

Management of Complaints and Other Feedback

Australian Taxation Office

© Commonwealth of Australia 2014

ISSN 1036-7632

ISBN 0 642 81426 0 (Print)

ISBN 0 642 81427 9 (Online)

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Canberra ACT
12 February 2014

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Australian Taxation Office with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *Management of Complaints and Other Feedback*.

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

Yours sincerely

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

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

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Contents

Abbreviations and Glossary	8
Summary and Recommendations	9
Summary	11
Introduction	11
Audit objective, criteria and scope	13
Overall conclusion	13
Key findings by chapter	15
Summary of agency response	22
Recommendations	23
Audit Findings	25
1. Introduction	27
Background and context	27
Arrangements supporting the management of complaints and other feedback in the ATO	29
Audit objective, criteria, scope and methodology	35
Structure of report	38
2. Complaints and Other Feedback Management Framework	39
Introduction	39
Organisational arrangements	40
Policies and procedures	43
Complaint information system	44
Performance framework	45
Quality assurance of ATO complaints handling	53
Communication within the ATO complaints network	55
Conclusion	57
3. Process for Handling Complaints and Other Feedback	58
Introduction	58
Business and service line managed complaints	59
Business and service line escalated complaints	62
ATO Complaint reviews	64
Ombudsman investigations	65
Assessment of the ATO's complaints handling process	68
Compliments and other feedback	73
Conclusion	74

4. Assessment Against Better Practice Complaints Handling Principles.....	75
Introduction	75
Community perceptions of ATO complaints handling	75
Fairness	80
Accessibility.....	86
Responsiveness.....	89
Efficiency.....	90
Integration of complaints handling with other ATO activities and other review mechanisms	92
Staff handling complaints.....	96
Conclusion	98
5. Using Complaints and Other Feedback to Improve Service Delivery.....	100
Introduction	100
Collecting and sharing intelligence on complaints and other feedback	101
Using information on complaints to improve services and increase efficiency.....	103
Initiatives to prevent complaints.....	110
Conclusion	113
Appendices	115
Appendix 1: Agency response.....	117
Index.....	118
Series Titles.....	120
Current Better Practice Guides	123

Tables

Table 1.1:	ATO complaints, 2008–09 to 2012–13.....	30
Table 1.2:	Recorded compliments and other feedback, 2008–09 to 2012–13.....	31
Table 1.3:	Structure of report.....	38
Table 2.1:	Complaints performance measures of a selection of Australian Government agencies, 2012–13	47
Table 2.2:	ATO's reported achievement of service targets relating to complaints handling, 2008–09 to 2012–13.....	48
Table 2.3:	Other possible measures of complaints management performance	50
Table 3.1:	ATO complaints resolution processes.....	58
Table 3.2:	ATO Complaint reviews, 2008–09 to 2012–13.....	64
Table 3.3:	ATO related complaints received and investigated by the Commonwealth and Taxation Ombudsman, 2008–09 to 2012–13.....	65
Table 3.4:	Steps in an effective complaints handling process	68

Table 3.5:	ATO performance in acknowledging complaints	69
Table 3.6:	Results of ANAO analysis of ATO complaints records	72
Table 4.1:	Complaints received by the ATO by channel, 2011–11 to 2012–13.....	87
Table 4.2:	Complaints managed by Tax Practitioner Services, 2008–09 to 2012–13.....	88
Table 4.3:	Learning and Development courses 2012–13.....	97
Table 5.1:	Triggers recorded in 2012–13	104
Table 5.2:	High-level issues recorded in 2012–13	105

Figures

Figure 1.1:	ATO-related complaints received by the Commonwealth Ombudsman, 2008–09 to 2012–13.....	33
Figure 1.2:	Summary of Commonwealth Ombudsman's Better Practice Guide to Complaint Handling.....	37
Figure 2.1:	Organisational structure for the high-level management of complaints and other feedback in the ATO	41
Figure 3.1:	Summary of process for handling business and service line managed complaints in the ATO	61
Figure 3.2:	Most common ATO-related complaints to the Commonwealth Ombudsman, 2008–09 to 2012–13.....	67
Figure 4.1:	ATO Professionalism Survey—complaints and dispute resolution results, May 2010 to May 2013	77
Figure 4.2:	Characteristics of professionalism—ATO Complaints	78
Figure 4.3:	Complaints handling activity costs	91
Figure 5.1:	Feedback loop for analysing complaints data to improve services.....	100
Figure 5.2:	Finalised complaints, monthly from 2009–10 to 2012–13.....	107
Figure 5.3:	Examples of the ATO's use of intelligence to prevent complaints ...	109

Abbreviations and Glossary

ABN	Australian Business Number
ATO	Australian Taxation Office
ATO Complaints	Those sections in the External Relations and Conformance Branch in the ATO Corporate Business and Service Line with overarching responsibility for the management of complaints and other feedback in the ATO.
BSL	Business and Service Line
Complaint	An expression of dissatisfaction made to the ATO related to its services or products that requires an individual response to the complainant.
Compliment	Unsolicited positive feedback made by an external source to the ATO about its services or products.
CS&S	Customer Service and Solutions BSL
Feedback	Unsolicited criticism or comment made by an external source to the ATO about its services, products or processes.
ICT	Information and Communication Technology
ITRI	Income Tax Return Integrity Program
JCPAA	Joint Committee of Public Accounts and Audit
Ombudsman	Commonwealth and Taxation Ombudsman
TPALS	Tax Practitioner and Lodgment Strategy BSL
TPS	Tax Practitioner Services

Summary and Recommendations

Summary

Introduction

1. The Australian Taxation Office (ATO) is responsible for administering Australia's taxation and superannuation systems. It seeks to build confidence in its administration through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law. In 2012–13, the ATO collected \$311.7 billion in net cash from taxpayers, incurred operating expenses of \$3.5 billion, and had around 25 000 staff.¹
2. While administrative systems are generally designed to deliver high quality services for clients, they are not infallible, and errors, misunderstandings, client dissatisfaction and unexpected problems inevitably occur. Effective complaints handling assists in resolving problems before they escalate, provides a remedy to clients who have suffered disadvantage, and nurtures good relations between government agencies and the public. Complaints and suggestions for improvement also provide agencies with information about potential program weaknesses and service delivery faults, and can be potential drivers of improvements in administration. Conversely, compliments provide information about potential program and service delivery strengths, which can be applied more broadly in an agency and used to motivate staff.
3. The Taxpayers' Charter sets out the way the ATO will conduct itself when dealing with taxpayers and underpins the ATO's complaints management approach. The ATO has committed, in the Taxpayers' Charter, to respect the right of taxpayers to complain if they are dissatisfied with an ATO decision, service or action.
4. The ATO receives complaints, compliments and other feedback² from taxpayers or their representatives through a range of avenues, including: over

1 ATO, *Annual Report 2012–13*, pp. i–vi.

2 The ATO defines a complaint as 'an expression of dissatisfaction made to the ATO related to its services or products that requires an individual response to the complainant'. Feedback is defined as 'unsolicited criticism or comment made by an external source to the ATO about its services, products or processes' and a compliment as an 'unsolicited positive form of feedback made by an external source to the ATO about its services or products'.

the telephone; online through complaints and feedback forms, including the tax agent portal; and by correspondence and facsimile. Complaints and other feedback may also come through the Commonwealth and Taxation Ombudsman (Ombudsman) and taxpayers can write to the Treasurer or Assistant Treasurer, including through their local Member of Parliament, where they have a complaint. A centralised team (ATO Complaints) oversees complaints management, while the resolution of complaints is devolved to business and service lines (BSLs).

5. The ATO has processed around 36 000 complaints, on average, annually for the past five years.³ It experienced a significant increase in the number of complaints received between 2009–10 and 2011–12. A major cause of the large increase in the number of complaints received in 2009–10 was the introduction of the income tax component of the ATO's information technology *Easier Cheaper More Personalised Change Program*.⁴ This increase in the number of complaints continued in 2010–11, before declining in 2011–12 and 2012–13.⁵ In 2012–13, of complaints finalised, 16 135 (or around 63 per cent) were upheld.

6. The ATO reported that the main reasons for complaints in recent years were: audit and review activities, in particular concerning the Income Tax Return Integrity Program; refund delays; delays in processing; and access issues, in particular the length of wait times.⁶ The three most common issues for complainants in 2012–13 were: registrations (23 per cent of complaints); form processing (19 per cent); and account management (16 per cent).

7. ATO staff are expected to record compliments, although in practice many compliments may not be recorded. Nevertheless, in 2012–13 the ATO recorded 1189 compliments and received 2799 other items of feedback through its online feedback form.

3 The number of complaints received needs to be viewed in the context of the millions of client interactions that the ATO has each year. For example, in 2012–13 the ATO reported that it interacted with 13 million individuals, 2.5 million businesses and 800 000 employees and there were many interactions with a large number of these clients.

4 To make it easier and cheaper for taxpayers to comply with tax law and to provide more personalised levels of service, the ATO embarked, in around the year 2000, on a program to upgrade its information technology systems. These changes, which took many years to be implemented, were collectively referred to as the Change Program.

5 The number of complaints to the Commonwealth and Taxation Ombudsman also increased significantly in 2010–11 and 2011–12, reflecting the increase in complaints to the ATO itself.

6 *ATO Annual Report 2009–10*, p. 20, *ATO Annual Report 2010–11*, p. 32 and, *ATO Annual Report 2011–12*, p. 23.

8. In 2010, the ATO commenced the Complaints and Compliments Reengineering Project to review its complaints handling arrangements due to the increase in the number of complaints received. Early in this project, the ATO commissioned a consulting firm to review its complaints handling arrangements. The ATO has now re-scoped the project to address the findings and recommendations of this review.

Audit objective, criteria and scope

9. The objective of the audit was to assess the effectiveness of the ATO's complaints and other feedback management systems in supporting service delivery. To form a conclusion against this objective, the ANAO examined if the ATO has:

- well-planned and designed complaints and other feedback management arrangements;
- sound processes to manage complaints and other feedback; and
- effectively analysed complaints and other feedback to inform service delivery.

10. The focus of the audit was primarily on the ATO's management of complaints. The ATO's management of compliments and other feedback was also examined, where possible. The audit did not examine the formal objection process that allows taxpayers to dispute an ATO decision, but did examine the interaction between the objection and complaints management processes.

Overall conclusion

11. While complaints represent a client's expression of dissatisfaction with an agency's administration, effective complaints handling can help to restore good relations with the client and inform processes to strengthen administration and reduce costs. As a major Australian Government agency that deals with many millions of clients, the ATO receives a considerable amount of client feedback—around 27 000 complaints and 4000 compliments and other items of feedback in 2012–13. The significant increase in the number of complaints received in the three years from 2009–10, averaging over 42 000 for that period, contributed to a marked decline in client satisfaction with the complaints handling processes in 2011–12. The Community Perceptions Survey (July 2012) and Professionalism Survey (May 2012) both identified complaints handling as an area requiring improvement.

12. Avoiding spikes in complaint numbers, or better still reducing the total number of complaints, requires the ATO to proactively address issues that can give rise to complaints. In addition to declining client satisfaction, increases in complaint numbers are costly to manage. In the absence of ATO analysis, the ANAO estimated that, if the number of complaints in that year had been the same as in 2010–11, the ATO would have incurred additional employee costs in the order of \$8 million to manage the workload.⁷ Accordingly, it is important that the ATO puts in place strategies to minimise complaints occurring in the first place, particularly when major business and process changes are being implemented and for the annual tax time.

13. The ATO's complaints handling framework is well-designed and its management arrangements are generally sound. The complaints reengineering project has strengthened complaints handling, and there has been a rebound in client satisfaction and community perceptions in the 2013 surveys. Nevertheless, opportunities remain to more fully address the principles of fairness, accessibility, responsiveness, integration and efficiency outlined in the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*. There are also opportunities to improve complaints handling practices, including better understanding of issues which were the subject of complaints and the needs of complainants. In addition, there is scope for the ATO to:

- improve reporting against complaints handling timeliness measures, and to develop other performance measures;
- implement a more coherent agency-wide quality assurance framework for complaints and other feedback; and
- limit sensitive information about named officer complaints from being included in records on the ATO's client relationship management computer system, and implement measures to periodically check that ATO officers have not accessed these records inappropriately.

14. In addition, while there have been instances where the ATO has used complaints intelligence to address systemic issues that give rise to complaints,

7 This is based on an ANAO estimate of \$382 cost per complaint excluding overheads and support staff. Further, the cost of complaints is not fully reflected in monetary terms. Generally, taxpayers contact the ATO a number of times to try to resolve their issue before they complain. For example, in a study of understanding complainant behaviour in April 2013, the ATO identified in relation to 'debt and payments' issues that 88 per cent of complainants had contacted the ATO before making a complaint about their issue, with an average of 8.9 calls each.

there is scope for it to better use intelligence from client feedback to more actively inform service delivery and improve efficiency. This includes developing strategies to minimise complaints occurring in the first place and better managing taxpayer's expectations by keeping them informed throughout their dealings with the ATO.

15. The ANAO has made three recommendations aimed at improving the ATO's handling of complaints and its monitoring and reporting of performance in managing complaints.

Key findings by chapter

Complaints and other feedback management framework (Chapter 2)

16. The ATO has a sound framework for handling complaints and other feedback that includes: a centralised area to oversee the management of complaints and other feedback (ATO Complaints); detailed policies and instructions on the handling of complaints and other feedback; separate areas within ATO BSLs to respond to complaints in their areas; the use of the client relationship management system to collect information about complaints and other feedback; quality assurance arrangements; and regular reporting of complaints handling performance.

17. ATO Complaints primarily shares information about complaints and other feedback through regular telephone hook-ups with complaints handling staff in BSLs and the National Complaints Forum (a group of key staff in the complaints network) convenes up to six times a year to promote good complaints handling practices.

18. In June 2009, the ATO began using its client relationship management system to manage complaints. This system replaced a dedicated complaints management system and is therefore not as well suited to managing complaints, although it has the benefit of storing all taxpayer interactions in the one place. The ATO has developed a number of templates in the client relationship management system to record complaints and ensure that relevant statistical information can be extracted. However, there is a need for enhancements to the system to make it easier for ATO staff to correctly input data and to enable data to be amended when required.

19. As part of the complaints handling arrangements, it is important to have performance measures in place that provide information on how well

complaints are being managed. In this regard, the ATO primarily monitors its performance using two timeliness measures: the time taken to receive and acknowledge the complaint (three days); and the time taken to resolve the complaint (15 business days from 2013–14 and 21 calendar days before then). While timeliness is an important measure, other internal performance measures could be developed to assess the performance of the ATO's complaints management and help to further improve its responsiveness and accuracy in the handling of complaints. For example, monitoring the percentage of complaints that were resolved at first contact would help the ATO to assess the effectiveness of first contact arrangements.

20. Reporting against the 21 calendar days resolution measure has included complaints completed within 21 calendar days or within any extended timeframe placed on the complaint case. It would increase transparency and accuracy of reporting against this measure if the ATO were to report on the percentage of complaints finalised within the revised 15 business day target without adjusting for complaints that are finalised outside this period; and separately on those finalised within an extended finalisation date that has been arranged with complainants.

21. While the ATO carries out a number of quality assurance activities on complaints handling, these activities are fragmented. Having a more systematic agency-wide approach to the quality assurance of complaints handling would provide the ATO with information that could be used to further improve the processing of complaints.

Process for handling complaints and other feedback (Chapter 3)

22. Most complaints to the ATO are received through the complaints telephone hotline. If possible, these complaints will be resolved at this first point of contact (estimated by the ANAO from BSL responses at around 1 per cent of total complaints in 2012–13), but in most cases are referred to BSLs for resolution. Complaints received through other channels, such as through the online complaint form, are also referred to BSLs for resolution.

23. Complaints are generally managed by the BSL that caused or triggered the complaint, with other issues being resolved by the areas responsible for those issues. This approach is reasonable, particularly since the complaints are handled by dedicated complaints teams in each BSL. It is important for the ATO to seek to identify the various issues relating to the complaint and involve relevant BSLs in their resolution.

24. The ATO has implemented arrangements for complaints to be escalated to more senior officers where complainants are unhappy with the way their complaint is being handled. Where complainants disagree with the decision on the complaint, they can also ask for the complaint to be escalated to more senior officers or can lodge a formal request for an ATO Complaint review. However, the ATO has not mandated the use of an escalation code within the client relationship management system to identify when complaints are escalated within a BSL. As a result, the ATO does not have accurate information on the number of complaints that are being escalated within BSLs and has not been monitoring the extent to which complaints are being escalated in accordance with its stated policy. There would be merit in the ATO monitoring the escalation of complaints, as the ANAO was advised that some more costly ATO Complaint reviews may have been avoided had they first been escalated within the BSLs.

25. Complainants may ask the Ombudsman to review complaints, where they are dissatisfied with the outcome of the ATO's consideration of the complaints. In the three years from 2010–11 to 2012–13, the Ombudsman received an average of 2367 complaints annually about the ATO and investigated and finalised an average of 465 complaints.⁸ ATO Complaints reviews all complaints that are referred to it by the Ombudsman.

26. In October 2011, the Ombudsman, in co-operation with the ATO, commenced a 'one last chance' referral process for complaints that the ATO considered finalised but where a person had complained to the Ombudsman and the Ombudsman had assessed that the issue could be easily resolved by the ATO. Under this arrangement, matters were referred back to the ATO for action within 14 days. The process was revised from 1 June 2013 and renamed 'second chance' reviews. The 'second chance' process enables the ATO to further review the complaint and, if appropriate, take remedial action before the Ombudsman's Office makes a decision on whether or not to conduct its own investigation of the complaint. The ATO finalised 39 'one last chance' and 17 'second chance' complaints in 2012–13, of which 19 were upheld, four were partially upheld and 33 were not upheld.

