of our IT change program, I would be very concerned as to whether or not the existing legacy systems would have been able to cope with whatever that change might be.³⁰

2.15 The Change Program, of which the CWC is a key component, has the potential to provide further benefits to tax administration as a result of its modular design. Implementation of the Change Program has focused on standardised enterprise designs to allow existing systems programming to facilitate further developments, leveraging from existing system functionality and business processes to deliver new products. Having a common platform, such as the CWC, and building on or reusing system modules reduces the cost and risks of implementing new legislation. The CWC can improve the speed of development and reduce the cost and complexity of new products by configuring rather than customising existing products. An example of this capability is the introduction of a First Home Savers Account outlined in the following case study.

³⁰ *Joint Committee of Public Accounts and Audit, Biannual Hearing with the Commissioner of Taxation, 3 October 2008.*

Case Study: First Home Saver Accounts (FHSA)

On 4 February 2008, the Government confirmed its 2007 election commitment to establish FHSA to assist Australians aged 18 and over to save for their first home. Under the scheme the Government would make a financial contribution in response to a payment made by an individual into a FHSA. Distribution of the Government's contribution to FHSA recipients is processed by the Tax Office. A design team was formed to develop a high level administrative design for the FHSA measure. The design team worked with the Department of the Treasury to influence the drafting of the new legislation, to enable where possible the re-use of the legislative framework, principles and processes already in place for Superannuation Co-contributions.

In delivering FHSA, the Tax Office sought to either:

- re-use existing co-contributions functionality with relevant modifications; or
- clone the existing functionality. For example, due to the different business rules and sources of data, a new FHSA eligibility batch process was designed re-using the logic in the co-contributions eligibility process. This approach was followed for forms, correspondence and reports; or
- change or develop new functionality where there was a specific legislative requirement or where the existing logic would fundamentally fail to meet client or business outcomes. For example, a new FHSA account and roles were created as it was not sensible to place FHSA under the Superannuation Account.

By re-using the Superannuation Co-contributions design to the extent possible, the Tax Office was able to incorporate the FHSA into the CWC and ICP more quickly than would have been possible had a new stand alone system been designed and implemented.

f) A system with integrity and performance

2.16 In developing the overall Change Program project the Tax Office determined that a system with 'integrity and performance' would be stable and scalable and characterised by a low level of customisation and enable the retirement of redundant systems. To achieve this, in-house development was the least preferred acquisition method and commercial-off-the-shelf (COTS) software was preferred with a buy-re-use-build principle. The use of COTS was intended to keep costs down and preserve the ability to upgrade the software. The CWC was purchased as a COTS solution for part of the Change Program.

2.17 The Tax Office has planned the retirement of superseded systems through a series of new system releases. Prior to implementation of the CWC, the Tax Office had identified over 180 case management systems used by compliance business lines. The CWC replaced these systems resulting in the easier movement of work between teams. Lower maintenance costs should result from having to maintain fewer systems.

2.18 The CWC also uses the same processing logic irrespective of the communication channel used by the taxpayer to interact with the Tax Office. This results in more consistent processing outcomes. All inbound correspondence is scanned to create electronic work items, together with other electronic work items resulting from emails and submissions made through the online portals. Similarly, details of phone calls answered by a CSR also create electronic work items in the CWC. Once an electronic work item is created within the CWC it is able to be automatically routed to staff for actioning.

2.19 One objective of the Tax Office in implementing the CWC was to undertake a minimum of customisation. The Tax Office has established that the implementation of the CWC was rated as having a low level of complexity. The low level of customisation in implementing the CWC offers the potential of lower CWC upgrade costs and should also facilitate timely implementation of upgrades.

g) Productivity and sustainability benefits

2.20 The ANAO review of productivity benefits of the client contact and work management components of the CWC is discussed in Chapter 3 *Client contact, work management and the CWC*. The benefits of the case management component of the CWC are discussed in Chapter 4 *Active compliance and the CWC*.

Summary

2.21 Overall, the implementation of the CWC to date has broadly met the objectives of the approved business case. The case management component of the CWC provides the Tax Office with an organisation-wide case management capability to support the active compliance and advice capability. The Tax Office can now manage correspondence, casework and activities generated by telephone calls consistently and on an organisation-wide basis. The CWC also has the potential to improve the integrity and accountability of case work. The CCV and client contact component of the CWC enable improvements in client services, including reducing the time taken for the Tax Office to respond to telephone calls and improve the quality of service.

Progress beyond the business case

2.22 To maximise the future benefits of the CWC the Tax Office will need to develop the CWC and its associated procedures to reflect changes in the operating environment. One option for consideration is the centralised management of efforts to improve the efficiency of the CWC.

2.23 The CWC is used across a number of business lines, which highlights the importance of a strategic management approach. A central oversight body could provide co-ordinated guidance in the further development of the system.

2.24 Given the Tax Office has limited resources to invest in ICT developments and changes, and wishes to keep customisations – which are expensive to design and implement – to a minimum, a whole-of-enterprise view also ensures that only the highest priority work is undertaken. Providing a strategically-focused committee with the authority to make decisions on customisation would ensure these matters are only progressed when there is no other viable option. This committee could also influence future upgrades of the CWC to facilitate continued relevance to Tax Office requirements.

2.25 Adequate user testing of new functionality in the CWC by experienced staff is an important aspect of the implementation process. Testing among small groups to ensure that the functionality is applicable and the training and procedures are adequate can prevent the premature release of new functionality. Central responsibility for this role will ensure rollouts are undertaken in a structured way and that lessons learnt from previous rollouts also inform implementation of future functionality.

Effort costing

2.26 Effort costing is the measurement of time used to create an output, and is important for planning. The Tax Office currently uses a range of work effort costing systems but these have limitations and do not apply a standard methodology to determine input parameters. Presently staff record:

- effort on professional development, case or work time and administration requirements on the Australian Taxation Office Unit Cost Analysis system (ATOUCA);
- information on total hours worked is recorded on another system, Time Management System, which also records and tracks 'flex time'; and
- the use and accrual of personal, long service and recreational leave is recorded on a separate stand-alone human resource management system called SAP.

2.27 These systems require staff to enter similar, and in some cases the same, details into each system.

2.28 One potential benefit of the CWC is the introduction of a single Tax Office approach to costing work effort, primarily through the measurement of the time used to create an output. The Tax Office currently uses a range of costing systems but these have limitations. Moreover, the absence of a standard methodology for recording the cost of Tax Office effort, at the level of individual cases, may impede the Tax Office's ability to achieve further gains to productivity and efficiency. Organisation-wide processes and procedures for managing all compliance work allow comparison of effort across similar processing units. Recommendation 1 (paragraph 2.31) addresses this issue.