8 The remaining complaints were not investigated, for reasons such as the complaint being out of jurisdiction, the complainant not having previously approached the ATO, or the ATO being better placed to resolve the issue.

27. Quality assurance reviews that the ATO has undertaken, and analysis of a sample of 387 complaints records by the ANAO, identified a number of areas where the ATO could further improve its handling of complaints. These areas included: seeking to identify the various issues causing the complaint; accurately completing the complaint templates in the client relationship management computer system to ensure that required information is collected; providing apologies to complainants where the ATO is at fault or to help improve the taxpayer experience; arranging extensions to the 21 days calendar target if it cannot be met; and only including required information in relation to complaints about named officers in taxpayer records.

28. The reengineering project enabled the implementation of an improved enterprise-wide process to better capture data on compliments. The ATO is also seeking to develop a similar enterprise-wide approach for capturing other feedback. While the ATO compiles details of compliments and provides feedback to the officer who generated the compliment, there would be merit in the ATO also identifying the main reasons for compliments, as this may help to identify opportunities for service improvement.

Assessment against better practice complaints handling principles (Chapter 4)

29. The Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* notes that all systems should meet the key principles of accessibility, fairness, responsiveness, efficiency and integration of complaints handling with an agency's core business activities.

30. There are a number of channels through which complaints can be lodged—telephone complaint hotline, through the ATO website and tax agent portal and by written correspondence and facsimile.⁹ In 2012–13, 70 per cent of complaints were lodged by telephone. The ATO internet is an important source of complaints information, and accessibility could be improved by placing a direct link to the complaint page on the ATO homepage. The introduction of a single complaints handling process for complaints received through the tax agent portal has led to a reduction in the average response

9 The ATO has arrangements in place for clients with special needs, including the National Relay Service for people with hearing or speech impairments and interpreters for people from non-English speaking backgrounds.

time for complaints lodged by tax practitioners, but some tax practitioners consider that further improvements are needed.

31. The *Better Practice Guide to Complaint Handling* states that fairness rests on three qualities—impartiality, confidentiality and transparency.¹⁰ The ATO has effective procedures in place to support the impartial examination of a complaint, which is mostly undertaken by dedicated complaints areas within BSLs. This is reflected in the fact that, as noted at paragraph 5, in 2012–13, 63 per cent of complaints were upheld. However, in relation to the confidentiality of complaints information, the ANAO identified a privacy risk regarding the handling of named officer complaints. Notwithstanding advice that the ATO's policy is to minimise the incidence of naming the ATO officer in complaints records, including attachments, there were 12 instances out of 20 named officer complaints sampled by the ANAO where the officer's name, and details of the investigations, were included in linked activities on complaints records. Including such details means that any ATO officer who accesses a taxpayer's records would be able to examine details of any complaints made about ATO officers and details of the investigations.

32. The ATO is transparent about the way a complaint will be handled, but there was not always evidence that the outcome of a complaint had been communicated clearly to the complainant and that complainants had been advised of their review rights when a complaint was not upheld. This is because most ATO complaints resolution staff do not advise complainants in writing of the outcome of their complaints and in many cases do not make a record that they have advised complainants of their review rights. Where written advice is not provided, complaints handling staff should make an electronic file record of the advice they have orally given the complainant.

33. In terms of efficiency, currently the ATO does not have information on the cost of managing complaints. Based on data provided by BSLs, the ANAO estimates that the average total unit staff cost per complaint was \$611 in 2012–13 and \$382 per complaint when staff support costs such as analysis, coordination, reporting and quality assurance are not included. There would be merit in the ATO continuing to monitor the cost of complaints handling to help ensure that it is being managed as efficiently as possible.

10 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, op cit., p. 9.

34. The ATO does, however, regularly engage external consultants to conduct research to gauge how a range of groups perceive either the ATO generally or specific sections of the ATO, including in relation to complaints handling. These include a number of perceptions surveys. Out of 13 areas that survey participants were asked about in the July 2012 Community Perceptions Survey, complaints handling was identified as the area requiring the most improvement. A reputation and service measure identified in the perceptions surveys is that 'the ATO listens to and responds to complaints'.¹¹ The percentage of respondents agreeing with this statement in the various perceptions surveys has varied between 72 and 80 per cent between June 2012 and June 2013.¹²

35. The ATO has conducted a number of professionalism surveys in recent years. In May 2012, the ATO's Professionalism Survey showed a decrease in overall professionalism in the ATO.¹³ This decrease was largely driven by three areas, of which complaints was one. The ATO's 'overall professionalism' score for the handling of complaints was 3.02 (out of a possible five), down from 3.63 the previous year. Net satisfaction (the aggregate of 'very satisfied' and 'satisfied') for ATO Complaints was 42 per cent in May 2012, down from 55 per cent the previous year. However, the results had increased again in November 2012 and May 2013 (54 per cent and 59 per cent respectively).

36. The ANAO contacted a number of the ATO's key stakeholders to discuss issues relating to the ATO's management of complaints.¹⁴ The organisations that responded reported that the relationship with the ATO was generally seen to be positive and most complaints were handled properly. However, a number of concerns were raised, for example, in regard to the capability and capacity of ATO complaints staff to resolve complex issues requiring specialist technical knowledge and the length of time involved in lodging and then receiving a response to a complaint.

11 ATO website, <http://www.ato.gov.au/content/downloads/CR00341405_2012CPS_AnnualReport.pdf> [accessed 27 March 2013].

12 In the July 2012 Community Perceptions Survey, 72 per cent of respondents agreed with this statement and in June 2013 this had increased to 80 per cent. In the Micro Business Perceptions Survey 74 per cent of respondents agreed with this statement in March 2012 and 72 per cent in March 2013. This question was also asked of respondents in the July 2012 Small and Medium Enterprises Perceptions Survey, with 78 per cent of respondents agreeing.

13 Overall professionalism consists of two components, staff professionalism and client understanding.

14 Eleven organisations were contacted and six responded, with two providing no comments. The four organisations that provided responses were: Institute of Public Accountants; Self Managed Super Funds Professional Association; Taxpayers' Australia; and Financial Counselling Australia.

37. Complaints handling needs to be integrated with other arrangements for reviews of decisions, particularly the objections and review processes provided for in law. However, in some complaints examined by ANAO, it appeared that the complainant may have actually wanted to lodge an objection, rather than a complaint. Accordingly, there would be merit in the ATO reviewing the information it provides on when to lodge an objection or make a complaint and provide better guidance to complaints handling staff on where it would be more appropriate to advise taxpayers to object or use other processes, rather than complain.

Using complaints and other feedback to improve service delivery (Chapter 5)

38. There have been a number of instances where the ATO has analysed complaints information to address systemic issues that give rise to complaints. This has included using lessons learnt from complaints received in 2011 tax time (July to October) about the implementation of the Income Tax Return Integrity program to improve the way in which this program was subsequently implemented. Nonetheless, examination of complaints data indicates that complaints have increased during tax time each year and when major systems or process changes are implemented. This suggests that there is scope for the ATO to undertake further analysis and develop strategies to minimise complaints occurring (for example, by better explaining and publicising tax time changes and any major systems and process changes, to better manage taxpayer expectations), driving increased efficiency and improving client service. In this latter regard, an ATO study of complainant behaviour suggests that, if the ATO provided taxpayers with more information, for example, about processing delays or problems affecting the timeliness of ATO decision making, they would be less likely to complain about these matters.

39. Similarly, given that a major cause of complaints relates to processing issues, there would be scope for the ATO to identify changes to processing arrangements that may reduce the number of such complaints.

Summary of agency response

40. The ATO provided the following summary comment to the audit report:

The ATO welcomes this audit and considers the report supportive of its overall approach to managing complaints. The audit recognises that the ATO's management of complaints is generally effective with complaints handling being well designed and with sound management arrangements.

The ATO recognises the audit highlights several opportunities to strengthen and further improve the management of complaints and other feedback received, including gaining a better understanding of the needs of complainants and the issues which were the subject of complaints. The ATO also acknowledges the benefit of an increased focus on the use of intelligence gleaned from complaints to improve service delivery and client satisfaction.

41. The ATO's full response is included at Appendix 1.

Recommendations

Recommendation No.1

(paragraph 2.33)

To improve transparency, the ANAO recommends that, in reporting performance against its published timeliness resolution target, the ATO reports on the percentage of complaints that were finalised within:

- (a) the target timeframe (from 2013–14, 15 business days) without adjusting for extended timeframes that may be arranged with complainants; and
- (b) any extended timeframes arranged with complainants separately.

ATO response: *Agreed.*

Recommendation No.2

(paragraph 2.46)

To better monitor the quality of complaints handling, the ANAO recommends that the ATO:

- (a) implements an agency-wide quality assurance framework for complaints and other feedback that provides results at an agency-wide and individual business and service line level; and
- (b) includes these results in monthly complaints and community feedback reports.

ATO response: *Agreed.*

Recommendation No.3

(paragraph 4.26)

To better address the privacy risks associated with named officer complaints, the ANAO recommends that the ATO:

- (a) restricts information detailing the nature of the complaint and its investigation from being included in the complainant's record on the client relationship management system; and
- (b) investigates implementing measures to periodically check that named officers have not accessed related complaints records.

ATO response: *Agreed.*

Audit Findings

1. Introduction

This chapter provides background information on the Australian Taxation Office's management arrangements for receiving complaints and other feedback, and outlines the audit approach and the structure of the report.

Background and context

1.1 The Australian Taxation Office (ATO) is responsible for administering Australia's taxation and superannuation systems. It seeks to build confidence in its administration through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law. In 2012–13, the ATO collected \$311.7 billion in net cash from taxpayers, incurred operating expenses of \$3.5 billion, and had around 25 000 staff.¹⁵

1.2 While administrative systems are generally designed to deliver high quality services for clients, they are not infallible, and errors, misunderstandings, client dissatisfaction and unexpected problems inevitably occur. Effective complaints handling assists in resolving problems before they escalate, provides a remedy to clients who have suffered disadvantage, and nurtures good relations between government agencies and the public. Complaints and suggestions for improvement also provide agencies with information about potential program weaknesses and service delivery faults, and can be potential drivers of improvements in administration. Conversely, compliments provide information about potential program and service delivery strengths, which can be applied more broadly in an agency and used to motivate staff. Good administration involves regular review of existing programs, and changes to these programs and their delivery in the light of lessons learned.

15 ATO, *Annual Report 2012–13*, pp. i–vi.

1.3 An effective feedback management system is timely and objective, and incorporates the following features:

- accessible channels for customers to provide feedback;
- escalation and review processes, quality assurance checks, and performance indicators to promote accuracy and consistency of outcomes;
- training and guidance for staff that includes an emphasis on consistently recognising and recording complaints and other feedback, investigating customers' issues, and providing high levels of professionalism and service; and
- relevant analysis and accurate reporting of feedback information so that business improvements can be identified.¹⁶

1.4 The importance of citizen-centric service delivery has long been recognised by government. For instance, as part of its *More Time for Business Statement*¹⁷, the Government introduced in 1997 service charters for all departments and agencies that deal with the public, with the aim of creating a more open and responsive service culture in the public sector.

1.5 The Taxpayers' Charter sets out the way the ATO will conduct itself when dealing with taxpayers and underpins the ATO's complaints management approach. The ATO has committed, in the Taxpayers' Charter, to respect the right of taxpayers to complain if they are dissatisfied with an ATO decision, service or action.¹⁸ To meet this commitment to the community, the ATO aims to manage complaints fairly and within service standards and use the intelligence gathered to inform the design and implementation of ATO business processes. Compliments are also recorded to contribute to a balanced picture of feedback received by the ATO.

1.6 The Taxpayers' Charter recommends that taxpayers attempt to resolve their issue with a tax officer or that person's manager in the first instance. If the

16 ANAO analysis based on the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*, June 2009.

17 Hon John Howard, MP, Prime Minister and Hon Geoff Prosser, MP, Minister for Small Business and Consumer Affairs, *Guide to the Government's small business statement—More Time for Business*, p. 11.

18 ATO, *Taxpayers' Charter*, available from <<http://www.ato.gov.au/general/your-rights/>> [accessed 08 November 2013].

issue is still not resolved, the ATO provides guidance to taxpayers on how to lodge a formal complaint.¹⁹

Arrangements supporting the management of complaints and other feedback in the ATO

1.7 The ATO receives complaints, compliments and other feedback from taxpayers or their representatives through a range of avenues, including: over the telephone; online through complaints and feedback forms; via written correspondence and face to face; through social media; and by facsimile. Complaints and other feedback may also come through the Commonwealth and Taxation Ombudsman (Ombudsman) or a Member of Parliament, including through correspondence to the relevant Ministers.

1.8 A centralised team (ATO Complaints) oversees complaints handling, while the resolution of complaints is devolved to business and service lines (BSLs).

Complaints

1.9 A complaint is broadly defined by the ATO as:

An expression of dissatisfaction made to the ATO related to its services or products that requires an individual response to the complainant.²⁰

1.10 The ATO receives many complaints—with an average of 36 000 complaints received and processed annually over the past five financial years. The number of complaints received needs to be viewed in the context of the millions of client interactions that the ATO has each year. For example, in 2012–13 the ATO reported that it interacted with 13 million individuals, 2.5 million businesses and 800 000 employees and there are many interactions with a large number of these clients.²¹

1.11 As shown in Table 1.1, the ATO has experienced significant fluctuations in the number of complaints in recent years. A major cause of the large increase in the number of complaints received in 2009–10 was the introduction of the income tax component of the ATO's information

¹⁹ *ibid.*, p. 12.

²⁰ ATO, Corporate Management Practice Statement PS CM 2005/08, *Complaint Management in the ATO*, 22 May 2013.

²¹ ATO, *Annual Report, 2012–13*, p. c.

technology *Easier Cheaper More Personalised Change Program* (Change Program).²²

Table 1.1: ATO complaints, 2008–09 to 2012–13

Complaints	Year				
	2008–09	2009–10	2010–11	2011–12	2012–13
Received	27 942	40 403	47 704	38 037	26 431
Finalised	27 553	37 395	51 127	38 313	26 530
On hand at 30 June	1 391	4 501	962	804	742
Aged complaints (>60 days) on hand at 30 June each year	192	267	27	31	52

Source: ATO Annual Reports and other information provided by the ATO.

1.12 The ATO reported in its annual reports that the main reasons for complaints in recent years were:

- audit and review activities, in particular concerning the income tax return integrity program;
- refund delays²³;
- delays in processing—for example, an income tax return or amendment is not fully processed within the service standard; and
- access issues, in particular the length of wait times.²⁴

1.13 In 2012–13: 16 135 or 63 per cent of complaints were upheld; 560 or two per cent of complaints were partially upheld; and 8381 or 33 per cent of complaints were not upheld. The remaining two per cent were either withdrawn or escalated to an ATO Complaint review.

22 To make it easier and cheaper for taxpayers to comply with tax law and to provide more personalized levels of service, the ATO embarked in around the year 2000 on a program to upgrade its information technology systems. These changes, which took many years to implement, were collectively referred to as the Change Program.

23 Refund delays occurred for a variety of reasons. These included delays linked to systems changes or due to exception checks—for example, where there are existing insolvency-related obligations or where data are cross checked with third parties, and delays about replacement cheques or refunds which had been issued but not received.

24 ATO, *Annual Report 2009–10*, p. 20, ATO, *Annual Report 2010–11*, p. 32 and, ATO, *Annual Report 2011–12*, p. 23.

Feedback

1.14 The ATO defines feedback as:

Unsolicited criticism or comment made by an external source to the ATO about its services, products or processes.²⁵

1.15 Compliments are unsolicited positive forms of feedback made by an external source to the ATO about its services or products. ATO staff are expected to record compliments, although in practice many compliments may not be recorded.²⁶ Other feedback received by the ATO includes positive and negative suggestions, comments and opinions. With the full implementation of a new process for managing compliments in June 2013, the ATO is hoping to better capture information about compliments. It is also planning to extend these arrangements to improve its capture of information about other feedback it receives.

1.16 A breakdown of compliments and other feedback items recorded over the past four financial years is presented in Table 1.2. Over this period, there was a 252 per cent increase in the number of compliments recorded. This increase was largely due to ATO efforts to improve the recording and reporting of compliments. It comprises mainly compliments recorded by ATO complaints hotline staff.

Table 1.2: Recorded compliments and other feedback, 2008–09 to 2012–13

	2008–09	2009–10	2010–11	2011–12	2012–13
Compliments	NA	338	293	795	1 189
Other items of feedback	2 672	2 714	3 337	2 484	2 799

Source: ATO Annual Reports and ATO internal reporting.

Note: NA is data not available.

1.17 The ATO captures information on compliments in a free text field, but does not analyse the reasons for compliments, only collating data on the BSLs to which the complaints belong. In relation to other feedback, the ATO

25 ATO, Corporate Management Practice Statement PS CM 2005/08, *Complaint Management in the ATO*, 22 May 2013.

26 ATO, *Annual Report 2011–12*, p. 22.

captures and analyses information similar to complaints, that is, what triggered the feedback and the feedback issues.

Complaints and Compliments Reengineering Project

1.18 In 2010, the ATO commenced the Complaints and Compliments Reengineering Project (reengineering project) to review its complaints handling arrangements due to an increase in the number of complaints received. As part of the first phase of this project, the ATO commissioned a consulting firm to undertake a review of its complaints handling arrangements. In particular, the firm:

- reviewed emerging recommendations from the reengineering project against leading practice;
- assessed the level of alignment between the emerging recommendations from the reengineering project and the Service Standards Strategy; and
- provided recommendations to reposition the ATO's complaints process into a broader enterprise intelligence feedback framework.²⁷

1.19 The firm made 20 recommendations to improve the ATO's feedback handling practices and to bring the ATO closer to meeting the Ombudsman's *Better Practice Guide to Complaint Handling*.²⁸ These recommendations were endorsed in principle in November 2011 and the scope of the reengineering project was amended in February 2012 to reflect the findings and recommendations of the review as part of the project's second phase.