2.29 Furthermore, accurate data on the cost of cases would enable managers in the compliance business lines to plan forward work programs more accurately. The Tax Office can cost projects and groups of cases but can not break these costs down to a case level. Some Tax Office taskforces, for example, Project Wickenby, a multi-agency taskforce investigating and prosecuting internationally promoted schemes to avoid or evade Australian taxes and launder money, work under specific funding agreements from the government and quarantine their funding for accountability purposes.

2.30 Complex case work areas have developed informal systems built in-house to record their costs. While these information systems provide the level of detail desired by management in these areas, these systems have limitations,

for example they are not suitable for high volume case areas with short cycle times.

Recommendation No.1

2.31 To gain further productivity and efficiency gains from the Client Contact — Work Management — Case Management system, the ANAO recommends that the Tax Office investigates the costs and benefits of implementing a resource management system that records and costs work effort at a case level.

Tax Office response

2.32 Agreed

2.33 The compliance Sub-Plan's Active Compliance Steering Committee (ACSC) has specifically considered the opportunity for Active Compliance business lines to adopt a common time and effort recording approach. The Sub-plan is looking to integrate existing pilot tools into one Compliance tool which would improve our ability to actively manage our casework.

2.34 Work will commence from September 2010 to review and progress a concept brief to develop the integrated Compliance approach to better manage our casework using a common tool. Initially this would be for Active Compliance, however we will look to expand its application to other capabilities as soon as practicable.

2.35 Note that the ATO has previously considered the introduction of a single effort and timesheet recording system, which is fully integrated with financial, budgeting and HR systems. Within an organisation the size of the ATO, this would be a substantial undertaking and has not progressed due to the inherent size and complexity of this task, and the relative corporate priority.

3. Using the CWC for Client Contact and Work Management

This chapter assesses the impact of CWC implementation on client contact and work management, including identifying scope for further improvements in tax administration.

Introduction

3.1 This chapter provides an overview of the benefits of the CWC for client contact and work management. In Chapter 2 the business case for the Change Program identified the baseline functionality required of the CWC. Since implementation the Tax Office has further improved the CWC to meet additional needs identified in work management and client contact. In addition, the ANAO has identified potential areas where the Tax Office could gain further benefits from the CWC.

3.2 To assess the impact of the CWC, the ANAO considered:

- the improvements for client contact and work management as a result of the CWC; and
- opportunities for further use of the CWC for client contact and work management.

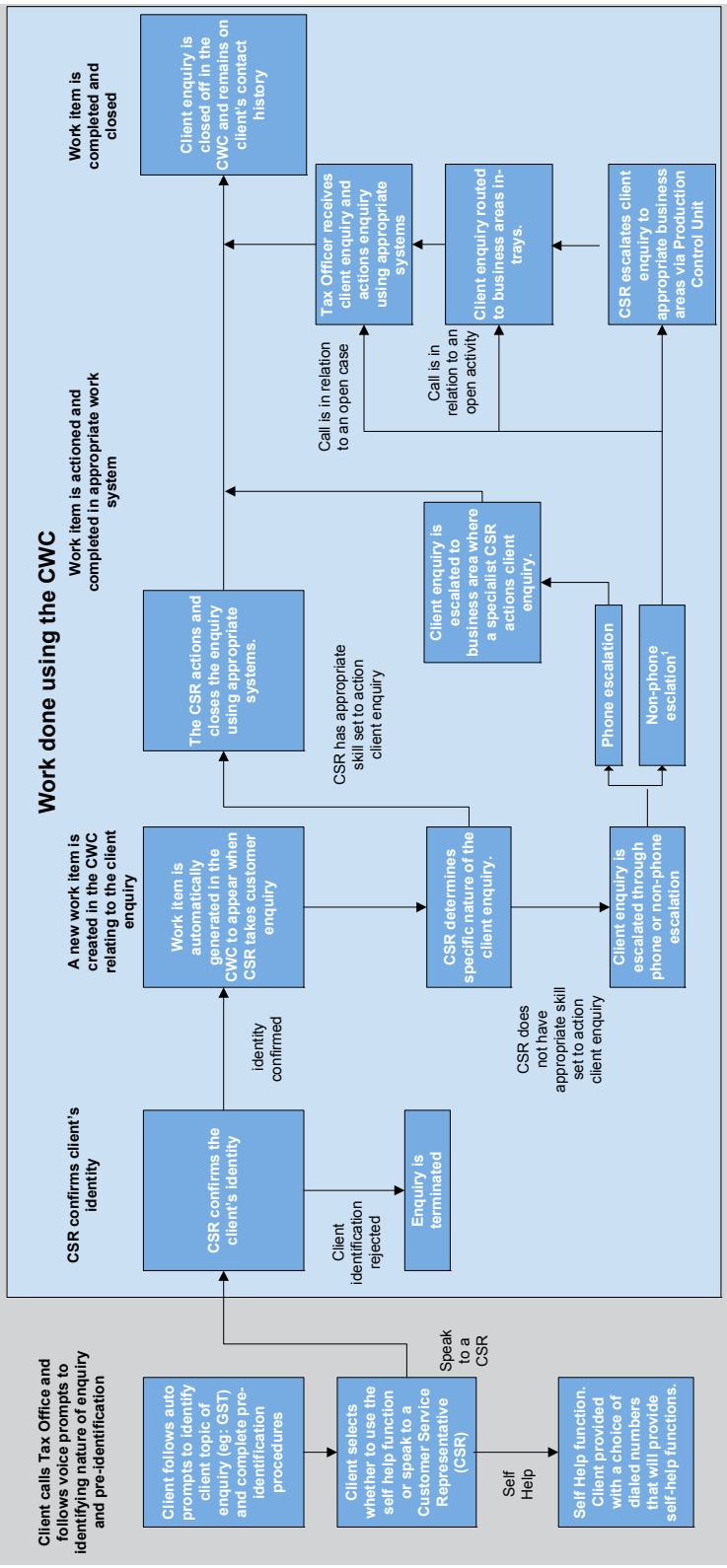
Improvements for client contact and work management as a result of the CWC

Improvements for client contact

3.3 As discussed in Chapter 2, CSR within Client Contact Centres, and other Tax Office staff, use the CWC to assist with client contact. Figure 3.1 below outlines the process for a CSR actioning a call in a Tax Office Client Contact Centre.

Figure 3.1

Customer Service Representatives actioning a client enquiry



Source: ANAO analysis of Australian Taxation Office information.