External interest

1.20 External scrutiny of the ATO occurs through a number of sources. Of particular interest to this audit, the Ombudsman receives and investigates complaints about the ATO and, in November 2012, the Joint Committee of Public Accounts and Audit (JCPAA) made two recommendations about the ATO's handling of complaints.

27 Boston Consulting Group, *Complaints and Feedback Review*, Final Report Updated, 5 August 2011, p. 2.

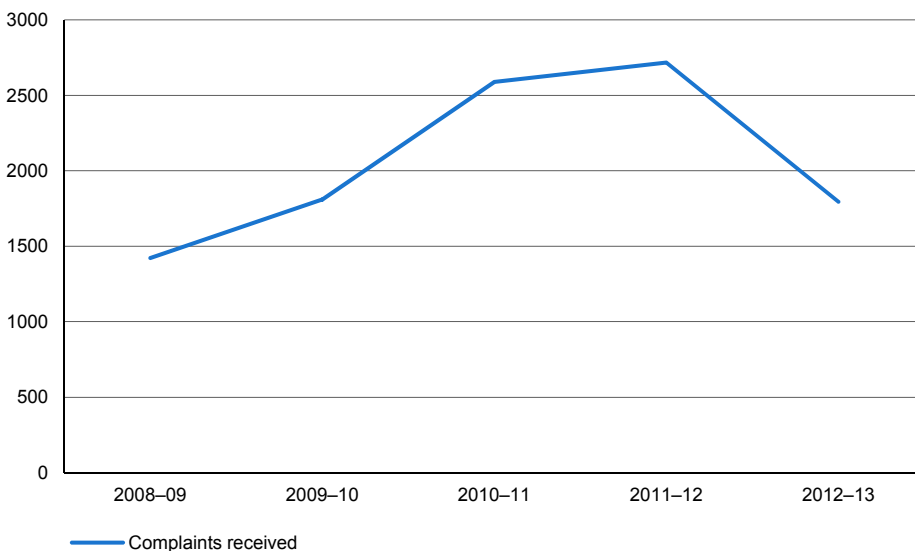
28 *ibid*, pp. 48–53.

Commonwealth and Taxation Ombudsman

1.21 In 2003, the Ombudsman undertook an ‘own motion’ review of the ATO’s complaints handling arrangements. At that time, the Ombudsman noted that the absence of a single complaints management system was a major contributor to inefficiencies in the ATO’s complaints management arrangements and made six recommendations to improve the ATO’s handling of complaints. The ATO advised the Ombudsman’s office in 2005 that all six recommendations had been implemented.

1.22 The numbers of complaints received by the Ombudsman from 2008–09 to 2012–13 are shown in Figure 1.1. Complaints to the Ombudsman increased significantly in 2010–11 and 2011–12 in line with the increase in complaints to the ATO itself, referred to in paragraph 1.11.

Figure 1.1: ATO-related complaints received by the Commonwealth Ombudsman, 2008–09 to 2012–13



Source: Ombudsman annual reports and Ombudsman advice.

1.23 The Ombudsman and the ATO have been working together in an effort to streamline the processing of complaints received by the Ombudsman. They have implemented a ‘second chance’ process (originally called the ‘one last chance’ process) to enable the ATO to further review complaints and, if appropriate, take remedial action before the Ombudsman’s Office makes a decision on whether or not to conduct its own investigation of the complaint.

Joint Committee of Public Accounts and Audit

1.24 In November 2012 the JCPAA recommended that the ATO and the Ombudsman:

- review all complaints rectified through the ‘last chance referral’ process to determine whether there are any systemic administrative deficiencies within ATO complaint review and handling processes²⁹; and
- examine why complainants are in the first instance taking their complaints to the Ombudsman rather than the ATO and that both agencies take steps to ensure that complaints are sent to the ATO in the first instance.³⁰

1.25 The ATO and the Ombudsman provided a joint response to the JCPAA in May 2013.³¹ They indicated that the positive outcomes from the ‘one last chance’ program had paved the way for referral of a greater number of complaints to the ATO, for quicker resolution and the identification of more ways to further improve the complaints management process. The offices also recognised that, in most cases, the best and quickest way for a taxpayer to solve a problem is to try to resolve it directly with the ATO, including by making a complaint to the ATO. For this reason, where a person had not previously complained to the ATO, their complaint was now referred back to the ATO for resolution.

Previous ANAO audits of complaints handling

1.26 The ANAO examined the ATO’s complaints handling system in a performance audit of the Taxpayers’ Charter in 2004–05, and again in 2007–08 in a follow-up to that audit.³² The 2004–05 audit found that the ATO had implemented, or was working towards implementing, the recommendations of the 2003 Ombudsman review of complaints handling. The audit recommended that the ATO improve its analysis and coordination of complaints information between the complaints and Taxpayers’ Charter areas to help identify issues

29 JCPAA, Report 434, *Annual Public Hearing with the Commissioner of Taxation—2012*, Recommendation 1, p. 13.

30 *ibid.*

31 ATO, *Joint response by the ATO and the Commonwealth Ombudsman to JCPAA Report 434*, May 2013.

32 ANAO Audit Report No.19 2004–05 *Taxpayers’ Charter* and Audit Report No.40 2007–08 *Taxpayers’ Charter—Follow-up Audit*.

relating to Charter performance and improve reporting and accountability across the ATO.³³ The ATO has since combined the complaints and Charter areas.

1.27 At the time of the 2008 audit, the ATO's intention was to adopt a new case management and reporting system, a proprietary-based client relationship system, as part of its Change Program to manage all contact with clients. In 2009, the ATO adopted the work management component of this system for complaints management and reporting.³⁴ At that time, although recognising the importance of reporting on complaints handling, the ATO was focusing on getting core business functionality right. The ATO advised at the time that the extent to which, and timing of when, it could improve the reporting for complaints would depend on the final design and timing of the implementation of the new client relationship system.

Audit objective, criteria, scope and methodology

1.28 The objective of the audit was to assess the effectiveness of the ATO's complaints and other feedback management systems in supporting service delivery. To form a conclusion against this objective, the ANAO examined if the ATO has:

- well-planned and designed complaints and other feedback management arrangements;
- sound processes to manage complaints and other feedback; and
- effectively analysed complaints and other feedback to inform service delivery.

1.29 The focus of the audit was primarily on the ATO's management of complaints. The ATO's management of compliments and other feedback was also examined, where possible. The audit did not examine the formal objection process that allows taxpayers to dispute an ATO decision, but did examine the interaction between the objection and complaints management processes.

33 ANAO Audit Report No. 19 2004–05, op cit, p. 20 and Recommendation No.7.

34 There are three components in the case management and reporting system: client relationship management-consolidated client information; case management; and work management.

Audit methodology

1.30 The audit considered guidance on effective complaints handling arrangements provided in Australian Standard AS ISO 10002–2006, *Customer satisfaction—Guidelines for complaint handling in organisations* and the Commonwealth Ombudsman’s *Better Practice Guide to Complaint Handling* of April 2009 and *Better Practice Guide to Managing Unreasonable Complainant Conduct* of June 2009.

1.31 The Commonwealth Ombudsman’s *Better Practice Guide to Complaint Handling*, which is broadly consistent with Australian Standard AS ISO 10002–2006, identifies five key elements in effective complaints handling. These key elements, as depicted in Figure 1.2 (next page), were used to assess the effectiveness of the ATO’s complaints handling arrangements.³⁵

1.32 The ANAO conducted fieldwork in the ATO’s main office in Canberra and visited ATO offices in Sydney, Melbourne and Brisbane. Specifically, the audit team:

- examined policy documents, guidelines, procedures and operational documents;
- interviewed staff in various business and service lines in the ATO who are connected with complaints management;
- reviewed files, records and publications held by the ATO;
- analysed data on complaints from the ATO’s client relationship database;
- examined complaints and other feedback cases to assess whether ATO policies and procedures are followed when processing cases;

35 As at November 2013, work was underway to update the Australian Standard. The ATO advised that it was on the steering committee overseeing this update. The Ombudsman was also undertaking an ‘own motion’ review of complaints management by Commonwealth agencies, following which it is expected to review the *Better Practice Guide to Complaint Handling*.

Figure 1.2: Summary of Commonwealth Ombudsman's Better Practice Guide to Complaint Handling

Commonwealth Ombudsman's Better Practice Guide to Complaint Handling	
Element 1 Culture	An agency that cares about its clients and its reputation will have a culture that recognises the value of complaints and requires all staff to be committed to effective complaints resolution.
Element 2 Principles	2.1 Fairness A complainant must be treated fairly: investigations will be impartial, complainants' privacy will be protected, and complainants will know how their complaints will be handled and the outcome of the investigation of their complaints.
	2.2 Accessibility The complaints handling system should be readily accessible by clients (in particular, on agencies' web sites). There will be full and ready explanation of the complaints handling process.
	2.3 Responsiveness The complaints handling system is responsive to the needs of all complainants, including having measures in place to assist clients with special needs (clients from non-English speaking backgrounds and those with a disability) and for responding to unreasonable demands or behaviour.
	2.4 Efficiency There will be speedy resolution of complaints, regular reports to management on complaints, escalation of complaints that remain unresolved for some time and guidelines for staff on handling of complaints.
	2.5 Integration Complaints handling must be integrated with an agency's core business activities and agencies that deliver services jointly with other government agencies might need to integrate their complaints handling processes.
Element 3 People	Responsibility for handling complaints should be allocated to staff who are identified, well trained and supervised. There should be sound recruitment practices, continuing training and learning opportunities and systematic review and feedback.
Element 4 Process	Seven steps in an effective complaints management process are: 1. Acknowledge all complaints quickly. 2. Assess the complaint and give it a priority. 3. Plan the investigation. 4. Investigate the complaint. 5. Respond to the complainant with a clear decision. 6. Follow up any customer service concerns. 7. Consider if there are any systemic issues.
Element 5 Analysis	Complaints data should be regularly analysed to see what is going wrong and what can be improved. Agencies should report on their performance against both quantitative and qualitative complaint handling measures.

Source: ANAO analysis of Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*, 1 April 2009.

- contacted key external stakeholders to discuss issues relating to the ATO's management of complaints and other feedback; and
- met with the Ombudsman's office to discuss the nature of complaints received concerning the ATO and outcomes achieved.

1.33 The audit has been conducted in accordance with the ANAO's auditing standards at a cost of approximately \$350 000. Resolution Consulting Services Pty Ltd provided the ANAO with assistance in the conduct of the audit.

Structure of report

1.34 Table 1.3 outlines the structure of the report.

Table 1.3: Structure of report

Chapter		Report overview
2	Complaints and Other Feedback Management Framework	Examines the framework implemented by the ATO to manage complaints and other feedback.
3	Process for Handling Complaints and Other Feedback	Examines the process that the ATO has implemented to resolve complaints and other feedback, including the review of complaints where complainants are dissatisfied with the outcome of its initial consideration of the complaint.
4	Assessment Against Better Practice Complaints Handling Principles	Examines the ATO's complaints handling processes against better practice complaints handling principles and the need for well qualified people to resolve complaints.
5	Using Complaints and Other Feedback to Improve Service Delivery	Examines the ATO's use of complaints and other feedback intelligence to improve service delivery and administration.

2. Complaints and Other Feedback Management Framework

This chapter examines the framework implemented by the ATO to manage complaints and other feedback.

Introduction

2.1 Well planned and designed complaints and other feedback management arrangements are important in ensuring that an agency has a strong culture that values complaints. These arrangements help to demonstrate the extent to which an agency is committed to effective complaints management and to using complaints to improve service delivery. The Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* stresses the importance of staff commitment at all levels to effective complaints management, with senior management involvement and adequate resourcing of the function.³⁶

2.2 Each business and service line (BSL) in the ATO is responsible for managing complaints relating to the responsibilities of that BSL. However, the ATO has a number of arrangements in place to provide overall management of complaints and other feedback, including:

- organisational arrangements that include dedicated staff with responsibility for the overall management of complaints and other feedback;
- policy statements on the management of complaints and other feedback;
- an organisation-wide system to record information about complaints and other feedback;
- a performance framework that includes performance targets on the timeliness of acknowledging and responding to complaints, and regular reporting on performance against these targets;
- quality assurance of complaints handling processes; and

36 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, April 2009, pp. 6–8.

- communication forums to discuss the management of complaints and opportunities to address the causes of complaints.

2.3 Together, these arrangements constitute the ATO's framework for managing complaints and other feedback, and were examined by the ANAO.

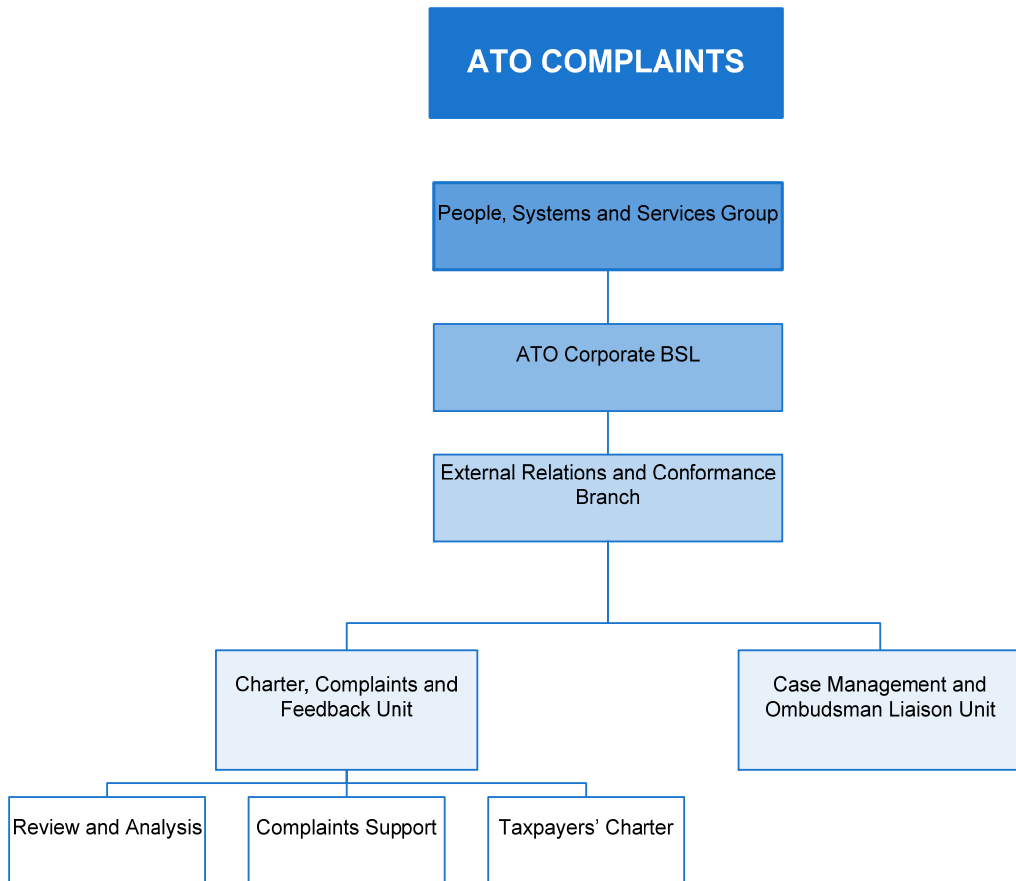
Organisational arrangements

Overall management of complaints

2.4 The External Relations and Conformance branch in the ATO Corporate BSL has overarching responsibility for the management of complaints and other feedback. It supports ATO employees by providing the framework, procedures and systems for managing and recording complaints and other feedback, and manages the ATO's relationship with external scrutiny bodies in regard to complaints. The areas of the branch responsible for the management of complaints and other feedback are collectively referred to in this report as 'ATO Complaints', as nearly all of this activity relates to the management of complaints.

2.5 ATO Complaints comprises the Charter, Complaints and Feedback Unit and the Case Management and Ombudsman Liaison Unit. As at 1 July 2013, these areas had 22 employees across five locations—Dandenong, Canberra, Newcastle, Hurstville (Sydney) and Northbridge (Perth). The organisational structure is illustrated in Figure 2.1.

Figure 2.1: Organisational structure for the high-level management of complaints and other feedback in the ATO



Source: ANAO adaptation of ATO data.

2.6 While ATO Complaints provides overall management of the complaints framework in the ATO, individual BSLs are generally responsible for addressing complaints and other feedback in the first instance and providing resources for resolving complaints within their areas.³⁷ This enables BSLs to remedy problems that were caused through errors or misunderstandings on their part or because of client dissatisfaction with the service being provided.

37 There were 26 BSLs in 2012–13. However, only 16 received complaints, with the other 10 having minimal or no interaction with taxpayers.

Management of complaints by business and service lines

2.7 The Customer Service and Solutions BSL is responsible for the initial receipt of almost all complaints. Customer Service and Solutions staff manage the ATO's complaints telephone channel, which includes a general complaints hotline and another complaints hotline for tax practitioners. These staff also receive complaints lodged electronically through the ATO's website and allocate them to the appropriate BSL for processing. Based on the number of First Contact Resolution templates completed, around one per cent of hotline calls are able to be resolved at first contact, with the remaining calls being allocated to the BSLs responsible for causing (or 'triggering') the complaint for resolution.

2.8 The volume and complexity of complaints received across the BSLs differ quite substantially. Some BSLs receive very large volumes of complaints, reflecting their significant processing responsibilities, while others receive very few complaints. Of the 26 530 complaints finalised in 2012–13, 26 166 were managed by BSLs³⁸, with the remaining 364 complaints being ATO Complaint review cases and Taxation Practitioner Service complaints.³⁹

2.9 To take account of differing complaint volumes and complexities, each BSL has implemented arrangements to manage complaints that reflect their respective operational requirements. While there are slightly differing approaches, BSLs must still handle complaints in accordance with the ATO's overarching policy and framework.

2.10 The ANAO interviewed six BSLs and assessed their approaches to the management of complaints and other feedback.⁴⁰ These BSLs accounted for 96 per cent of all complaints received by the ATO in 2012–13.

2.11 Four of the six BSLs had centralised teams to manage and respond to complaints. Of the four BSLs with more centralised complaints teams, the two

38 BSLs that finalised over 500 complaints in 2012–13 were: Client Account Services (14 442 complaints); Micro Enterprises and Individuals (3560 complaints); Customer Service and Solutions (3266 complaints); Debt (3008 complaints); and Tax Practitioner and Lodgement Strategy (705 complaints).

39 There were 212 Taxation Practitioner Service complaints finalised during 2012–13. All except one of these complaints were received in the previous year before the ATO moved to a single complaints handling process. The role of the Tax Practitioner Service and the introduction of the single complaints handling process are discussed at paragraphs 4.35 to 4.39.

40 These BSLs were: Client Account Services; Customer Service and Solutions; Debt; Small Business and Individual Taxpayers (then called Micro Enterprises and Individuals); Superannuation; and Tax Practitioner and Lodgement Strategy.

larger BSLs (Client Account Services and Debt) tended to use the technical expertise of business areas to assist in undertaking work linked to a complaint because of the broader range of complaint issues received. This technical expertise is used to assist the complaints teams in their independent assessment of the issues under review. The two smaller BSLs (Superannuation and Tax Practitioner and Lodgement Strategy) tended to be able to manage and respond to complaints without needing to contact other areas to undertake work relating to the complaint. The two remaining BSLs had a less centralised approach to the management of complaints. The Small Business and Individual Taxpayers BSL and the Customer Service and Solutions BSL had specialist teams to receive complaints, which were distributed to resolvers within the BSLs to manage the responses.

2.12 Having separate areas responsible for managing complaints in each BSL ensured that complaints were examined by ATO staff members who were not involved in the issues that led to the complaint and who were experienced in resolving complaints. It also meant that the handling of complaints was prioritised, and not subject to pressures from other work.

Policies and procedures

2.13 The ATO has developed a number of policies and procedures to manage complaints and other feedback from taxpayers. These policies and procedures have three broad objectives, namely to: address the root cause of negative feedback; handle complaints efficiently and effectively; and analyse and learn from feedback.⁴¹ This approach aims to create an accessible complaints mechanism, which supports a taxpayer's right to complain and, in doing so, enhances the ATO's reputation and relationship with taxpayers by providing timely and appropriate responses to complaints.

2.14 The ATO's policies and procedures include: an overarching policy instruction or practice statement on the handling of complaints⁴²; other related policy instructions, for example, on respecting clients' rights of review and on working with the Commonwealth Ombudsman⁴³; and job aids and quick reference guides on the handling of both complaints and compliments. Some

41 Boston Consulting Group, *Complaints and Feedback Review*, 5 August 2011, p. 6.

42 ATO, Corporate Management Practice Statement PS CM 2005/08, *Complaint Management in the ATO*.

43 These two practice statements are respectively, PS CM 2007/01 and PS CM 2005/20.

BSLs (for example, the Tax Practitioner and Lodgment Strategy BSL and Small Business and Individual Taxpayers BSL) have also developed supporting instructions and guides.

2.15 The ANAO examined the existing supporting instructions and considers that they provide detailed explanations and supporting documentation of the processes to be followed in handling complaints.

Complaint information system

2.16 Until August 2009, the ATO stored all complaints information in a database with a dedicated complaints module. The ATO then moved its complaints information to the work management component of its client relationship system. Consequently, there is no longer a dedicated module to manage complaints. However, managing complaints in the client relationship system has the advantage that interactions with the taxpayer are recorded in a single system.

2.17 The ATO has developed a number of templates to collect essential information about the complaints (for example, details of the complainant and the nature of the complaint) and other details of the complaints (for example, details of the issues raised in the complaints and the outcomes of the complaints). The templates also enable the ATO to extract statistical information on its handling of complaints and other feedback. As at June 2013, there were six templates used: Capture; First Contact Resolution; Issues; Extend Due Date; Escalation; and Finalisation.

2.18 Complaints that are not recorded using the complaint templates in the ATO's client relationship management system, and so are excluded from the numbers of published complaints, include: allegations of serious misconduct by ATO staff; and where a person writes to the Treasurer or Assistant Treasurer with a complaint or where members of parliament make representations to the Treasurer or Assistant Treasurer on their constituents' behalf. There are separate processes and systems in place to manage these allegations and representations. However, the ATO has advised that it intends to also record representations made to the Treasurer, Assistant Treasurer and members of parliament as complaints in the future.

2.19 The ATO currently uses a three-level issues tree to classify complaints. This classification system has over 360 different classifications, which increases the likelihood that ATO staff will incorrectly complete the issues template and

adds to the time taken to complete the templates. The ATO has advised that it is currently reviewing the templates used to gather information about complaints, so that they are administratively proportionate and errors are reduced. In this context, and recognising that around 150 of the 360 classifications accounted for 96 per cent of total complaints, it is developing a revised issues tree that will be simpler to complete and at the same time provide more meaningful information to BSLs on underlying complaint issues.

2.20 While these templates enable the ATO to extract data on complaints, some problems arise in their use. For instance, when inputting data from drop-down lists, an ATO officer might realise that he or she has made a mistake and go back to enter the correct information. Unless, the previous information is actually deleted before selecting the correct option, the record will not be updated. Further, there is no scope to correct information that may have been incorrectly input at the data capture stage. This means that ATO Complaints has to correct the data outside the system before compiling complaints reports. The ATO has advised that it is seeking to address these system deficiencies as part of the review of the templates.

Performance framework

2.21 As part of the complaints handling arrangements, it is important to have performance measures in place that provide an agency with information on how well complaints are being managed and to ensure that community expectations are being met.

Performance targets

2.22 Until 30 June 2013, the ATO had two service targets relating to its management of complaints, namely to:

- contact 85 per cent of taxpayers within three business days of receiving a complaint; and
- finalise (resolve) 85 per cent of complaints within 21 calendar days.

2.23 From 1 July 2013, the ATO has a single measure for complaints in its formal external performance framework, namely to finalise 85 per cent of

complaints within 15 business days.⁴⁴ There is little practical effect in the revision from 21 days to 15 business days of the time taken to finalise complaints, which was adopted to ensure that all ATO timeliness performance measures use business, instead of calendar, days. The ATO still advises complainants that it will seek to acknowledge their complaints within three business days but there is no expectation that it will continue to report its performance externally on this. These changes were adopted following a review of the ATO's performance framework, in which the views of external stakeholders were sought.

2.24 The revised complaints measures are broadly consistent with measures used by other Australian Government agencies examined by the ANAO (see Table 2.1). However, most of the agencies examined either aim to finalise 90 per cent of their complaints within a specified target or do not specify a level at which the target will be met, implying that the target should be met fully. This compares with the ATO's lower target of seeking to resolve 85 per cent of complaints within 15 business days.

2.25 Further, according to a report to the ATO on its Service Standards Strategy, based on the average level of service across benchmarks for a number of public and private sector agencies in Australia, the ATO should be aiming to acknowledge complaints within 1–2 days and resolve complaints within 5–10 days. This suggests that there would be merit in the ATO further reviewing its timeliness performance measures for complaints processing to ensure that they meet community expectations and equal or exceed those of other organisations.⁴⁵

44 ATO, available from <<http://www.ato.gov.au/About-ATO/About-us/How-we-do-things/Our-commitments-to-service/Current-year-commitments-to-service/>> [accessed 26 November 2013].

45 During the finalisation of this audit report, the ATO advised that a new survey of complainants would be undertaken in 2014 (discussed at paragraph 4.7). In this survey, the ATO will ask complainants about their expectations in terms of timeliness for initial contact and resolution.

Table 2.1: Complaints performance measures of a selection of Australian Government agencies, 2012–13

Agency	Aim to acknowledge complaint within	Aim to finalise complaint within	Additional target (if specified)
Australian Customs and Border Protection Service	5 business days	15 business days	-
Australian Taxation Office	3 business days (not externally reported from 2013–14)	21 calendar days (15 business days in 2013–14)	85%
COMCARE	3 business days	10 business days	-
CRS Australia	2 business days	15 days	-
Defence Service Homes	1–5 business days	15 business days	-
Department of Agriculture	2 business days	10 business days	-
Department of Communications		28 days	-
Department of Human Services			
• Centrelink	1–5 business days	10 business days (5 business days in 2013–14)	90%
• Child Support	1–5 business days	10 business days	-
• Medicare	2 business days	10 business days	90%
Department of Social Services	1–5 business days	28 business days	-
Department of Immigration and Border Protection	1 business day	10 business days	90%
Department of Veterans' Affairs	1–5 business days	28 business days	-
IP Australia		20 business days	-

Source: ANAO analysis.

Note: The names of agencies in 2012–13 have been updated to reflect changes arising from revised administrative arrangements orders.

2.26 Table 2.2 outlines the ATO's reported performance in relation to its service targets over the past five financial years. According to these reported results, the ATO met its service targets in 2011–12 and 2012–13 but failed to meet those targets in 2008–09, 2009–10 and 2010–11. The ATO advised that its inability to meet its service targets for those three years was due, in part, to an increase in the number of complaints received in relation to the

implementation of its Change Program initiatives and their impact on the processing of income tax returns.

Table 2.2: ATO's reported achievement of service targets relating to complaints handling, 2008–09 to 2012–13

Service standard	2008–09 %	2009–10 %	2010–11 %	2011–12 %	2012–13 %
Initial contact (3 days)	82	67	71	93	95
Resolution (21 days)	85	75	78	96	95

Source: ATO Annual Reports and data for 2013 provided by ATO.

2.27 While the ATO's timeliness target required it to finalise 85 per cent of complaints within 21 calendar days for these years, ATO staff were asked to contact complainants, where the complaint was not expected to be able to be finalised in this timeframe, and explain the need for an extension of the timeframe.⁴⁶ This was expected to be done within 10 to 14 calendar days after receipt of the complaint, so that the complainant was aware that the complaint may not be finalised within 21 calendar days.⁴⁷

2.28 In examining complaint records provided by the ATO that were received and finalised from 1 November 2012 to 31 May 2013 (see paragraph 3.33), the ANAO found many instances where extensions of the timeframe had been arranged very soon after receipt of the complaint and where the complaint was easily resolved in the 21 calendar days timeframe (often within a matter of a few days). Extensions were arranged within five days of receipt of a complaint in around 45 per cent of complaints with extended timeframes and within 10 days in around 61 per cent of complaints with extended timeframes. Thirty-seven per cent of the claims with extended timeframes were finalised within 10 days. This was indicative of a tendency on the part of some ATO staff to routinely extend timeframes. Such extensions should only be arranged when there is a clear need for an extension.

46 Extensions can occur for a variety of reasons, including the complexity of the complaint, difficulties experienced by the ATO in contacting the complainant, delays in information being provided by a complainant and arranging a systems-related fix.

47 Complainants were expected to be contacted about an extension no later than 15 days after receipt of the complaint. From 1 July 2013, complaints are now expected to be contacted about an extension no later than 10 business days after receipt of a complaint.

2.29 The ATO's reported performance against the 21 calendar days target was, in fact, against the 21 calendar days measure or, if an extension had been arranged with the complainant, that extended the timeframe. The ANAO's examination of finalised complaint records for the period 1 November 2012 to 31 May 2013 indicated that the ATO finalised 83 per cent of complaints in 21 calendar days, compared to the ATO reporting that it had finalised 95 per cent of complaints in 21 calendar days for the entire 2012–13 financial year, as shown in Table 2.2.

2.30 Having a target of finalising 85 per cent of complaints in 21 calendar days (or now 15 business days) recognises that, because of the complexity of some complaints and for other reasons, it will not be possible to always achieve this timeframe. Encouraging ATO staff to provide complainants with revised timeframes in such circumstances is good practice in terms of setting realistic expectations as to when their complaints will be finalised. However, this does not mean that there should be any change to the 15 business days target for finalising complaints. Indeed, assuming ATO staff explained extensions to the timeframe, there would be no need to set a target of 85 per cent—the ATO could be expected to fully meet the 15 business day timeliness measure.

2.31 The ANAO therefore considers that, in reporting against its published timeliness resolution target, the ATO should be reporting on the percentage of complaints finalised in 15 business days (previously 21 calendar days) without adjusting this figure for any extensions to this timeframe. If the ATO wished to report on the percentage of complaints finalised within the 15 days target or within any extended timeframes, it could do this separately.

2.32 Furthermore, the ANAO considers that the ATO should actively strive to improve its complaints handling procedures and implement measures to reduce the number of complaints and so enable it to acknowledge and respond to complaints in a more timely way. In this regard, a first step would be to regard the 85 per cent measure as a performance improvement target that should be increased over time in line with planned performance improvements.

Recommendation No.1

2.33 To improve transparency, the ANAO recommends that, in reporting performance against its published timeliness resolution target, the ATO reports on the percentage of complaints that were finalised within:

- (a) the target timeframe (from 2013–14, 15 business days) without adjusting for extended timeframes that may be arranged with complainants; and
- (b) any extended timeframes arranged with complainants separately.

ATO response: *Agreed.*

Other performance measures

2.34 Timeliness is only one aspect of effective service delivery of complaints handling. It is important, for instance, to ensure that, wherever possible: complaints are able to be resolved at the first point of contact; that complainants are kept informed of progress with their complaints throughout ATO consideration of the complaint; and that correct decisions are made on the complaints, avoiding the need for further review of the complaints. Other measures could therefore be considered as a means of improving outcomes for complainants. These measures do not necessarily need to form part of the ATO’s external reporting framework, but could be used as internal reporting measures. In some cases, ‘stretch’ targets against these measures could be set. In others, performance against the measures could be monitored to provide an indication of levels of performance. Examples of these measures are shown at Table 2.3.

Table 2.3: Other possible measures of complaints management performance

Possible measure	Description
Percentage of complaints resolved at first contact	Resolving complaints at first contact represents the most efficient and effective outcome for both parties, if this is achievable. Monitoring the percentage of complaints that were resolved at first contact would help the ATO to assess the effectiveness of first contact resolution arrangements.
Adherence to complaints handling procedures	This would provide measures of the extent to which complaints were handled in accordance with ATO policies and procedures. This could be done as part of ATO-wide quality assurance of complaints handling.

Possible measure	Description
Complaints outside timeliness performance target	The ATO does monitor complaints on hand by age of the complaint. However, targets could be set to reduce the age of complaints outside the 15 business day benchmark.
Extensions	Where resolution of a complaint cannot be completed within 15 business days, ATO staff are expected to contact the complainant and explain the need for a revised date for resolution of the complaint. To help ensure that extensions are obtained, when it is clear that the 15 business days target cannot be met, the ATO could monitor and set targets for the percentage of complaints exceeding the 15 business day service target where extended timeframes had been arranged beforehand with the complainant.
Estimate of complainant satisfaction with the outcome of the complaint	<p>A complainant is likely to be satisfied with the outcome if their complaint is upheld or if they receive a satisfactory explanation of why their complaint was not upheld. The ATO does monitor the percentage of complaints being upheld and it is likely that this provides an indication of likely movements in the levels of complainant satisfaction (although it would not measure overall complainant satisfaction levels).</p> <p>It is also likely that, for a significant number of complaints, ATO staff would be able to form a judgement on whether the complainant was satisfied with the outcome. In examining a sample of 387 complaint records (see paragraph 3.34), the ANAO assessed that:</p> <ul style="list-style-type: none"> • 66 per cent of complaints were upheld or partially upheld; • 20 per cent of complainants whose complaints were not upheld appeared to have accepted the outcome; • 3 per cent of complainants whose complaints were not upheld appeared not to have accepted the outcome; and • for 11 per cent of complaints, it was not possible to determine from the complaints records whether or not the complainant had accepted the outcome. <p>It may be worth examining the feasibility of resolvers providing satisfaction ratings where complaints are not upheld.</p>
Estimate of complainant satisfaction with the way the complaint was handled	<p>Determining whether complainants are satisfied with the way their complaints were handled is likely to be more difficult to determine without asking complainants about this. Currently, the ATO undertakes regular client surveys that provide information on taxpayer satisfaction levels (see paragraphs 4.2 to 4.9).</p> <p>As part of the Complaints and Compliments Reengineering Project, the ATO has also considered implementing tools to gauge satisfaction with the ATO's handling of complaints. One of these tools is an online survey tool which could potentially provide timely intelligence about the complaints handling process.</p>

Source: ANAO analysis.

Performance reporting

2.35 In addition to reporting on complaints in its annual reports, the ATO also has a number of internal mechanisms in place to report on and monitor complaints.

2.36 ATO Complaints produces detailed monthly complaints and feedback reports. These reports include information about: complaints received, finalised and on hand; complaint outcomes; performance in relation to the complaints service standards; complaint triggers; emerging issues; ATO Complaints reviews; Ombudsman interactions; compliments; and other feedback. The ATO also reports on aged cases, through its Aged Cases Integrity Indicator⁴⁸, to internal stakeholders such as the Integrity Advisor and Audit Committee. The reports are distributed across the ATO's complaints network, including to complaints coordinators in the BSLs and to ATO Executives, such as the Chief Operating Officer. However, there would also be merit in these reports being routinely considered by a relevant corporate management committee. This would help to ensure that problem areas and emerging issues that are identified in the reports are addressed at a senior management level.