3.4 The implementation of the CWC has changed the way CSRs and other Tax Office staff interact with the taxpayer. The CWC provides relevant Tax Office staff with a Consolidated Client View, bringing together all client information into one screen. CSRs can see the history of client contact with the Tax Office, including tax returns and correspondence, both from and to the taxpayer. This information is available to CSRs and also to compliance and debt and advice staff.

3.5 Previously staff were required to refer to several computer systems to obtain enough information to verify a caller's identity, resulting in time-consuming processes for even basic client interactions. Staff only had access to specific items of information on the taxpayer. This meant that advice and information given to the taxpayer was general and could not be tailored to the individual taxpayer's circumstances.

Client experience analysis

3.6 To gauge the effect the CWC has had on staff interactions with clients, the Tax Office undertakes a range of surveys using survey questions to measure perceptions and evaluate client experiences. Survey questions were used by the Change Program External Readiness team to measure and evaluate client experiences as a result of the implementation of the Change Program. These surveys were designed to assess whether clients found interaction with the Tax Office to be easier, cheaper and more personalised following implementation. The surveys undertaken include Tax Agent, Business and Community Perception surveys as well as Tax Office Professionalism Surveys, and provide a gauge of changes in client attitudes towards the Tax Office. Not all improvements in client experience can be attributed to the CWC, as taxpayer attitudes can be influenced by other initiatives as well as by factors outside of the control of the Tax Office. Overall, the most recent surveys indicated that clients were finding it easier to deal with the Tax Office than previously (see Table 3.1).

3.7 The one exception related to the Tax Agents' surveys conducted. These surveys have shown a decline in positive attitudes towards the Tax Office in recent years. The Tax Office stated that they believed this was due to the Tax Agents online portals being in a transition period, and that updates to the portals were planned.³¹

³¹ A review of the operation of the Tax Office's Tax Agent and Business Portals can be found in ANAO Audit Report No. 4 2006-07, *Tax Agent and Business Portals*.

Table 3.1

Tax Office Client Survey analysis

Survey	Survey purpose	ANAO Analysis
Individual experiences	The Tax Office conducts biannual professionalism surveys to evaluate tax officers' level of professionalism when dealing with clients.	<p>Between November 2005 and November 2008:</p> <ul style="list-style-type: none"> • Clients' understanding of issues they discussed with the Tax Office increased by 4.7 per cent; and • Clients that were satisfied with the professionalism of the Tax Officer they dealt with increased by 5 percent.
Tax Agent experiences	The Tax Agents perceptions survey relates to the contact a Tax Agent has with the Tax Office. The Tax Office surveyed a broad sample of Tax Agents on their perceptions of dealings with the Tax Office.	<p>Between November 2005 and November 2008:</p> <ul style="list-style-type: none"> • Tax Agents' perceptions that systems and business processes have improved, decreased; and • Tax Agents' perceptions of the ease of dealing with the tax system, decreased.
Business experiences	The Business Perceptions survey investigates and tracks businesses' satisfaction, perceptions and attitudes to the Tax Office, the taxation systems and services provided.	<p>Between October 2005 and November 2008:</p> <ul style="list-style-type: none"> • Business perception of the ease of compliance with business taxation requirements increased by 7 per cent; • The ease of dealing with the tax system remained steady throughout the survey period; and • Business perception that the Tax Office had made it easier and less expensive to comply with business tax obligations increased by 4 per cent.
Community perceptions	The Community Perceptions survey is an instrument used by the Tax Office to gauge perceptions about managing personal tax, perceptions towards the Tax Office as well as perceptions of the community about contacting the Tax Office.	<p>Between 2002 and 2008:</p> <ul style="list-style-type: none"> • The number of taxpayers confused about taxation matters decreased by 8 percent. This has seen a significant fall in the number of taxpayers confused about taxation matters; and • The community perception that less effort is required to complete a taxation return increased by 12 per cent.

Source: ANAO analysis of Tax Office information.

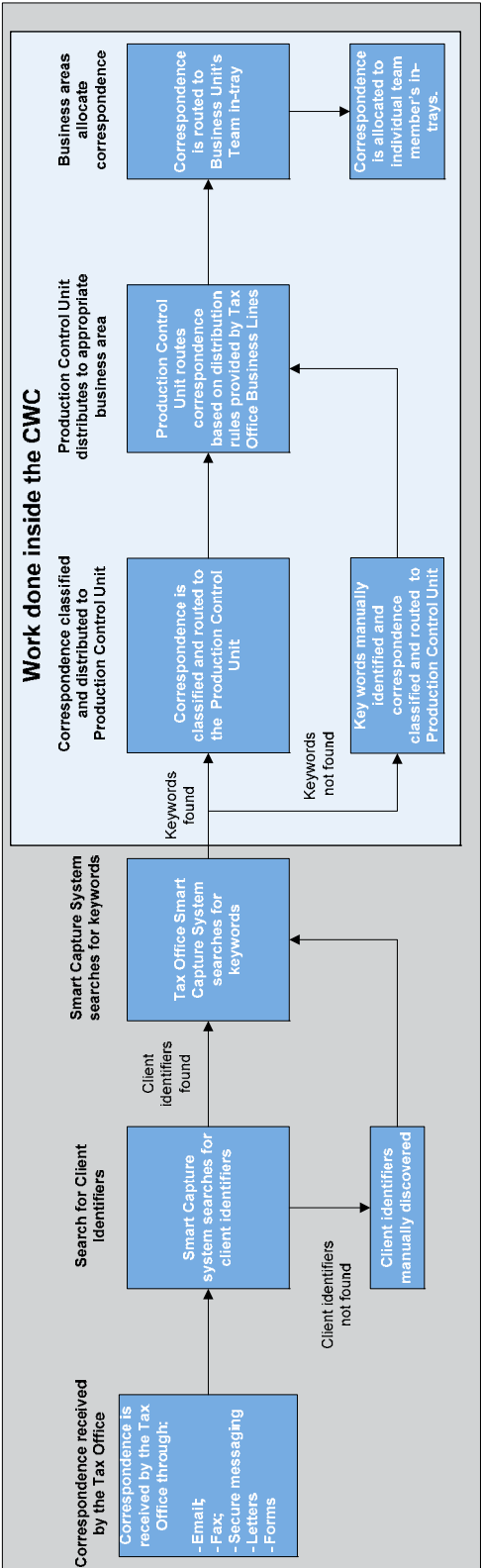
Improvements for work management

System use in work management

3.8 The CWC has also streamlined the way in which the Tax Office receives and actions correspondence. Previously the Tax Office used labour-intensive, paper-based systems. The use of the CWC transforms the process into a multi-channel electronic system, which allocates work and correspondence to appropriately skilled teams with team members obtaining their work through an electronic in-tray (as shown in Figure 3.2).