2.37 All BSLs examined by the ANAO used information on outstanding individual complaints from the work management component of the client relationship system to help manage complaints.. The BSLs also undertook daily, weekly and monthly reporting of complaints. Some BSLs (for example, the Tax Practitioner and Lodgment Strategy BSL and the Superannuation BSL) prepared quarterly complaints reports and Client Account Services BSL also compiled a quarterly compliments report and included information from ministerial correspondence.

2.38 Daily and weekly reports were mostly used for operational purposes, while monthly reporting drew out systemic issues and provided important management information to BSL executives. The Debt BSL, for example, indicated to the ANAO that their monthly reports are presented to the BSL's senior executive as a standing agenda item at the monthly Debt Executive Meeting. The Executive paid particularly close attention to the number and age

48 The Aged Cases Integrity Indicator is the percentage of total complaints that have been unresolved for 61 days or more, excluding complaints that have been escalated to an ATO Complaints review.

of complaints, with a focus on any systemic and procedural issues that are identified and the mitigation strategies being implemented.

Quality assurance of ATO complaints handling

2.39 An agency needs to have arrangements in place to provide assurance that complaints are being handled in accordance with endorsed arrangements, that is, it needs to have good quality assurance arrangements in place.

2.40 In the ATO, each BSL is required to ‘continuously improve and assure the quality of its written interpretative decision making and of certain types of other actions, advice, decisions and information’ and implement what is known as the ‘Integrated Quality Framework’.⁴⁹

2.41 In April 2003, the ATO agreed to the Taxation Ombudsman's recommendation in its *Own motion investigation into Australian Taxation Office's complaint handling* that the ATO develop a quality assurance strategy for complaints handling at all levels. Consistent with this approach, the ATO's practice management statement on complaints handling provides that:

41. Each business and service line must maintain appropriate quality assurance processes for complaint management that are consistent with the agreed corporate quality assurance guidelines for complaints. They must also ensure that these processes are measured and reported on.

42. ATO Complaints may conduct random audits on complaint management processes as appropriate and will compile and publish reports on its findings. The purpose of these actions is to ensure the integrity and consistency of complaint management processes across the ATO.⁵⁰

2.42 Consistent with the Ombudsman's recommendation, the ATO developed guidelines for quality assurance handling of complaints.⁵¹ These guidelines envisaged that a quality assurance panel, made up of representatives from the BSLs, would meet at the end of each quarter to review a sample of cases finalised by each BSL during the quarter just ended. The aggregate results of the cases would be reviewed and reported to the ATO Executive in the ATO Complaints' monthly report for the following month.

49 ATO, *Quality improvement and assurance: application of and conformance with the Integrated Quality Framework*, Practice Statement Law Administration PS LA 2009/6, 13 August 2009, p. 2.

50 ATO, Corporate Management Practice Statement PS CM 2005/08, *Complaint Management in the ATO*, modified 19 October 2010, paragraphs 41–42.

51 ATO, *Quality assurance for complaint handling in the Tax Office—Guidelines*, Version 3, 30 May 2006.

However, these arrangements were no longer being applied. The ATO advised that this was, in part, due to resource constraints.

2.43 ATO Complaints has in the past prepared reports on the quality assurance reviews of complaints handling by BSLs. The last of these reports was issued in June 2011 for complaints finalised during the period 1 October 2010 to 18 November 2010.⁵² These random reviews were undertaken periodically, but not on a regular basis.⁵³ These reports has now been discontinued, because it was considered that it was too resource intensive and the reports took too long to complete, reducing their usefulness. The reports also tended to identify similar issues. ATO Complaints is now undertaking more regular, but less extensive, quality assurance of samples of complaints records, focusing on the correct completion of the complaint templates and the calls to the complaint hotline. The ATO advised in December 2013 that it had been progressing the delivery of a corporate-wide quality assurance framework, including: exploring best practice; talking to other government agencies; and investigating ways to streamline the process.

2.44 The ANAO reviewed the arrangements that a number of BSLs had in place to quality assure complaints. BSLs that receive large numbers of complaints, such as Customer Service and Solutions⁵⁴ and Client Account Services, have implemented their own arrangements for quality assuring the work of customer service representatives and resolvers in their areas. BSLs that receive only small numbers of complaints, such as Tax Practitioner and Lodgment Strategy, and therefore only have small numbers of staff resolving complaints, advised that they are able to assure the work of staff in their areas without formally sampling and quality assuring complaints. While the larger BSLs do quality assure the resolution of complaints, this is not done consistently across BSLs and is not collated nationally.⁵⁵

52 Another report was prepared after this, but was not issued because of the lengthy delay in its completion.

53 The last five reports were for complaints finalised in December 2007, March 2008, June 2008, March 2010 and November 2010.

54 Customer Service and Solutions provides the first point of contact with the complainant, when they call the complaints hotline or lodge an online complaint, and they quality assure both initial complaints handling and subsequent complaints resolution.

55 The template used by Client Account Services provided a good basis for quality assuring complaints resolution. It included reviews of issues identified, correctness of decision, expected levels of documentation and contact management.

2.45 Given the importance of quality assurance arrangements as a means of identifying where improvements in the handling of complaints are needed, there would be benefit in the ATO implementing a more structured approach to the quality assurance of complaints. Any such arrangements would need to address key aspects of the handling of complaints; be consistent across the agency; provide results on both an agency-wide and a BSL basis; and enable corrective action to be taken in a timely way (which means that the monthly quality assurance results could be included in the monthly complaints reports). As there are already some good examples of quality assurance at the corporate and BSL level, it should be relatively straightforward for such arrangements to be implemented, with the main role of ATO Complaints being to identify the records to be sampled by BSLs and collate and analyse the results of their quality assurance testing. The results could then be included in the monthly complaints and feedback management reports prepared by ATO Complaints, copies of which are provided to ATO senior management.

Recommendation No.2

2.46 To better monitor the quality of complaints handling, the ANAO recommends that the ATO:

- (a) implements an agency-wide quality assurance framework for complaints and other feedback that provides results at an agency-wide and individual business and service line level; and
- (b) includes these results in monthly complaints and community feedback reports.

ATO response: *Agreed.*

Communication within the ATO complaints network

2.47 The ATO has a number of communication arrangements aimed at: increasing awareness of complaints issues and trends; encouraging discussion on ways of better handling complaints; and reducing the causes of complaints. The main such arrangements are complaints network telephone hook-ups, complaints newsletters and the National Complaints Forum.

Complaints network telephone hook-ups and newsletters

2.48 ATO Complaints runs two regular—fortnightly or as required—phone hook-ups with representatives of the various BSLs, including the relationship

manager from the Customer Service and Solutions BSL. One meeting is strategic and the other is operational. These provide a good opportunity for the complaints staff to report on any emerging issues or concerns that they are facing. They also enable the gathering and sharing of intelligence in a more timely and coordinated way, so that staff handling complaints are more likely to be aware of and able to anticipate potential issues. During these phone hook-ups, feedback can also be provided in a less formal way than through the formal quality assurance processes. The phone hook-ups are followed up with written information that is distributed to the various complaints teams to help ensure that all BSLs are kept informed and receive a consistent message.

2.49 ATO Complaints also regularly distributes key messages to complaints handling staff through newsletters. These newsletters are intended to support staff by providing them with efficient and effective ways of handling complaints, as well as to inform staff of changes occurring to the complaints handling system. Other complaints related information, such as research relating to complaints, is also included in these newsletters.

2.50 To further improve the cohesion and dissemination of information across the complaints and other feedback areas, ATO Complaints advised in June 2013 that it was considering establishing a knowledge portal for complaints and other feedback. By early November 2013 work was underway to design and build the workspace, with a launch expected in early 2014.

National Complaints Forum

2.51 The National Complaints Forum (the Forum) includes key staff in the complaints network (ATO Complaints and complaints staff in BSLs). It convenes up to six times a year—twice a year in person and by phone on other occasions. It focuses on issues relating to complaints management so as to promote a consistent approach across the ATO in the management of complaints and their resolution.⁵⁶

2.52 The Forum provides an opportunity to explore issues in greater depth and develop proposals for consideration by senior officers. However, since the majority of Forum members are either at middle management (that is, the

56 Representatives from the Ombudsman's Office attend some Forum meetings and provide members with feedback and information on issues raised in complaints lodged with their office.

executive level) or more junior levels in BSLs, the Forum is viewed as a knowledge-sharing platform and not a decision-making body. It focuses mainly on building and supporting relationships in the complaints network.

2.53 To further improve the effectiveness of the Forum, there would be merit in the Forum regularly seeking to identify options for improving the handling and prevention of complaints for consideration by senior ATO officers. These options could be included in reports to the Service Improvement Steering Committee.

Conclusion

2.54 The ATO has a sound framework for managing complaints and other feedback, based around ATO Complaints overseeing the handling of complaints and other feedback and BSLs resolving complaints. Detailed policies and procedures have been implemented and information sharing arrangements across the ATO have been put in place to promote good complaint handling practices. The framework includes the use of the ATO's client relationship management system to manage complaints. This system replaced a previous system with a dedicated complaints module and has some limitations when applied to the management of complaints, although it has the benefit of centrally storing taxpayer interactions.

2.55 Within the framework, the main performance measure relates to the time taken to resolve complaints (15 business days from 2013–14). It would increase transparency and accuracy of reporting if the ATO were to report on the percentage of complaints that were actually finalised within the revised 15 business day target, without adjusting for complaints that were finalised outside this timeframe. Reporting against any extended timeframes arranged with complainants should be done separately. There is also scope for the ATO to develop other internal performance measures to assess the performance of the ATO's complaints handling.

2.56 Given the importance of quality assurance processes in identifying where improvements in the handling of complaints are needed, there would be benefit in the ATO implementing a more structured, agency-wide approach to the quality assurance of complaints. The results could be included in the monthly complaints and feedback management reports prepared by ATO Complaints.

3. Process for Handling Complaints and Other Feedback

This chapter examines the process that the ATO has implemented to resolve complaints and other feedback, including the review of complaints where complainants are dissatisfied with the outcome of its initial consideration of the complaint.

Introduction

3.1 The ATO has four separate processes for the resolution of complaints, from the initial consideration of a complaint to an investigation by the Commonwealth and Taxation Ombudsman. These processes are summarised at Table 3.1 and were examined by the ANAO.

Table 3.1: ATO complaints resolution processes

Process	Description
BSL managed complaints	When first received by the ATO, complaints are assessed and, if possible, resolved by customer service representatives—that is by complaints hotline staff in Customer Service and Solutions BSL. Where complaints cannot be resolved at the first point of contact, they are assessed to determine if they meet the criteria for ATO Complaint review, and if not are referred to BSLs for resolution. These are called BSL managed complaints.
BSL escalated complaints	Where complainants are dissatisfied with the outcome or progress of a BSL managed complaint, they are given the option to first have the complaint escalated within the BSL, either to the manager or a higher level resolver. Complaints can be escalated within the BSL, or referred to the BSL, more than once, unless the complainant requests that the case be reviewed outside the BSL, for example, escalated to an ATO Complaint review.
ATO Complaint reviews	<p>A complaint will be referred to ATO Complaint review when:</p> <ul style="list-style-type: none"> the complainant is dissatisfied with the outcome of a previously logged BSL managed complaint or a BSL escalated complaint; the complainant is threatening to go to the media (at the discretion of ATO Complaints); the issue is a recurring one; the complainant is complaining about an officer who is a director (or above), or involves serious allegations of staff impropriety that may lead to legal action; and the problem involves breaches of privacy or confidentiality, which indicates a potential systemic issue, or other cases at the discretion of ATO Complaints. <p>ATO Complaint reviews are conducted by staff in the Case Management and Ombudsman Liaison Unit.</p>

Process	Description
Ombudsman investigation	These are complaints that are investigated by the Commonwealth and Taxation Ombudsman. The ATO provides responses to the Ombudsman in relation to these investigations. Staff in the Case Management and Ombudsman Liaison Unit manage the ATO's own investigation of these complaints, in consultation with BSLs, and provide responses to the Ombudsman.

Source: ANAO analysis of ATO documents.

Business and service line managed complaints

3.2 In 2012–13, of 26 530 complaints finalised by the ATO, 26 166 (or 98.6 per cent) were business and service line managed complaints. The remaining complaints were either Tax Practitioner Service managed complaints (residual from the previous financial year before the single complaints handling process came into operation) or ATO Complaint reviews.

3.3 Where possible, complaints are resolved when the complainant first makes contact with the ATO. When a person calls the ATO complaints hotline (or the tax practitioner hotline), the customer service representative will clarify the nature of the complaint and, if they are able to resolve the matter at this time, will do this. Most complaints, however, cannot be resolved at the first point of contact and are referred to BSLs for resolution.

3.4 Consistent with the ATO's overarching complaints management framework, BSLs address complaints and other feedback using the following resources:

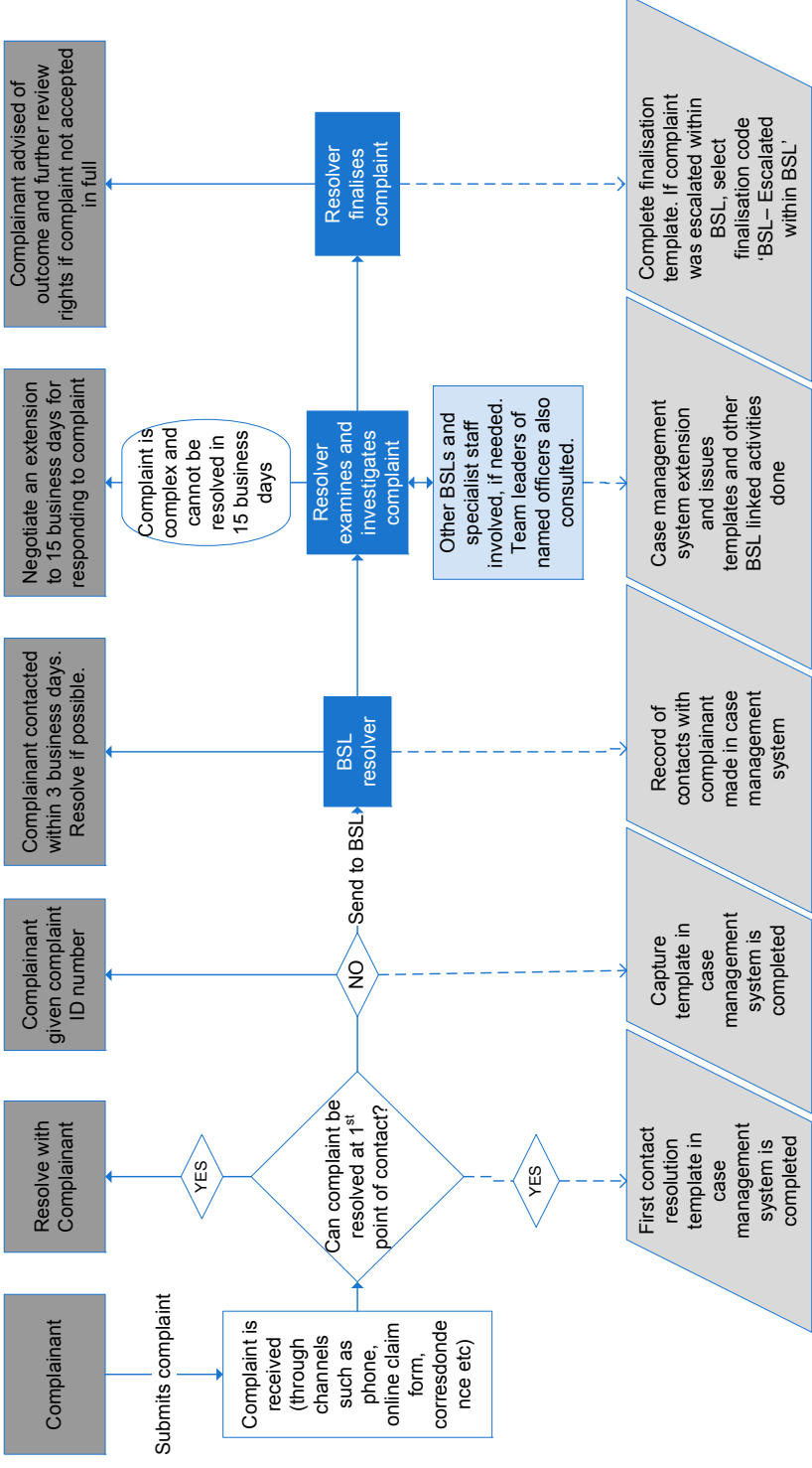
- resolvers—staff who are responsible for managing and resolving the complaint on behalf of the BSL;
- coordinators—staff who manage the BSL's resolvers, report on the BSL's complaints and other feedback, organise quality assurance of the BSL's complaints and represent their BSL at the National Complaints Forum;
- SES Complaint Sponsors—an SES officer in each BSL who provides assistance with and determines the BSL's strategic direction on complaints management and Ombudsman investigations; and
- the work management component of the ATO's client relationship system., which contains a number of templates that must be completed at different stages of the complaints resolution process.

3.5 The ATO operates under the principle that the area that caused (or 'triggered') the complaint should manage the resolution of the complaint. This approach is reasonable, but the issue that caused a complaint (for example, difficulty in contacting the ATO) may not necessarily be the underlying issue (for example, the timely processing of an income tax return). This means that other BSLs must also be involved in the resolution of these other issues and resolvers of the underlying issues may rely on the resolver in the BSL managing the complaint to seek to obtain all of the relevant information about the underlying issue. The ATO advised that its quality assurance of hotline staff's completion of the capture template indicated that this is generally completed to a good standard, but there were instances where customer service representatives' completion of the template was too brief and failed to capture the relevant information that would be useful to the resolver.

3.6 BSL resolvers, in contacting complainants to acknowledge complaints, will seek to clarify the nature of the complaint and obtain any additional information that is needed. Where a complaint raises a number of complex issues, the resolver will need to have a planned approach to the resolution of the complaint.