Figure 3.2

Work Management system workflow



Source: ANAO analysis of Australian Taxation Office information.

3.9 Taxpayers had stated during the ‘listening to the community’ project that they wanted correspondence from the Tax Office to be easier to understand. The Tax Office responded by introducing a new enterprise-wide process for developing and approving correspondence. This provides a better way to create and revise letters, and a new workflow, storage and retrieval process for approved content.³²

3.10 As a result, staff in any business line or team undertaking the same activity have a mandated process for completing that activity. This should allow consistency across the Tax Office in handling correspondence.

Client contact and work management

The use of automated processes in work management

3.11 The use of automated processes for work allocation within the Tax Office is determined by several factors, including the type of work being distributed, and its complexity and priority. For example, incoming phone calls are sorted electronically by the information provided by the caller in response to prompts, and directed to suitably skilled CSRs. By contrast, complex casework is allocated only after senior staff committees have viewed and assessed the risks and issues.

3.12 Work items are allocated via the work management component within the CWC. This includes written letters, faxes, and secure messages received through the Tax Office portals. In addition, work items required following a telephone enquiry are distributed to the relevant team for actioning using the same method.

³² Australian Taxation Office, *About release 1 – What did Release 1 deliver*, Tax Office intranet.

3.13 Work items are distributed to the in-trays of actioning teams by a production control system. This allocation to in-trays can be:

- fully automated where classification information is already known, through keyword recognition during scanning or where entered by an officer who is referring it to another officer with a different skill set; or
- handled manually where the item must be reviewed and classified to enable routing to the appropriate area.

3.14 Each team member is required to use a 'pick next' button, taking the next appropriate piece of work out of the team in-tray, reflecting the priority of the work to be completed and the skill-set of the individual. The team leader also has the option of allocating work items to specific team members and has access to reports about the work on hand at the team and individual level. This facility can also highlight work approaching its due date or other high priority work that needs prompt actioning. Team leaders are responsible for working with team members, other teams within their area and other areas to ensure all work is completed within expected processing timeframes.

3.15 Automation has clearly brought benefits to client and work management in the Tax Office. There are opportunities for the Tax Office to assess the costs and benefits of reviewing the levels of automation for the allocation of work and management of correspondence. The Tax Office could consider using higher levels of automation to save time and effort where the risk levels are low.

Classification of work items

3.16 Following the receipt of correspondence, the Tax Office uses keywords detected electronically within correspondence to route items to appropriately skilled staff for action. The ANAO observed that inefficiencies and loss of productivity can arise in the management of some items of correspondence when work items are incorrectly routed. This can indicate a mismatch between the keywords used,³³ the type of work required to action

³³ The keywords used to classify and route documents are a shared responsibility between Client Account Services (CAS) and Business Lines receiving the work items and correspondence.

the item, or the skill profile of the team member selected to action the item. Inefficiencies can also occur if:

- items are re-routed from one officer to another, in the case of correspondence requiring input from several different Tax Office staff;
- items are not re-routed when a staff member is unavailable; and
- team managers are not monitoring workflow adequately.

3.17 The Tax Office is also unable to monitor the churning of poorly routed work items. The audit trail is visible in respect of individual work items, but the Client Account Services (CAS) area cannot easily monitor the aggregate position of work of a similar nature and relies on random sampling to assess the need for process changes. Improvement in tracking work items would allow CAS to refine keyword routing and improve performance against the service standards. Work is underway to provide CAS with the ability to monitor churning of poorly routed work and to track work items being passed around the Tax Office. As yet, while various options have been tested a suitable solution has not been found.

4. Using the CWC for Case Management

This chapter assesses the impact of the CWC on active compliance, including benefits achievable beyond the CWC's current capacity to improve tax administration.

Introduction

4.1 Under Australia's self-assessment taxation system, the Tax Office initially accepts claims made by clients and employs compliance verification and education techniques to promote and facilitate voluntary compliance with taxation, superannuation, and excise laws. Each year the Tax Office undertakes a program of compliance activities to validate the accuracy of claims made by selected taxpayers.

4.2 To assess the impact of the CWC on case management, the ANAO reviewed :

- improvements to the productivity and efficiency of tax administration as a result of the CWC; and
- effects of the CWC implementation, including additional benefits achievable beyond its current capacity to further improve tax administration.

The Tax Office's active compliance capability

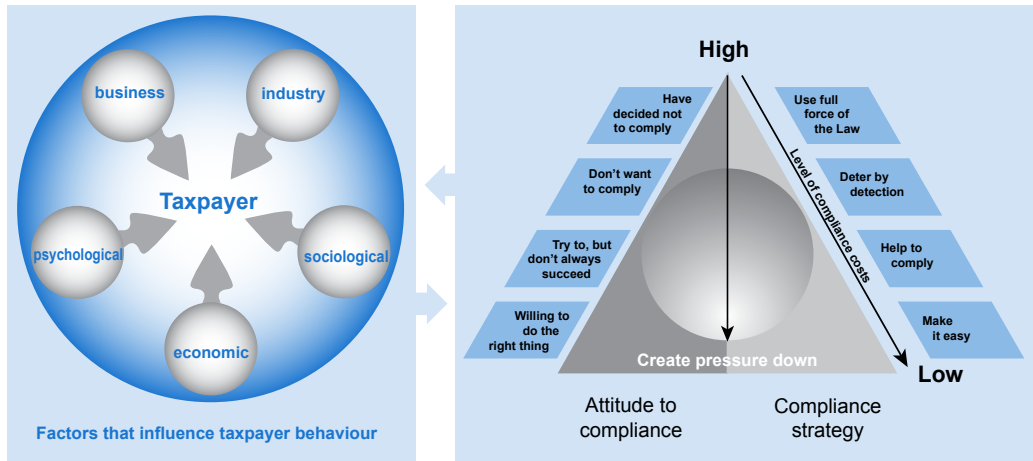
Compliance framework and the compliance model

4.3 The Tax Office has developed a compliance model (Figure 4.1) that illustrates its understanding of the compliance behaviour of taxpayers and the most appropriate way to respond to that behaviour. The majority of people who willingly comply with their tax obligations are reflected at the base of the pyramid, whereas those who refuse to comply, and who may engage in actions contrary to the law, are reflected at the pyramid's apex. The pyramid also

depicts the compliance verification and enforcement strategies designed to be commensurate with the compliance behaviours depicted.³⁴

Figure 4.1

The Tax Office's compliance model



Source: Australian Taxation Office.

4.4 A primary objective of the Tax Office is to achieve high levels of voluntary compliance with Australia's tax and superannuation laws.³⁵ The primary role of the Tax Office's active compliance capability is to help create an environment that promotes high levels of voluntary compliance with tax and superannuation laws at minimal cost to taxpayers and other stakeholders. The compliance capability has approximately 10 000 staff deployed over:

- (a) four revenue product types:
 - income tax;
 - Goods and Services Tax (GST);
 - superannuation; and

³⁴ Australian Taxation Office – Introduction to the Compliance Model. <http://www.ato.gov.au/corporate/content.asp?doc=/content/5704.htm> [accessed 26 November 2009].

³⁵ Australian Taxation Office, *Australian Taxation Office Compliance Program 2009/10*, p. 4.

- excise.
- (b) eight business lines;³⁶ and
- (c) two specialist task forces set up within the Tax Office to review compliance by certain specified taxpayer groups:
 - High Wealth Individuals Task Force; and
 - Project Wickenby Task Force.

4.5 The Tax Office uses a variety of compliance responses to verify and promote voluntary compliance. These range from offering assistance to those in need, and conducting widespread education and information campaigns, to undertaking risk reviews, audits and investigations to detect and deal with those avoiding their taxation obligations.

Managing high-volume casework

4.6 Several business lines undertake high-volume casework as part of the mixture of compliance activities.³⁷ In 2006 a review of the case management framework resulted in the creation of the 'high-volume' case framework. These cases are planned to need 10 hours or less of 'direct' time (direct time is the period during which control of the case is in the hands of the case officer, whereas indirect time is other elapsed time, for example when the case officer is waiting on the taxpayer or other third parties to respond to requests for information).

Managing complex casework

4.7 The Tax Office initiates complex casework in response to higher risks to compliance.³⁸ Cycle times for complex cases are longer than for high-volume cases and some cases can take several years to complete. These longer cycle times also mean case officers have less need to regularly engage with the case

³⁶ These are: Serious Non-Compliance, Large Business and International, Small to Medium Enterprises, Micro Enterprise and Individual, Indirect Tax, Tax Practitioners and Lodgment, Aggressive Tax Planning and Superannuation. GST and Excise Business Lines merged to form the Indirect Tax Business Line 1 July 2010.

³⁷ The high-volume case framework is used in business lines including GST, Superannuation, Micro Enterprises and Individuals and Small to Medium Enterprises.

³⁸ Complex cases are undertaken in Business Lines such as Large Business and International (LBI), GST and Serious Non-Compliance (SNC).

management component of the CWC. The implications of this situation are discussed further at paragraph 4.24.

Improvements in the efficiency of case management as a result of the CWC

4.8 Use of the CWC has brought a number of gains, including making the work of Tax Office staff more transparent because of the systems recording ability and introducing enterprise-wide processes for all case work, as previously discussed in paragraphs 2.6 and 2.7.

4.9 The Tax Office has identified a number of areas where the CWC has the potential to improve tax administration, particularly in the area of compliance. Increasingly, for example, it is necessary to create multi-skilled teams drawn from across the Tax Office to address the growing range of compliance issues. In the past, the Tax Office's ability to do this efficiently was hampered: the management information previously available on the work of these teams was limited. The CWC now provides data about staff working on specific cases at any one time.³⁹

4.10 The common enterprise-wide processes and procedures of the CWC also facilitate the movement of casework to areas of the Tax Office where staff are underused. Management can monitor work progress and workloads across teams with a view to moving casework to areas of the office where staff are undertaking lower priority activities. This allows the Tax Office to efficiently use its work force to meet commitments outlined each year in the Compliance Program.

Potential to improve the quality of compliance work

4.11 In 2007, following several internal reviews, the Tax Office established the Active Compliance Quality and Practice Improvement Forum (ACQPIF). It also established an Integrated Quality Framework (IQF). The forum and framework rely on the CWC and its enterprise-wide processes to facilitate improvements in the quality of compliance work.

³⁹ Tax Office staff must be added to a case as a participant in order to access the CWC file. Staff added as participants would then contribute work to the case and this would be visible in the CWC file.

4.12 The IQF provides a review framework for cases and client contacts to identify areas for improvement and better practice. A sample of cases and client contacts, both completed and active and across all business lines, is reviewed and graded. The IQF is used to improve the quality of case work and client contact and identify areas for improvement. The CWC facilitates the comparison of the results for the IQF process to be compared across business lines.

4.13 Separately, the ACQPIF reviews the observations from the IQF case-based reviews to identify practices which need to be improved. Significant emerging issues are reported to the Active Compliance Steering Committee. The CWC provides a useful tool for the ACQPIF to obtain information about areas for improvement. As similar activities are used in all case work, the CWC allows IQF and ACQPIF to identify and promote better practice across the various compliance areas.

Case management framework at the time of implementation of the CWC

4.14 When implementation began in 2005, the Tax Office had a specific objective for the CWC, which was to achieve a baseline functionality. This included a single case management framework and an enterprise-wide set of process and procedures. This allowed a transformation from an administrative structure specific to business and service lines to a capability based framework, and from business line-specific to Tax Office-wide ICT systems and procedures.

4.15 The Tax Office recognised that issues in the CWC may become apparent when the broader Change Program was fully operational. Every phase of the Change Program included involvement by business and service lines in the planning aspects of design. The Tax Office identified a number of issues that arose in the case management component of the CWC. For example, the initial design involved a common approach for all cases that was subsequently recognised not to take sufficient account of the differing requirements for managing high-volume cases, compared with more complex cases such as Project Wickenby. As noted in paragraph 4.6, the Tax Office implemented a high-volume case framework that recognised the specific requirements of the different case product types.

Additional benefits achievable beyond the CWC's current capacity

4.16 During the course of the audit, the ANAO observed areas where additional benefits could be achieved beyond the CWC's current capacity. Some of these matters could be addressed, variously, by a planned upgrade to the CWC, a range of system configurations, some redesign of business practices and procedures to better support the CWC, and some refinements to staff training.

4.17 Several processing issues, common across most active compliance areas, could be addressed by reconfiguring the CWC rather than relying on staff developed work-arounds.

4.18 Similarly there are currently also some limitations within the search functionality of the CWC. Staff could be more efficient if the CWC allowed case officers to search documents to find specific pieces of information. While this would be useful for all the active compliance areas, it would be particularly beneficial for staff handling complex cases.

4.19 Some processing issues apply specifically to high-volume case areas and a reconfiguration of the current case products would allow automation of some common activities to improve timeliness.