The BSL complaints handling process is summarised at Figure 3.1.

Figure 3.1: Summary of process for handling business and service line managed complaints in the ATO



Source: ANAO analysis of ATO data.

Business and service line escalated complaints

3.7 If a complainant is dissatisfied with the progress or outcome of the BSL's consideration of their complaint, the ATO must advise them of their rights of review, including the right to:

- have a complaint escalated to more senior staff in the BSL for further consideration;
- request an ATO Complaint review; and
- ask the Ombudsman to investigate the matter.⁵⁷

3.8 Where complaints are escalated within a BSL for consideration by more senior staff, the BSL resolver may select a finalisation code⁵⁸ in the case management system. The ATO advised in July 2013 that it had not been maintaining and reporting data on escalated complaints, and it was not mandatory for ATO staff to select a finalisation code. As such, the ANAO was unable to accurately determine how many complaints were escalated within the BSLs. Nevertheless, 301 complaints in 2010–11, 929 complaints in 2011–12 and 969 complaints in 2012–13 were identified by the escalation code as having been escalated within a BSL. Following the ANAO's analysis of the use of the escalation code, the ATO advised in September 2013 that the Tax Practitioner and Lodgment Strategy BSL (TPALS) had been incorrectly using the BSL managed escalation code. TPALS had marked 515 complaints as being BSL escalated during 2012–13. Excluding TPALS from the 2012–13 figures, there were 454 BSL escalated complaints.

3.9 In 2012–13, excluding TPALS complaints, the number of BSL escalated complaints represented 5 per cent of the 8941 complaints that were not upheld or only partly upheld (or 1.7 per cent of all complaints).⁵⁹ Information is not available on the number of escalated complaints where the original finding on the complaint was varied, nor on the number of ATO Complaint review complaints that were escalated within a BSL before being submitted for review.

57 The Taxation Ombudsman is a position within the Commonwealth Ombudsman's Office.

58 The finalisation code in relation to escalation is chosen from a drop down list in the finalisation template in the ATO's case management system. Options include first contact resolution and BSL escalated to ATO Review.

59 Data on the numbers of upheld/not upheld complaints are not available for previous financial years.

3.10 The ANAO reviewed 87 BSL escalated complaints⁶⁰ from 2012–13. This analysis found that, in 57 of the 87 cases, it was not clear why the complaint had been marked as being escalated within the BSL. Most of these complaints were from the TPALS BSL (46 of the 57). The remaining 11 were from other BSLs, indicating that there is scope for the ATO to better document the circumstances and reasons that led to the escalation of a complaint.

3.11 Of the remaining 30 cases where the ANAO was able to determine the circumstances and reasons that led to an escalation, 10 were active (in progress) complaints and 20 were closed complaints when they were escalated. If the complaint was active, complainants were requesting an escalation because they were unhappy with some aspect of the handling or progress of their complaint. In cases where the complaint was closed, complainants had their cases escalated because they were unhappy with the outcome.

3.12 It was not generally possible to determine the level of seniority of the officer to whom the complaint had been escalated from the complaint records.⁶¹ Of the 20 complaints that were closed and had an outcome before being escalated, there was evidence that the outcome of the complaint changed in nine cases (45 per cent). This is a strong indicator that escalated complaints are impartially assessed and that there is value in complainants being able to escalate their complaints before asking for a formal review of their complaint.

3.13 The number of BSL escalated complaints, although potentially significantly overstated due to the TPALS BSL, and ATO Complaint review cases that were previously escalated within a BSL, provide evidence that complainants are being given the opportunity to have their complaints considered by more senior staff in the BSL before other avenues of review are explored. However, ATO Complaints advised the ANAO that it was clear that some complaints that were submitted for an ATO Complaint review could have been dealt with more easily had they been escalated to more senior staff as a BSL-escalated review. This suggests that there is scope for more complaints to be escalated within the BSL, to help ensure that complaints are

60 Of the 87 cases tested: 46 were from the TPALS BSL; 25 were from the Small Business/Individual Taxpayers BSL; eight were from the Client Account Services BSL; five were from the Indirect Tax BSL; two were from the Debt BSL; and one was from the Customer Service and Solutions BSL.

61 However, in one case the complaint was escalated to an APS 5 officer and in another the complaint was escalated to an APS 6 officer.

resolved as early as possible in the process and avoid further, more costly, reviews of the complaints.

3.14 There would be merit in the ATO mandating the use of the escalation code for all escalated complaints and then analysing and regularly reporting on this information. This would help to provide assurance that complainants, who are dissatisfied with the initial outcome or handling of their complaint, are being afforded the immediate additional review opportunities available to them. It would also help to provide assurance that the escalation code is being used correctly. While it is unclear at this stage (given the absence of historical data) what proportion of complaints would be expected to be escalated within the BSL, this should become apparent as data are collected over a period of time and trends became apparent.

ATO Complaint reviews

3.15 Table 3.2 shows that the number of ATO Complaint reviews over the past five financial years has been declining. This decline coincides with the significant decline in the overall number of complaints to the ATO over the past two years. It may also reflect better review of complaints within BSLs before they become ATO Complaint reviews, although the lack of adequate data on BSL escalated complaints means that there is no evidence for this. It may be helpful to monitor the number of ATO Complaint reviews where the complaints had previously been escalated within the BSL to provide information on the effectiveness of the BSL escalated review process.

Table 3.2: ATO Complaint reviews, 2008–09 to 2012–13

	2008–09	2009–10	2010–11	2011–12	2012–13
Complaints received	302	287	203	156	161
Complaints finalised	297	313	219	161	152

Source: ATO.

3.16 In most instances ATO Complaint reviews are complex and time intensive with a higher than normal percentage of these cases meeting the definition of an aged complaint (that is, greater than 60 days old). In 2012–13, 61 per cent of ATO Complaint reviews were finalised within the 21 day finalisation target.

Ombudsman investigations

3.17 The Commonwealth and Taxation Ombudsman investigates specific complaints about actions of Australian Government entities and conducts own motion investigations on matters of administration. The Case Management and Ombudsman Liaison Unit in ATO Complaints is responsible for receipting and recording complaints from the Ombudsman's office and assisting the Ombudsman's office with investigations into these complaints. The number of complaints to the Ombudsman about the ATO from 2008–09 to 2012–13 are shown at Table 3.3.

Table 3.3: ATO related complaints received and investigated by the Commonwealth and Taxation Ombudsman, 2008–09 to 2012–13

	2008–09	2009–10	2010–11	2011–12	2012–13	Total
Complaints received	1422	1810	2589	2717	1795	10 333
Complaints investigated and finalised	321	316	558	437	400	2 032
Percentage of complaints investigated and finalised	22.6%	17.5%	21.6%	16.1%	22.3%	19.7%

Source: Commonwealth Ombudsman annual reports and Ombudsman advice.

3.18 Coinciding with a spike in the number of complaints received by the ATO between 2009–10 and 2011–12, (and discussed in paragraph 1.12), complaints to the Ombudsman also increased over this period. In 2011–12, the Ombudsman received 2717 complaints about the ATO, the highest number of complaints in 10 years and a 4.9 per cent increase on the previous year. However in 2012–13, complaints reduced by 34 per cent to 1795 complaints, reflecting the return to the more normal numbers of complaints received by the Ombudsman.

3.19 As shown in Table 3.3, over the five years to 2012–13, the Ombudsman's Office investigated around 20 per cent of all complaints that it received relating to the ATO. As for all agencies, the Ombudsman's office now screens complaints and, if a complainant has not previously lodged a complaint with the agency, he or she is advised to take the matter up with the agency in the first instance. This gives the ATO the opportunity to consider the complaint and remedy any errors on its part. Where a complaint is not

accepted, it also gives the ATO the opportunity to explain the reasons for this to the complainant.

3.20 In October 2011, the Ombudsman, in co-operation with the ATO, commenced a 'one last chance' referral process. This covered matters which the ATO considered finalised but where a person had complained to the Ombudsman and the Ombudsman had assessed that the issue is one that could be easily resolved by the ATO. Under this arrangement, matters were referred back to the ATO for action within 14 days. The ATO must report back to the Ombudsman on what actions it took to resolve the complaint.⁶²

3.21 The 'one last chance' process has now been modified and the process renamed 'second chance' reviews. The revised process came into effect on 1 June 2013. The 'second chance' process will enable the ATO to further review the complaint and, if appropriate, take remedial action before the Ombudsman's office makes a decision on whether or not to conduct its own investigation of the complaint.

3.22 A total of 37 'one last chance' and 19 'second chance' complaints were referred to the ATO in 2012–13. The ATO finalised 39 'one last chance' and 17 'second chance' complaints.⁶³ Of these, 19 were upheld, four were partially upheld and 33 were not upheld. The Ombudsman escalated three 'one last chance' complaints that were not upheld to full investigations provided for under Section 8 of the *Ombudsman Act 1976*. One of these was upheld by the ATO, one was partly upheld and the third was not upheld.

3.23 The Ombudsman's office advised the ANAO that the new 'second chance' referral process had helped to streamline the handling of ATO-related complaints to the Ombudsman.

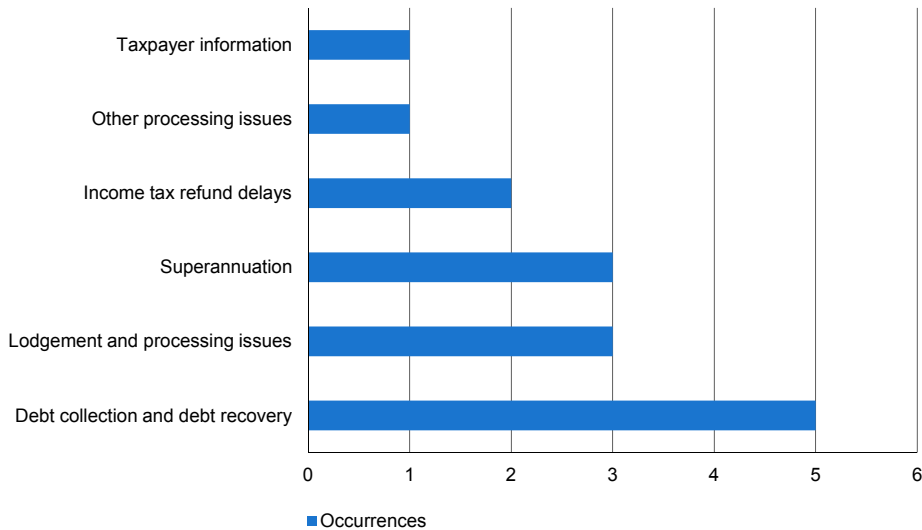
3.24 The most common complaint issues that the Ombudsman received about the ATO between 2008–09 and 2012–13 are presented in Figure 3.2. The figure details how often the complaint issue has been in the top three issues over the past five financial years. Complaints relating to debt collection and debt recovery have been in the top three most complained about issues to the Ombudsman in each year from 2008–09 to 2012–13, while lodgement and

62 Commonwealth Ombudsman *Submission to the Joint Committee of Public Accounts and Audit*, September 2012, p. 3.

63 The higher number of finalised 'one last chance' reviews reflects the fact that some of these complaints were received by the ATO in the previous year.

processing issues and superannuation related complaints were in the three most complained about issues in three of the past four years.

Figure 3.2: Most common ATO-related complaints to the Commonwealth Ombudsman, 2008–09 to 2012–13



Source: Commonwealth Ombudsman annual reports and Ombudsman advice for 2012–13.

3.25 As previously noted, the Ombudsman’s representatives attend some meetings of the ATO’s National Complaints Forum, which is a forum for ATO complaints staff to discuss the handling of complaints in the ATO. Staff of the ATO and the Ombudsman’s office also reported that they liaise closely on the handling of complaints lodged through the Ombudsman.

3.26 The Ombudsman’s office was consulted about the effectiveness of the arrangements that the ATO has in place to manage complaints lodged with the Ombudsman. It reported favourably on the level of cooperation it receives from the ATO. One issue identified by the Ombudsman’s office is that the ATO’s determination to finalise complaints within their service targets is sometimes at the expense of actually resolving the taxpayer’s issue. This is supported by ATO research, which shows that one-third of taxpayers surveyed by the ATO about their complaints felt that their complaint had not been resolved, despite the ATO having finalised the case.

Assessment of the ATO's complaints handling process

3.27 The Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* outlines seven steps in an effective complaints handling process. These are listed at Table 3.4, together with details of how the ATO's complaints handling process met these steps.

Table 3.4: Steps in an effective complaints handling process

Complaints handling steps	ATO process
1. A complaint should be acknowledged promptly.	Quickly acknowledging complaints after they have been forwarded to resolvers for attention is important in keeping complainants informed about progress in consideration of their complaint and in seeking to ensure that all relevant information about the complaint is available. BSL resolvers are expected to contact complainants within three business days of the receipt of their complaints. ATO staff have met this target at a high level (93–95 per cent) in the past two years, as shown in Table 3.5. However, the ATO only met the target in 63 per cent and 72 per cent of cases in 2009–10 and 2010–11 respectively, when there was a significant increase in the number of complaints in these years for the reasons mentioned at paragraphs 1.11 to 1.12.
2. The complaint should be assessed and assigned priority.	Complaints that cannot be resolved at the first point of contact are forwarded to BSL complaint units for resolution. Complaint unit supervisors will allocate the complaints to resolvers in the BSLs for action. The resolvers contact complainants, not just to acknowledge the complaints, but also to obtain further information about the complaints. As complaints are to be acknowledged within three business days and resolved within 15 business days (21 calendar days prior to 1 July 2013), resolvers need to take early action on each complaint. Some resolvers to whom the ANAO spoke advised that they seek to contact complainants as soon as they are allocated complaints.
3. If investigation is required, it should be planned.	A complaint may require consideration of a number of issues, involving a number of BSLs. This requires planning to ensure that each issue is addressed. For this reason, resolvers who manage complaint responses advised that they seek to ensure that requests for inputs from other BSLs are sent to them as quickly as possible. While the resolution of complaints requires organisational skills, the ATO in September 2011 agreed that resolvers did not need to prepare action plans, as long as they adequately documented what linked business owners must do.

Complaints handling steps	ATO process
4. The investigation should resolve factual issues and consider options for complaints resolution.	As noted above, ATO resolvers contact complainants in order to determine the issues. They will then examine the details of the complaint and seek to form a view on the merits of the complaint. The resolution of the complaint will depend on the nature of the complaint. Effective resolution of complaints requires that issues are accurately identified. However, as noted at paragraph 3.30 below, this does not always occur.
5. The response to the complainant should be clear and informative.	A large number of responses to complainants are provided orally and so there is always the possibility that a response will not be sufficiently clear, particularly where a complaint is not upheld. ATO Complaints advised that a common issue found in their quality assurance reviews was of resolvers providing oral advice to complainants and not following this up with written advice or providing an explanation of the outcome of a complaint. This issue is considered further in Table 3.6 and paragraphs 4.27 to 4.32.
6. If the complainant is not satisfied with the response, internal review of the decision should be offered and external review options should be provided.	There are a number of review mechanisms available to complainants—escalation to more senior officers within a BSL; an ATO review by ATO Complaints; and review by the Commonwealth Ombudsman. This issue is considered further in paragraphs 4.27 to 4.32.
7. Any systemic issues that arise as a result of the complaint should be considered and acted on.	If a complaint is upheld, the ATO asks customer service representatives and resolvers to identify any systemic issues involved so that possible action can be taken to address them. The ATO's analysis of complaints and of systemic issues is considered in Chapter 5.

Source: Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, Better Practice Guide No 1, April 2009, p. 3 and ANAO analysis.

3.28 As discussed at Step 1 in Table 3.4 (and shown in Table 3.5), the ATO's performance in promptly acknowledging complaints was relatively low in 2009–10 and 2010–11, when there was a significant increase in the number of complaints in these years.

Table 3.5: ATO performance in acknowledging complaints

	2008–09	2009–10	2010–11	2011–12	2012–13
	%	%	%	%	%
Taxpayer	89.1	62.5	72.3	92.9	94.1
Tax practitioner	74.5	69.9	69.7	94.4	96.0
Total	81.7	66.6	71.1	93.4	94.7

Source: ATO.

Compliance with ATO complaints handling procedures

3.29 The effectiveness of the ATO's complaints handling can also be gauged by examining the results of the quality assurance reviews of ATO complaints handling, and analysing complaints data.

Results from ATO quality assurance reviews

3.30 The last national quality assurance report for complaints was prepared by ATO Complaints and covered complaints that were finalised from 1 October 2010 to 18 November 2010. The main issues that were identified in this report include:

- not identifying all issues;
- lack of documentation on the complaint cases;
- no action plan;
- problems attaching and correctly completing the 'Issues Management' template and the 'Extend Due Date' template;
- not completing the initial contact activity;
- not discussing an extension with the complainant;
- not maintaining regular contact with the complainant; and
- not advising when a case would be finalised.⁶⁴

3.31 ATO Complaints' current quality assurance review process focuses on the correct completion of six complaint and community feedback templates. ATO Complaints advised the ANAO that, while the majority of these templates were completed satisfactorily, five per cent of the completed templates contained at least one error.

ANAO examination of ATO complaint records

3.32 The ANAO examined a sample of complaints records to assess how fully and accurately ATO staff were completing the complaint templates in the work management component of the client relationship system. Particular attention was given to the capture template and the issues template, whether all attachments were being included and the overall comprehensiveness of the complaints records.