4.20 The Tax Office has also built several Quality Control Points (QCPs) into the case management system to increase accountability. While there is some differentiation in the number of QCPs required for each type of case, case management would be streamlined if there were more calibration between the numbers of QCP required on an individual case and its assessed level of risk.

4.21 In November 2006, the Tax Office noted the need to enhance its capability to undertake the specific activities involved in intelligence, evidence and litigation for staff undertaking complex cases. The Evidence Litigation and Information Management (ELIM) program was the chosen solution to meet these needs. ELIM would provide three key work streams to deliver new or enhanced capabilities to cover Tax Office risk and intelligence needs in the complex case areas. The three work streams were:

- Analyst Workbench: a suite of visualisation tools enabling analysts to view intelligence and build profiles, along with database and search tools;

- Evidence and Discovery: a custom off-the-shelf evidence register, and text mining tools for classification and indexing evidence; and
- Litigation Support: an electronic evidence management system that assists with organising, analysing and presenting documentary material.

4.22 ELIM was scoped and planned in 2007, with funding approved for an initial release that provided all three streams to a small number of case officers in a test capacity. Funding for the deployment of the streams to all relevant staff would be dependent on a review of the first release. In the event, only the initial release was completed. ELIM was later re-scoped, in December 2008, and fully deployed by September 2009. However, there is currently work underway to progress on some of the initially intentions of ELIM including expanding the use of Litigation Support, and extending the data sources used by Analyst Workbench.

4.23 The CWC could also be strengthened to further improve the Tax Office's capability to complete cases involving serious non-compliance. The purpose of active compliance capability is stated as 'accelerate our capability building to position us to cope with more complex work,'⁴⁰ and the functionality of the CWC, in combination with ELIM, could be enhanced to better assist officers undertaking complex case work.

4.24 Staff in complex case areas work on long-running cases that may take longer than two years to complete. In this situation, they may make limited use of the CWC and become unfamiliar with its operations. Some case officers may choose not to follow procedures and complete casework without utilising the CWC, with a view to entering the information once the case is completed. The Tax Office is currently investigating upgrading the CWC to a version which includes a new Task-Based User Interface; this should provide extensive user guidance and supporting information to support the more accurate execution of complex processes. This upgrade may address the specific needs of complex case areas.

⁴⁰ Australian Taxation Office, *Compliance overview 2009-10*, June 2009, p. 1.

4.25 Complex cases may involve the Tax Office collecting a large number of documents to validate claims. These documents may then be used in legal proceedings. The Tax Office currently stores documents in a central document management system, which staff access through the CWC. However, the CWC currently lacks the capability to complete 'in text' searches of documents stored in this system.

4.26 The Tax Office, through the ELIM program, is investigating the use of third party litigation support software, which provides the search function that the CWC lacks to help manage cases that require the collection and retention of large amounts of documentation.

4.27 In summary there would be benefit in the Tax Office reviewing the utility of the CWC in work undertaken in both the high-volume and complex case-work. Productivity of case officers could be improved in the high-volume case framework with a series of configurations to the CWC, complemented by adjustments to the procedures and processes used by staff. The CWC and procedures for complex casework can be further strengthened, improving the Tax Office's ability to deal with serious non-compliance.

Accuracy of procedures and links

4.28 The Tax Office publishes procedures for case products on a Work Processes Intranet site with direct links to these from the CWC via a hyperlink. The procedures contain instructions for staff about how to conduct active compliance work, as well as guidance, policy and legislation references. Accurate procedures can provide a level of consistency and adherence to process, which is important when the Tax Office is subject to external scrutiny, including by the courts when decisions are challenged.

4.29 To be useful to staff, hyperlinks need to be monitored and updated regularly. Regular monitoring of the currency of the Work Processes Intranet and the related hyperlinks would give staff greater confidence in the accuracy of the procedures and enable the Tax Office to maximise the benefit of enterprise-wide procedures.

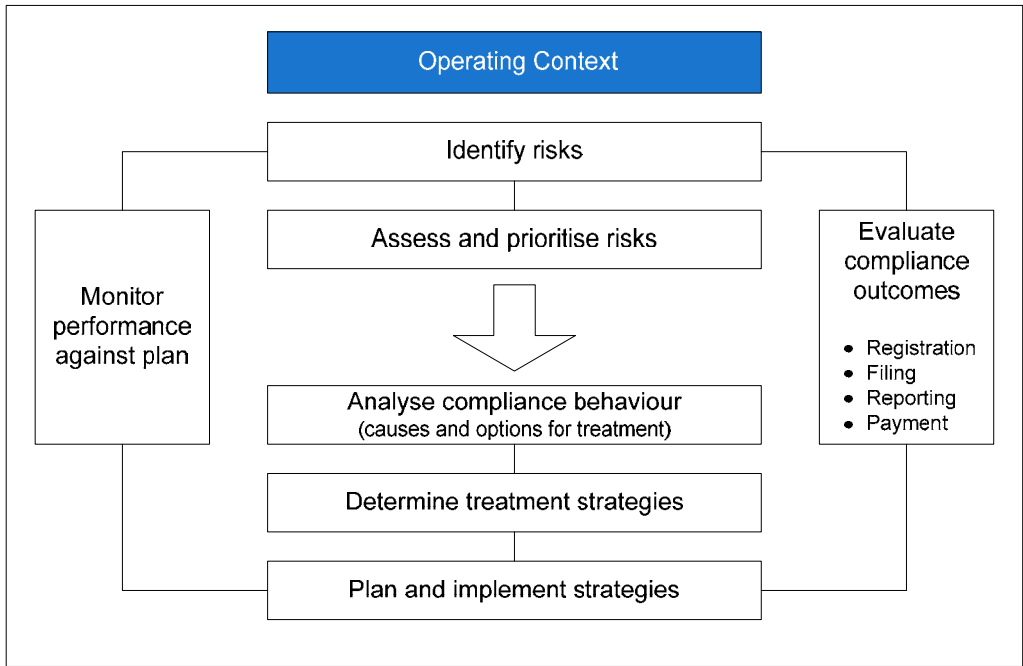
Growth in risks and issues

4.30 In administering the tax system and effectively addressing business and compliance risks, the Tax Office operates a matrix management approach. The model that underpins the Tax Office compliance risk model is presented in

Figure 4.2. This model has been developed to be consistent with Australian Standard/New Zealand Standard 4360:2004 *Risk Management* and Organisation for Economic Co-operation and Development (OECD) literature.⁴¹

Figure 4.2

The Tax Office’s compliance risk model



Source: Australian Taxation Office, *Risk Management: Managing the Tax Office and Managing Compliance*, 2004, p. 29.

4.31 The model is designed to apply a systematic and disciplined approach to compliance risk management. As part of its management framework, the Tax Office classifies revenue product types, market segments and special focus areas to assist with risk identification, and organisational and business planning.

4.32 The Tax Office has a formal ‘Health of the System Assessment’ (HOTSA) process that informs the development of the Compliance Program and a range of mitigation plans. The business and service lines are responsible

⁴¹ OECD, *Monitoring Taxpayers’ Compliance: A Practical Guide Based on Revenue Body Experience*, 2008, p. 8.

for achieving the Tax Office's outcome and output commitments to Government. The Strategic Risk Register records the Tax Office's highest priority risks – those rated as high or severe.⁴² It is updated monthly and informed by environmental scans, the HOTSA process, and Tax Office committees. The HOTSA process and Strategic Risk Register arrangements are consistent with OECD guidelines and provide an adequate framework at a whole-of-Tax Office level for the assessment, prioritisation and recording of risks.

4.33 However, the ANAO observed problems with the application of the compliance risk model in the set up of risks and issues in the CWC for compliance. The compliance risk model was designed to operate by identifying risks on a whole of tax administration basis that would then facilitate a consistent approach to those risks across all business and service lines within the Tax Office. Instead, each business line individually developed a risks and issues profile based on identified risks associated with its work in its particular market segment. Risks and issues are deemed as reference data, which is data that is used to configure the CWC, this includes informing case selection processes in the future.

4.34 This resulted in a business line-specific risk focus and generic reference data being developed and implemented. While a number of risks and issues are common to several business lines (for example, employers not paying employees' pay-as-you-go withholding tax to the Tax Office), each business line determined its own risks and issues. This resulted in a large number of risks (over 2000) and issues (over 3500) across the Tax Office. This proliferation of risks and issues has limited the value of the reference data generated. The Tax Office is currently undertaking various measures to address this bottom-up rather than top-down approach to identifying compliance risks.

⁴² Following the replacement of Australian Standard/New Zealand Standard 4360:2004 *Risk Management* with International Standard ISO 31000:2009 *Risk Management* the Tax Office plans to introduce an Enterprise Risk Register to replace the Strategic Risk Register.

4.35 At the time of the audit, the Tax Office was addressing the growth in risks and issues by introducing a new simplified taxonomy aligned to the active compliance plan along with:

- defining and publishing a set of principles, a framework and a maintenance regime to guide all changes to reference data;
- defining and implementing a more effective governance process for the application of the reference data framework; and
- ensuring that business lines are changing procedures and training to reflect the framework and governance processes.

4.36 The Tax Office is also in the process of developing a centralised reference data repository that will hold the definitions of reference data and their values. The intent of this project is to provide a robust, auditable, flexible platform for discovering and defining reference data across the Tax Office. Governance processes for the maintenance of reference data across the Tax Office will be defined and integrated with supporting system processes. This should result in a reduction in the number of staff needed to maintain reference data and improve its quality.

Recommendation No.2

4.37 In order to improve the consistency and efficiency of the administration of compliance risks, the ANAO recommends that the Tax Office assess the potential for improved use of the case management component of the Client Contact – Work Management – Case Management System across all compliance business service lines.

Tax Office response

4.38 Agreed

4.39 The ATO's Compliance Sub-Plan has commenced work to identify and progress improvements to optimise use of the CWC by both the Active Compliance and Interpretative Assistance areas.

4.40 The project supports the Compliance Sub-Plan with the transformational change agenda and optimises its effectiveness by reviewing enterprise-wide work practices and processes to deliver greater efficiency and improved client service.

Management and staff familiarisation

4.41 Following the implementation of enterprise-wide business processes and procedures, the Tax Office provided staff with a training and performance support package to familiarise them with the system. The package was designed to assist staff become job-ready in a minimum amount of time. The package included a four-phased training plan that detailed the approach to providing staff with the skills, knowledge and the work processes necessary to use the CWC.

4.42 The Tax Office undertook this familiarisation training in deployment groups⁴³ that allowed staff to develop a better understanding of how they were affected by the CWC. The training was designed to provide broad capability as well as capability-specific skills and included awareness-of change, understanding its impact, training and deployment, and embedding the change.

4.43 In the course of internal reviews of training, the Tax Office observed a misalignment between enterprise-wide procedures for casework and system functionality. The key area identified focused on case officers' knowledge and understanding of where information was documented and recorded within the CWC. The training provided staff with the guidance needed to use the system, but provided limited guidance on how case information was to be captured and recorded in the system.

4.44 Tax Office staff created work-arounds to address these training shortcomings, but also expressed concern about the time taken to set up and consolidate enterprise level procedures. In response, the Tax Office has reviewed and reformatted business processes, including producing training sheets and job aids to assist case officers to use the CWC.

4.45 The Tax Office also recognised that a one-off approach to learning about new processes and systems was not sufficient. Rather, continued emphasis and reinforcement was required. For example, the Tax Office is issuing a handbook, *My Active Compliance Handbook*, that will provide relevant

⁴³ Deployment groups were: Case workers in active compliance, Client Contact staff, Tax Office Access Centre staff, Provision of Written Advice staff, Registrations and account-processing staff, marketing and education staff, irregular users of the CWC, and Analysis and Research Management staff.

staff with a guide on when, how and why to use the CWC to meet compliance requirements.

Scheduled Cycle times

4.46 The Tax Office defines the amount of time to be utilised on a case as the 'scheduled cycle time'. When a case is allocated to a case officer, the scheduled cycle time is defined by the type of case, and starts at the time of allocation, regardless of when the case officer starts work on the case.

4.47 The ANAO observed that scheduled cycle times allowed the Tax Office staff to plan their workloads and generally complete cases in a timely manner, but noted some refinement of the concept would be useful.⁴⁴

4.48 Although a Key Performance Indicator (KPI) of the Change Program was to 'provide more predictable and shorter cycle times for client advice and audit activities,' some of the scheduled cycle times have not been adjusted to reflect the impact of the Change Program. A reduction in the scheduled cycle time for many cases can be achieved because of the centralisation of Tax Office information holdings in a document library, replacing individual data holdings in teams and business lines, making it easier for staff to access documents relevant to their casework.

4.49 In addition, scheduled cycle time does not accurately record the time needed to complete a case. Most cases require further information from the taxpayer and, in some cases, from third parties including banks or other government agencies. Some allowance is made in the cycle time for these periods when the case officer is awaiting further information, but not all requests are met in the allotted period. If scheduled cycle times distinguished between direct and indirect time, managers would have greater visibility of actual workloads and enable a better matching of workloads with available resources.