64 ATO, *Quality assurance of complaints results*, report to SES complaint sponsors, 3 June 2011, p. 3.

3.33 The data that were provided by the ATO were for complaints that were received and finalised from 1 November 2012 to 31 May 2013. In total, 13 532 complaints records were provided. In summary, analysis of the data indicated that:

- around 83 per cent of complaints were being finalised within the 21 calendar day ATO performance measure for responding to complaints. This differs from the performance reported by the ATO because, as noted at paragraph 2.27, extensions to the 21 calendar days are treated as having met the 21 days target;
- a number of fields on the capture template were not completed in a large number of cases.⁶⁵ This indicates that there is scope for the ATO to improve the consistency of its data collection on complaints; and
- no extensions to the 21 calendar days target were obtained in 14 per cent of complaints that did not meet the 21 days target.

3.34 The ANAO also examined a sample of 387 complaints in terms of their adherence to ATO policies and procedures.⁶⁶ The results of this examination are summarised in Table 3.6.

65 For example, in the capture template, Question 3 on the complainant (taxpayer, tax agent, third party) was not completed in 4847 or 36 per cent of complaints; Question 17 on complaints' desired outcomes was not completed in 4568 or 34 per cent of complaints; Question 27 on the main indicator was not recorded in 10 257 or 76 per cent of complaints; Questions 29 and 31 on the complaint trigger on products respectively were not recorded in 708 or 5 per cent of complaints. While scripting may not require completion of all of fields in all cases, these percentages are nonetheless quite high.

66 Using a sample size calculator, and allowing for a confidence interval of five and confidence level of 95 per cent, an initial sample size of 374 was calculated. However, this sample size was then stratified by BSL and trigger (that is, what triggered or was the immediate cause of the complaint) and some components were rounded up to ensure that there were sufficient numbers for each trigger. This increased the sample size to 387.

Table 3.6: Results of ANAO analysis of ATO complaints records

Issue	Finding
Clarity of complaints records	Details of the complaint were clear in the capture template in 90 per cent of cases. When considering other information in the complaint records, details of the complaint were clear in 95 per cent of cases and unclear in five per cent of cases. No issues templates were completed in 10 (or three per cent) of the 387 records. Decisions were unclear in four (or one per cent) of the records.
Named officer complaints	Details of ATO officers about whom complaints were made, including details of the investigation of the officer, were included in activities of 12 out of 20 records that were linked to the complainant's record in the work management component of the client relationship system. This is contrary to ATO procedures. Further discussion of this issue is at paragraphs 4.19 to 4.26.
Apologies	<p>The ATO requires that an apology be given when appropriate. That is, when a service standard or Taxpayers' Charter measure was not met and where the ATO upholds a complaint. Apologies may also be given when complaints are captured, at the ATO staff member's discretion, to help restore the relationship with the complainant.</p> <p>The ANAO reviewed complaint records to determine whether there was evidence that apologies were given for the sample of complaints examined. These results indicate that apologies were not given in 111 (or 29 per cent) of complaints and it could not be determined from the complaints records whether an apology had been given in 32 (or eight per cent) of complaints. Of the 111 complaints where apologies were not given, 34 complaints (31 per cent) were upheld or partially upheld, 70 complaints (63 per cent) were not upheld and seven complaints (six per cent) were either withdrawn or it was unclear from the complaint record whether or not the complaint was upheld.</p>
Complainant satisfaction	<p>The ATO does not seek to determine the likely satisfaction or acceptance of the complainant with the outcome of the complaint. However, the ANAO sought to assess this from an examination of the complaint records. Where a complaint was upheld, it is reasonable to assume that the complainant was satisfied with the outcome of the complaint. In other cases, the ANAO made an assessment of the complainant's likely satisfaction with or acceptance of the outcome based on information in the complaint records about the complainant's response to the outcome of the complaint. On this basis, the ANAO assessed that around:</p> <ul style="list-style-type: none"> • 86 per cent of complainants (334 of the 387 complaints examined) were likely to have been satisfied with or have accepted the outcome; and • three per cent of complainants (11 complaints) appeared to be dissatisfied with the outcome. <p>For the remaining 11 per cent of complainants (41 complaints), the ANAO was unable to determine whether or not the complainant was satisfied or dissatisfied with the outcome.</p>

Source: ANAO examination of records of 387 ATO complaints that were received and finalised from 1 November 2012 to 31 May 2013.

3.35 These results, together with the results of the ATO's own quality assurance activities (outlined in paragraph 3.30), however, indicate that there is scope to improve compliance with ATO procedures in the recording and handling of ATO complaints.

Compliments and other feedback

3.36 The external review of ATO complaints management, discussed in Chapter 1, recommended that compliments be routinely captured in a corporately consistent manner to provide the ATO with a more balanced feedback picture.

3.37 Compliments can be received over the telephone from any ATO officer. They can also be lodged online or through correspondence (including facsimile). The reengineering project enabled the implementation of an improved enterprise-wide compliments process to better capture the data. Compliments must now be recorded in the work management component of the client relationship system to ensure that they are captured in the monthly reports. The Customer Service and Solutions BSL received the most compliments, 837 (71 per cent of total compliments) in 2012–13.

3.38 Compliments provide information about what taxpayers and tax practitioners appreciate in their dealings with the ATO. A typical example of a compliment is where a taxpayer complimented an ATO officer on being 'helpful, courteous and really knew what client service was—went out of his way to help'. The ATO compiles this information and provides it to the officer who generated the compliment. Each month extracts are included in the Complaints and Community Feedback Report. There would be merit in also identifying the main reasons for compliments, as this may help to identify opportunities for service improvement.

3.39 The ATO receives a significant amount of other feedback from taxpayers and tax practitioners, including over the telephone by complaint hotline staff and via the feedback form on the ATO's website—2799 feedback items in 2012–13. This feedback is classified into the same 13 trigger categories that are used for complaints. The top reasons that taxpayers provided feedback to the ATO in 2012–13 related to the need for improved access to systems and phones (53 per cent of feedback) and quality of advice (13 per cent of feedback).

3.40 The ATO is seeking to develop an enterprise-wide approach for capturing feedback, similar to the new arrangements supporting the capture of compliments. The ATO advised in September 2013 that the shift to a new ATO website design has limited the ATO's access to general feedback. The ATO was at that time investigating and attempting to solve this issue.

Conclusion

3.41 The ATO has four separate processes for resolving complaints, which together provide opportunities for efficient immediate resolution and the means for complainants to escalate complaints, where they disagree with the decision on the complaint. While these arrangements promote independent decision making, the ATO does not monitor the extent to which complaints are escalated within the BSL. The 'one last chance' and subsequent 'second chance' referral processes have helped to streamline the handling of ATO-related complaints to the Ombudsman. Overall, the Ombudsman's office considers the ATO's processes for handling complaints to be mature, although it has also identified opportunities for improvement.

3.42 While the ATO's processes are generally sound, quality assurance reviews that the ATO has undertaken and analysis of complaints data by the ANAO identified a number of complaints handling practices that the ATO could further improve. These areas included: identifying all relevant issues; providing apologies to complainants where the ATO is at fault or to help improve the taxpayer experience; and only including required information in relation to complaints about named officers in taxpayer records. Changes being implemented as part of the reengineering project are expected to assist in addressing some of these improvements.

3.43 The enterprise-wide approach for capturing compliments implemented in 2012 has led to an increase in recorded compliments, which enables a more balanced picture of feedback to ATO officers. However, there would be merit in also identifying the main reasons for compliments, as this may help to identify opportunities for service improvement.

4. Assessment Against Better Practice Complaints Handling Principles

This chapter examines the ATO's complaints handling processes against better practice complaints handling principles and the need for well qualified people to resolve complaints.

Introduction

4.1 Each agency will have different ways of handling complaints. However, the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* notes that all systems should meet the key principles of fairness, accessibility, responsiveness, efficiency and integration of complaints handling with an agency's core business activities. It is also important that an agency has staff who are well qualified to handle complaints and who are well supervised. The ANAO assessed the ATO's complaints handling arrangements against these principles.

Community perceptions of ATO complaints handling

4.2 The ATO regularly engages external consultants to conduct research to gauge how a range of groups perceive either the ATO generally or specific sections of the ATO. This includes complaints handling. This research provides information that is useful in assessing the ATO's complaints handling in terms of meeting better practice complaints handling principles. The ATO also has a number of consultative forums, which provide an opportunity for external stakeholders to provide feedback on issues, including complaints handling, although the ATO advised that these have not recently considered complaints handling issues.

Perceptions surveys

4.3 Until recently, the ATO conducted three surveys of the perceptions of certain taxpayer groups: the Community Perceptions Survey, the Micro Business Perceptions Survey and the Small and Medium Enterprises Perceptions Survey.⁶⁷

4.4 A reputation and service measure identified in the perceptions surveys is that 'the ATO listens to and responds to complaints'.⁶⁸ In the July 2012 Community Perceptions Survey, 72 per cent of respondents agreed with this statement and, in June 2013, this had increased to 80 per cent.⁶⁹ Out of 13 areas that survey participants were asked about in the July 2012 Community Perceptions Survey, complaints handling was identified as the area requiring the most improvement. This research also found that a low proportion of the community complained to the ATO, although significantly more may have wanted to complain.⁷⁰

Professionalism Survey

4.5 The ATO conducts biannual professionalism surveys of ATO employees' levels of professionalism as perceived by those who have had contact with the ATO in the previous six months. The most recent survey of the ATO's professionalism was conducted in May 2013 for the period 1 July 2012 to 31 December 2012.⁷¹ It showed a decrease in overall professionalism in the ATO.⁷² This decrease was largely driven by three areas, of which complaints was one. The ATO's 'overall professionalism' score for the handling of complaints was 3.02 (out of a possible five), down from 3.63 the previous year. Net satisfaction (the aggregate of 'very satisfied' and 'satisfied')

67 Latest: Newspoll, *Community Perceptions Survey*, July 2013. Newspoll, *Micro Business Perceptions Survey*, July 2013. ORC International, *Small and Medium Enterprise Perceptions Survey*, September 2013.

68 ATO, <http://www.ato.gov.au/content/downloads/CR00341405_2012CPS_AnnualReport.pdf> [accessed 27 March 2013].

69 In the Micro Business Perceptions Survey, 74 per cent of respondents agreed with this statement in March 2012 and 72 per cent in March 2013. This question was also asked of respondents in the July 2012 Small and Medium Enterprises Perceptions Survey, with 78 per cent of respondents agreeing.

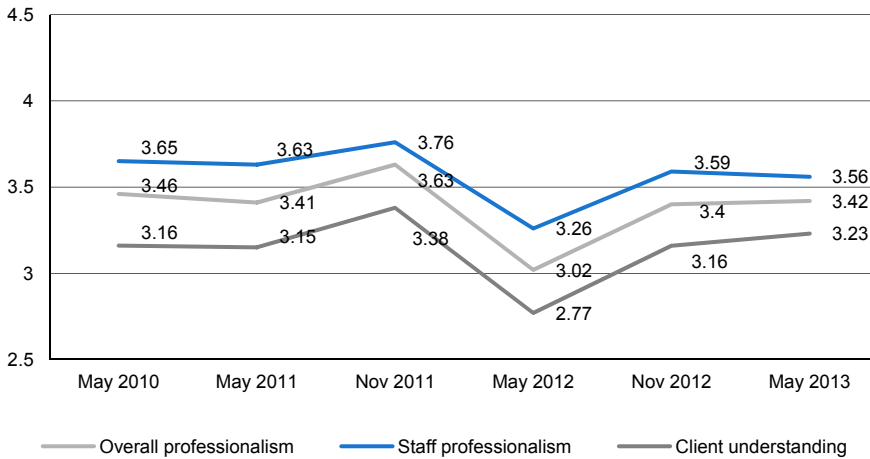
70 Two per cent of respondents from the June 2013 Community Perceptions Survey had complained to the ATO, although a further six per cent had wanted to make a complaint but decided not to do so. Similarly, six per cent of respondents from the March 2013 Micro Business Perceptions Survey had complained to the ATO, although a further 11 per cent had wanted to do so.

71 DBM Consultants, *Australian Taxation Office Professionalism Survey—Executive Report*, May 2013.

72 Overall professionalism consists of two components: staff professionalism; and client understanding.

for ATO Complaints was 42 per cent in May 2012, down from 55 per cent the previous year.⁷³ However, the results for complaints handling had increased again in November 2012 and May 2013 (54 per cent and 59 per cent respectively). Results from 2010 to 2013 are presented in Figure 4.1.

Figure 4.1: ATO Professionalism Survey—complaints and dispute resolution results, May 2010 to May 2013

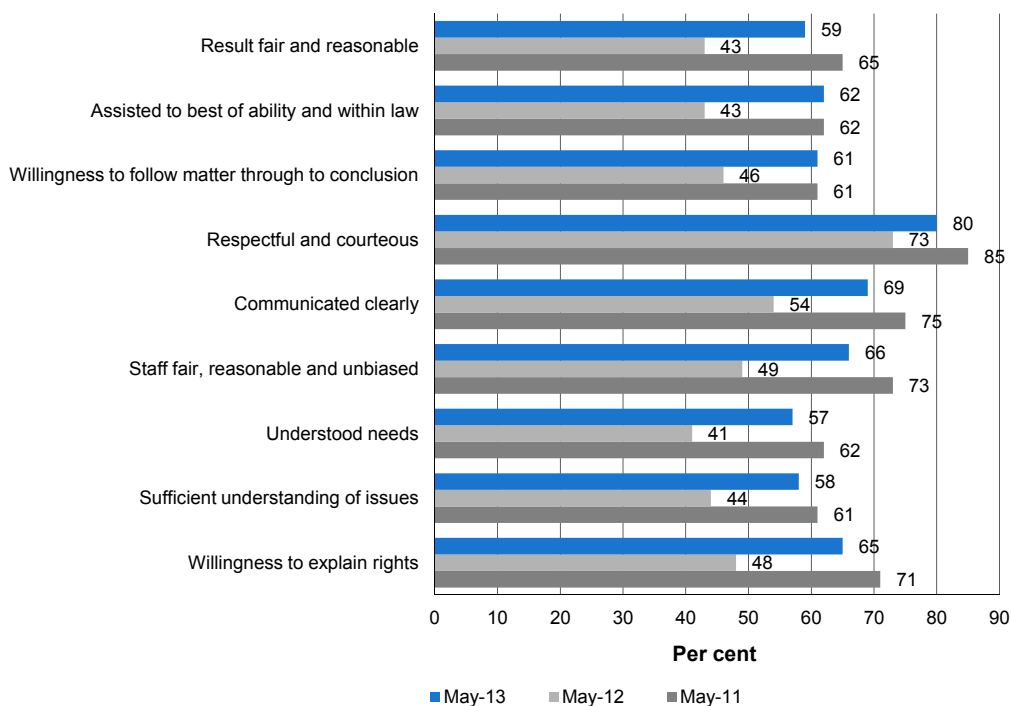


Source: ATO Professionalism Survey, May 2013.

4.6 Figure 4.2 shows the level of satisfaction with the ATO's professionalism in relation to complaints staff. The data show a decline in satisfaction for the May 2012 Professionalism Survey in relation to the nine characteristics of professionalism in the ATO's Model of Professionalism (on the vertical axis in Figure 4.2). However, the results for the Professionalism Survey in May 2013 had returned to 2011 levels, although, against seven of the characteristics, satisfaction was still slightly lower than in 2011.

⁷³ The net level of satisfaction with the way that the ATO handles complaints was lower than for other ATO business areas, although complainants tend to be more critical of the ATO than other taxpayer groups, particularly because of their negative experience. For instance, the net level of satisfaction for all ATO business areas was 73 per cent in May 2012 (down from 77 per cent a year earlier).

Figure 4.2: Characteristics of professionalism—ATO Complaints



Source: ATO Professionalism Survey May 2012 and May 2013.

4.7 From 2014, the ATO will no longer undertake the Professionalism Survey. However, recognising the need to understand the experience of complainants, the ATO plans to pilot a new survey in March 2014, *Complainants: understanding their experience*. This new survey is expected to include similar questions to the Professionalism Survey. Questions will explore: satisfaction with overall experience; reason/s for lodging a complaint in the first instance; satisfaction with complaints process elements; complaints handling process improvement opportunities; and complainant expectations in terms of timeliness for initial contact and resolution.

Tax Practitioner Research

4.8 The ATO publishes annual surveys of tax practitioner views of the ATO. In the 2012 Tax Practitioner Research, 'listens and responds to complaints' was nominated as the second most important driver of satisfaction

with the ATO's overall service by tax agents and Business Activity Statement agents.⁷⁴ Results from the 2012 survey again highlighted complaints handling as performing the worst compared to other drivers, although this may reflect that complainants tend to be more critical of the ATO. Net satisfaction that the ATO listens and responds to complaints was 33 per cent for tax agents and 29 per cent for BAS agents. All other drivers of satisfaction received at least 51 per cent net satisfaction or more.

4.9 The 2013 Tax Practitioner Research (not yet published) changed the questions asked about complaints. Respondents were asked, if they needed to make a complaint about the ATO, what were the acceptable options for making the complaint. Sixty per cent said that they would consider complaining to the ATO; 30 per cent through the Tax Practitioners Board; 27 per cent through a professional association and two per cent in some other way. Twelve per cent indicated that, even if they wanted to make a complaint about the ATO, they probably would not do so.

Views of external organisations

4.10 As part of this audit, the ANAO contacted a number of the ATO's key stakeholders to discuss issues relating to the ATO's management of complaints. Eleven organisations were contacted and six responded, with two providing no comments.⁷⁵

4.11 The purpose of the consultation was to ascertain feedback on the following issues:

- overall effectiveness of the ATO's complaints handling arrangements;
- accessibility and equity of the arrangements;
- the objectivity, professionalism and responsiveness of ATO staff in handling complaints; and
- problems experienced and opportunities to improve the ATO's performance in handling complaints.

74 Chantlink, *Quantitative report—tax practitioner research 2011–12*, Vol 1: Summary and Vol 2 Perceptions, 5 July 2012 (revised 25 September 2012).

75 The four organisations that provided responses were: Institute of Public Accountants; Self Managed Super Funds Professional Association; Taxpayers' Australia; and Financial Counselling Australia.