4.50 Case officers identify the risks presented in a case at the 'initiate' stage, with provision to add further risks as the cases warrant. However, the manner in which cycle times are currently measured discourages case officers from recording additional risks that may be identified; the cycle time does not

⁴⁴ The Tax Office has a target of completing 80 percent of cases within the scheduled case cycle time.

allow an increase in the performance measure to cover the additional time that would be needed to address and properly record any newly identified risks. When the risk is substantial enough to warrant action, additional time should be added to the cycle time to reflect this additional work.

Recommendation No.3

4.51 To improve the management of scheduled case cycle times, the ANAO recommends that the Tax Office:

- (a) investigates opportunities to improve the separate recording of direct and indirect elapsed time of cases to assist in identifying efficiencies in cycle times; and
- (b) review the cycle times of different case products to determine the most appropriate cycle time for benchmarking purposes.

Tax Office response

4.52 Agreed.

4.53 Currently the total time attributable to specific cases (direct and indirect) is reflected in case completion times within Siebel (CWC). In addition, direct time is recorded in ATOUCA. There are a number of pilot tools (mentioned in our response to Recommendation 1) that areas within Compliance use to analyse this data to determine indirect and direct time, and to provide input to forecasting and benchmarking cycle times.

4.54 As per our response to Recommendation 1 work will commence from September 2010 to review and progress the integration of existing pilot tools into one Compliance tool which would improve our ability to actively manage our casework. This work will consider how direct and indirect times are recorded, and will also review the benchmarks for different case product types.



Ian McPhee

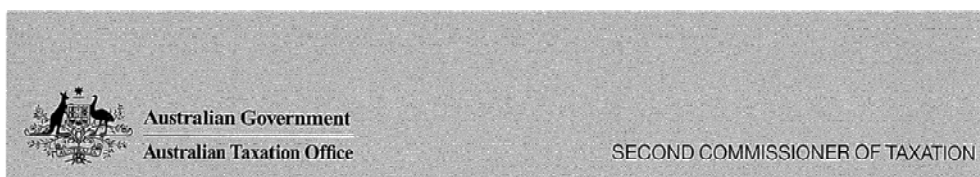
Auditor-General

Canberra ACT

21 September 2010

Appendices

Appendix 1: Agency Response



Mr David Crossley
Executive Director
Performance Audit Services Group

Dear Mr Crossley



ANAO Performance Audit:

The ATO's implementation of the Client Contact – Work Management – Case Management (CWC) system

I refer to your letter dated 6 July 2010 and the proposed audit report on the ATO's implementation of the Client Contact – Work Management – Case Management (CWC) system for our comments and response.

Summary of comments:

The ATO welcomes the Australian National Audit Office's (ANAO) recommendations in relation to its implementation of the Client Contact – Work Management – Case Management (CWC) system.

Key outcomes the ATO sought from the implementation of the Change Program were:

- An Integrated Processing System (people/process/technology) for all Tax Office products;
- An Effective Active Compliance and Advice Capability;
- Effective, Improved Client Service
- Improved Enterprise-Wide outcome Management of Work
- Delivery of the Tax Office business
- A system with Integrity and Performance
- Productivity and Sustainability Benefits
- The Program Delivered Effectively and Professionally

ATO's implementation of the Client Contact – Work Management – Case Management (CWC) system was a key step in the transformational Change Program journey.

The ATO's achievements against Change Program outcomes are supported by your finding that 'the implementation of the CWC has improved and transformed key aspects of ATO activity that support tax administration', and that 'the CWC has contributed to improvements to the productivity, integrity and efficiency of tax administration, and also to client experiences by reducing the number of disparate systems, business processes and business area-centric resources'.

It is pleasing to see that the report specifically notes that 'the ATO has realised further benefits from the CWC system in addition to those outlined in the original Change Program business case'.

Your audit has confirmed we are on the right track with our implementation, and we should continue to continuously improve the effective and efficient use of the CWC.

Recommendation 1

To gain further productivity and efficiency gains from the Client Contact – Work Management – Case Management system, the ANAO recommends that the Tax Office investigates the costs and benefits of implementing an resource management system that records and costs work effort at a case level.

Accept

Comment

The Compliance Sub-Plan's Active Compliance Steering Committee (ACSC) has specifically considered the opportunity for Active Compliance business lines to adopt a common time and effort recording approach. The sub-plan is looking to integrate existing pilot tools into one Compliance tool which would improve our ability to actively manage our casework.

Work will commence from September 2010 to review and progress a concept brief to develop the integrated Compliance approach to better manage our casework using a common tool. Initially this would be for Active Compliance, however we will look to expand its application to other capabilities as soon as practicable.

Note that the ATO has previously considered the introduction of a single effort and timesheet recording system, which is fully integrated with financial, budgeting and HR systems. Within an organisation the size of the ATO, this would be a substantial undertaking and has not progressed due to the inherent size and complexity of this task, and the relative corporate priority.

Recommendation 2

In order to improve the consistency and efficiency of the administration of compliance risks, the ANAO recommends that the Tax Office assess the potential for improved use of the case management component of the Client Contact – Work Management – Case Management System across all compliance business service lines.

Accept

Comment

The ATO's Compliance Sub-Plan has commenced work to identify and progress improvements to optimise use of the CWC by both the Active Compliance and Interpretative Assistance areas.

The project supports the Compliance Sub Plan with the transformational change agenda and optimises its effectiveness by reviewing enterprise-wide work practices and processes to deliver greater efficiency and improved client service.

Recommendation 3

To improve the management of the scheduled case cycle times, the ANAO recommends that the Tax Office:

- a) investigates opportunities to improve the separate recording of direct and indirect elapsed time of cases to assist in identifying efficiencies in cycle times; and*
- b) review the cycle times of different case products to determine the most appropriate cycle time for benchmarking purposes.*

Accept

Comment

Currently the total time attributable to specific cases (direct and indirect) is reflected in case completion times within Siebel. In addition, direct time is recorded in ATOUCA. There are a number of pilot tools (mentioned in our response to Recommendation 1) that areas within Compliance use to analyse this data to determine indirect and direct case time, and to provide input to forecasting and benchmarking cycle times.

As per our response to Recommendation 1 work will commence from September 2010 to review and progress the integration of existing pilot tools into one Compliance tool which would improve our ability to actively manage our casework. This work will consider how direct and indirect times are recorded, and will also review the benchmarks for different case product types.

If there are any questions concerning our response, please contact Ms Kerry O'Loughlin on (08) 8218 9475.



David Butler
Second Commissioner

16 August 2010

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