4.12 The relationship with the ATO was generally seen to be positive and most complaints were handled properly. However, a number of concerns were raised, in particular about:

- the capability and capacity of ATO complaints staff to resolve complex issues requiring specialist technical knowledge, such as in relation to self-managed superannuation funds;
- what is seen as a fragmented resolution process, often requiring multiple contact officers, rather than accessing the right person first time (however, once the issue gets to the right person it is generally resolved properly);
- the length of time involved in lodging and then receiving a response to a complaint meant that it was often considered not to be worth the effort of lodging a complaint;
- the unreliability of the tax agent's portal, which often means that complaints are not raised with the ATO; and
- decisions on complaints not being communicated clearly and communication being inadequate.

4.13 While the ATO has been taking steps to improve its handling of complaints, and satisfaction levels have generally returned to trend levels, there is scope to improve the application of some of the better practice principles for handling complaints, as discussed below.

Fairness

4.14 A complaints handling system should be seen to treat complainants fairly and objectively assess complaints. If the system is considered to be biased in favour of an agency, then complainants will not use the system. The *Better Practice Guide to Complaint Handling* states that fairness rests on three qualities—impartiality, confidentiality and transparency.⁷⁶

⁷⁶ Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, op cit., p. 9.

Impartiality

4.15 The impartial examination of complaints requires a complaint to be treated on its merits, with an open mind and without prejudice arising from any previous contact between the complainant and the agency.

4.16 Some complaints to the ATO can be quickly resolved when they are first raised with the ATO, for example, when a complainant calls the ATO's complaints hotline. Where this is not possible, further examination is undertaken by business and service line officers (resolvers) who are separate from staff who undertake day-to-day taxation processing and who were not involved in the matter that resulted in the complaint being made.⁷⁷ Where a complaint is upheld, feedback is expected to be provided to the area where the complaint originated. If it is not upheld, the complainant should be advised of his or her further review rights. These include escalation of the complaint to a more senior ATO officer, lodging a request for an ATO Complaint Review or lodging a complaint with the Ombudsman.

4.17 The ANAO reviewed the handling of complaints by a number of BSLs (see footnote 40). Each of these BSLs had separate units in place to manage complaints, with the opportunity for complaints to be escalated to more senior staff, if needed. Resolvers were allocated complaints by their supervisors, and required to follow the ATO's processes (as outlined in paragraph 4.16).

4.18 In 2012–13, of complaints finalised, 16 135 (or around 63 per cent) were upheld.⁷⁸ This quite large percentage of upheld complaints provides a reasonably high level of assurance that complaints are being examined impartially. However, as noted at Figure 4.2, the ATO Professionalism Survey found that 59 per cent of survey respondents in May 2013 considered that the result of complaints handling by the ATO was fair and reasonable, compared with 65 per cent in May 2011. These results suggest that there is scope for the ATO to improve taxpayer perceptions that complaints are handled fairly.

77 The role of resolvers is to: contact the complainant and ensure that they are aware of the nature of the complaint; examine the complaint and determine the facts of the case; form a view on whether or not the complaint should be upheld; and then advise the complainant of their findings.

78 Data on upheld complaints was not available for previous financial years, although data was available for part of 2011–12.

Confidentiality

4.19 Clients have a right to expect that their privacy will be respected and that their complaint will be investigated confidentially and ATO staff members about whom a complaint has been made have a right to expect that information about them will be treated confidentially. It is also generally good practice for an agency to accept anonymous complaints, but it is usually difficult to conduct a full investigation without knowing the identity of a complainant. For this reason, ATO advised in July 2013 that anonymous complaints are usually recorded on the client relationship management system as feedback rather than complaints.

4.20 Information privacy principles contained in Section 14 of the *Privacy Act 1988* set out strict safeguards for any personal information that is handled by Australian Government agencies. These should be observed when collecting, storing, using and disclosing personal information obtained in complaints handling. Information Privacy Principle No. 4 deals with the storage and security of personal information. It states, in part, that:

A record keeper who has possession or control of a record that contains personal information shall ensure:

- (a) that the record is protected, by such safeguards as is reasonable in the circumstances to take, against loss, against unauthorised access, use, modification or disclosure, and against other misuse ...⁷⁹

This usually means that the records must be contained in a database that can only be accessed by those with appropriate authorisation.

4.21 As noted at paragraphs 2.16 to 2.20, complaints information is stored in the work management component of the ATO's client relationship system. It is therefore possible for ATO staff who have access to this system as part of their responsibilities for dealing with clients, including the named officers, to access complaints records.

4.22 The ATO's stated policy on the handling of named officer complaints is that 'under no circumstances should the named officer access the [client relationship system] activities for the complaint lodged about them'.⁸⁰ The

79 Office of the Australian Information Commissioner, 'Information Privacy Principles', *Privacy Facts Sheet 1*, July 2011, p. 2.

80 ATO, *Job aid – Named officer complaints or feedback*, p. 3.

ATO advised that the ‘need to know’ principle, which applies to all staff using ATO systems, is adequate protection against improper access of records by ATO staff.⁸¹ In this regard, the ATO advises officers undertaking named officer complaint investigations that:

To protect the privacy of the named officer, access to named officer complaints will be closely monitored to ensure appropriate use. There will be regular reviews of named officer complaints to ensure that only staff with a business need are accessing the details of a complaint.

However, the Charter, Complaints and Feedback team advised ANAO that it did not have the required system access to audit access to named officer complaints records.

4.23 Most complaints about ATO officers are referred to the ATO officer’s supervisor for investigation.⁸² At the conclusion of an investigation into the behaviour or actions of the ATO officer, the complainant is to be advised of the outcome of the investigation (that is, whether the complaint had been upheld or not upheld). To protect the privacy of the ATO officer, procedures require that the name of the ATO officer be included in the initial complaint record (that is, in the capture template) and to minimise the incidence of naming of the ATO officer in complaint records. Other information about the named officer should only be included in attachments to the complaints records, and not in the capture templates.

4.24 Notwithstanding this policy, the ANAO identified 12 instances out of 20 named officer complaints sampled where the name of the ATO officer, and details of the investigations, were included in linked activities on complaints records (see Table 3.6). In some instances, documents about the investigation of named officer complaints included sensitive information about both taxpayers and named officers. For example, the ANAO identified instances where investigation documentation detailed both ATO officer and taxpayer behaviour. This means that any ATO officer who accessed those records would

81 Under the ‘need to know’ principle, access to information is only authorised if a number of conditions are met. These include that: an ATO officer would be hindered in the performance of their duties if they were not given access to the information; access complies with legislative requirements; there is no conflict of interest; and the person has the required level of security clearance.

82 If the complaint relates to possible unlawful or fraudulent activity on the part of an ATO officer, the matter is referred to the ATO’s Fraud Prevention and Internal Investigations area for actioning and the record is completely removed from the client relationship system.

be able to examine details of any complaints made about ATO officers and details of the ensuing investigations.

4.25 While there was no evidence that named officer complaints records were being inappropriately accessed, in order to protect the privacy of both the complainant and the named officer, the ANAO considers that the ATO should:

- review existing arrangements to limit the amount of information that is included in complaints records to the steps taken and outcome (and not to the details of the investigations themselves, which should be maintained outside the complaint records);
- provide ongoing education to staff to raise awareness about this matter; and
- implement suitable arrangements to monitor any inappropriate access to named officer complaint records (with assurances being provided to the Charter, Complaints and Feedback unit on the results of this monitoring).

Recommendation No.3

4.26 To better address the privacy risks associated with named officer complaints, the ANAO recommends that the ATO:

- (a) restricts information detailing the nature of the complaint and its investigation from being included in the complainant's record on the client relationship management system; and
- (b) investigates implementing measures to periodically check that named officers have not accessed related complaints records.

ATO response: *Agreed.*

Transparency

4.27 A complainant is entitled to know how a complaint will be handled and the outcome of the investigation. A number of complaints processes (that have previously been discussed) contribute to the transparency of the ATO's handling of complaints. These processes include:

- through the initial contact, providing the complainant with information regarding the complaints handling process as well as the complaint's service request identification, which the complainant may use to follow up on the progress of the resolution of their complaint;

- recording outbound activity on the complaint service request in the work management component of the client relationship system on the business day that successful contact is made⁸³;
- the ATO resolver contacting the complainant to explain that the timeframe for resolving the complaint will be extended; and
- informing complainants about the outcomes of their complaints and about other opportunities for review of their complaints, if they are dissatisfied with the outcome.⁸⁴

4.28 In the latter regard, as noted in Figure 4.2, the ATO Professionalism Survey indicated that, in May 2013, 69 per cent of complainants were satisfied that the ATO communicated clearly (compared with 54 per cent a year earlier) and 65 per cent of complainants were satisfied that there was a willingness to explain rights (compared with 48 per cent a year earlier).

4.29 Clearly outlining the reasons why a complaint had not been upheld would assist in improving taxpayer perceptions of the impartial handling of their complaints. While recognising that information on review rights is available in the Taxpayers' Charter and on the ATO's website, advising complainants about their further review rights when their complaint is not upheld is good administrative practice and also helps to improve taxpayer perceptions of the handling of their complaint.

4.30 It is difficult to establish whether complainants are routinely advised of their further review rights where their complaint is not upheld, in whole or in part. This is because most resolvers do not advise complainants in writing of the outcome of their complaints. Instead, they orally advise complainants of the outcome of their complaints and it would only be known whether complainants were advised of their further review rights if the resolver had made a note in the taxpayer's record to this effect.

4.31 The ANAO's examination of a sample of ATO complaints records (see paragraph 3.34) indicated that most resolvers did not include such notes and it

83 Each unsuccessful attempt to contact the complainant must also be recorded on the main complaint activity by updating the 'call back attempts' field and adding a note for each attempt.

84 Opportunities for review include escalation of the complaint to a more senior officer in the BSL for further consideration, submitting a request for an ATO review, where the complaint will be further reviewed by ATO staff with responsibility for undertaking such reviews, and lodging a complaint with the Commonwealth (Taxation) Ombudsman.

was therefore not possible to determine whether the complainant had been advised of their review rights. In some cases, letters had been sent to the complainant, but not all of these letters provided complainants with details of their review rights. In other cases, complaint tracking attachments indicated that complainants had not been advised of their review rights.

4.32 To help ensure that complainants are aware of why their complaint has not been upheld and their further review rights, there would be merit in the ATO providing written advice (by email, correspondence or facsimile) to complainants on these matters and, if advised orally, noting the case file accordingly.

Accessibility

4.33 A complaints handling system should be accessible to clients. Accessibility rests on two features—public awareness of the system and effective access options. In terms of public awareness, the ATO lists the complaints, compliments and feedback telephone hotline number in the White Pages telephone directory. The ATO also provides information on its website about how to make a complaint.⁸⁵ Although the ATO has created the address www.ato.gov.au/complaints to enable easier access to the complaints page, access to this information could be improved by providing a direct link to the ‘Complaints, Compliments and Suggestions’ page on the home page of the ATO website and there would be merit in including a link (on the Complaints, Compliments and Suggestions page) to the page dealing with lodging objections to decisions.⁸⁶

4.34 In terms of access, complaints can be made in a number of ways—by completing an online complaints form, by telephone, by facsimile, by mail or face-to-face. In 2012–13, 70 per cent of complaints were lodged by telephone, a slight fall on the percentage of complaints lodged by telephone in the previous year (see Table 4.1). Around 19 per cent of complaints were received by complainants completing an online form, which was then sent to the ATO.

85 ATO, available at <<http://www.ato.gov.au/About-ATO/About-us/Contact-us/Complaints,-compliments-and-suggestions/Complaints/>> [accessed 26 November 2013].

86 Until June 2013, when there was a major upgrade to the ATO’s website, there was a direct link to the Complaints page on the website’s home page. Links to the complaints page are now provided on other pages, ‘Correct a mistake or dispute a decision’ or ‘About us’, both of which are accessible from the home page.

Table 4.1: Complaints received by the ATO by channel, 2011–11 to 2012–13

Channel	Year					
	2010–11		2011–12		2012–13	
	Number	%	Number	%	Number	%
Telephone	36 434	76.4	27 428	72.1	18 427	69.7
On-line forms	7 691	16.1	6 706	17.6	4 891	18.5
Correspondence	1 503	3.2	1 214	3.2	1 038	3.9
Tax agent portal	1 307	2.7	2 044	5.4	1 604	6.1
Facsimile	664	1.4	596	1.6	465	1.8
Other	105	0.2	49	0.1	6	0.0
Total	47 704	100.0	38 037	100.0	26 431	100.0

Source: ATO.

Complaints from tax agents

4.35 Within the telephone channel, there is a separate line for the lodgement of complaints by tax agents, although these calls are channelled through the same complaints hotline. Up until 30 June 2012, the majority of complaints from tax agents were managed by the Tax Practitioner Service (TPS) in the Tax Practitioner and Lodgement Strategy BSL. These were complaints that were made by tax agents and where the tax agent had already attempted to have the issue resolved with another area of the ATO, or the complaint met the criteria for an ATO Complaints review.⁸⁷

4.36 Table 4.2 shows the number of complaints managed by TPS over the past five financial years. In 2011–12, 11 550 received complaints (30 per cent of the 37 881 BSL-managed and TPS complaints) were managed by the TPS, but complaints received from tax agents almost halved between 2010–11 and 2011–12. The ATO advised that this was because issues related to the ATO's Change Program were resolved.

⁸⁷ This process is distinct from complaints raised about tax agents. Where the ATO has concerns about the behaviour or actions of a tax practitioner, these complaints will be considered by the ATO, usually through the relevant BSL, and if appropriate, referred to the Tax Practitioners Board for regulatory assurance purposes. Where taxpayers have a complaint about a tax practitioner, they are advised to contact the Tax Practitioners Board directly.

Table 4.2: Complaints managed by Tax Practitioner Services, 2008–09 to 2012–13

	2008–09	2009–10	2010–11	2011–12	2012–13 ¹
Complaints received	14 196	22 992	21 420	11 550	1
Complaints finalised	14 038	20 757	23 454	11 744	212

Source: ATO.

Note 1: The single complaints handling process was introduced 1 July 2012. TPS continued to handle cases that it had on hand at 30 June 2012.

4.37 Under the arrangements that applied until 30 June 2012, TPS complaints were referred to a case manager within TPS. The case manager would then allocate the case to a resolver in the relevant BSL. While the case manager retained responsibility for managing and coordinating the progress of the complaint, the BSL resolver had responsibility for resolving the issues raised in the complaint.

4.38 On 1 July 2012, the ATO introduced a single complaints handling process for taxpayers and tax practitioners. This new process removed steps in the complaints process for tax practitioners so that they can now directly liaise with the person resolving their complaint, who is generally within the relevant BSL. The revised process has led to a reduction in the average time taken to resolve a complaint from a tax practitioner, from 19.8 days in 2011–12 to 14.7 days in 2012–13.

4.39 The ATO conducted a post-implementation review of the single complaints handling process in 2013, in which the views of a sample of 46 tax agents were sought on the new arrangements. The review found that, while there had been an improvement in the handling of complaints from agents, some respondents considered more could be done particularly regarding the timeliness of resolutions. A number of respondents reported that their complaints had not been resolved in a timely way and that it had been necessary for them to follow up on the action being taken in relation to their complaints. Delay in the resolution of complaints was also an issue that was reported to ANAO by organisations that it consulted (see paragraph 4.12). This suggests that expediting the handling of complaints from tax agents will assist in improving the satisfaction of tax agents with the way complaints are handled.

Responsiveness

4.40 A complaints handling system must be responsive to the needs of all complainants. This includes clients with special needs, such as clients from non-English speaking backgrounds, those with disabilities and Indigenous clients.

4.41 Clients who are deaf or have a hearing or speech impairment are advised on the ATO's website to call the ATO through the National Relay Service. Clients from non-English speaking backgrounds need to arrange for a telephone interpreter to be available, as the ATO does not have a multi-lingual service. TTY phones (text telephones) can also be arranged through the interpreter service. Taxpayers, including Indigenous clients, can nominate people (such as family members, agents, friends and non-government organisations) to act on their behalf.

4.42 A large proportion of taxpayers rely on tax agents to act on their behalf. For example, in 2011–12, 73 per cent of individual taxpayers lodged their return through a tax agent.⁸⁸ Tax agents therefore play a significant role in assisting a wide range of taxpayers, including those with special needs. However, as noted at paragraph 4.8, the 2012 Tax Practitioner Research survey found that there was a relatively low level of satisfaction with the way that the ATO listens and responds to complaints from tax and business activity statement agents. The post-implementation review of the single complaints handling process (paragraph 4.39) also found that more could be done particularly regarding the timeliness of resolutions.

4.43 The ATO advised that some complainants behave unreasonably, for example, by acting rudely or aggressively or by acting in a harassing way, such as by persistently contacting the ATO about a complaint, without first providing it with an opportunity to resolve the complaint. In such circumstances, BSLs advised that they will provide support to customer service representatives or resolvers. The ATO advised in June 2013 that it was updating its policy on handling unreasonable complainant behaviour.⁸⁹

⁸⁸ ATO, *Annual Report 2011–12*, p. 41.

⁸⁹ The revised policy is to be based on the model policy developed by the NSW Ombudsman's Office, on behalf of the Commonwealth Ombudsman and state and territory ombudsmen. Ombudsman NSW, *Unreasonable Complainant Conduct Model Policy*, February 2013.

Efficiency

4.44 Having a good understanding of the cost of handling complaints not only assists agencies in allocating resources to efficiently handle complaints, but also helps them to appreciate the resources that could be otherwise deployed by preventing complaints. The ATO has attempted on a number of occasions to determine the overall cost of its complaints handling process. However, past attempts have not been successful. Consequently, for the purposes of the audit, the ANAO has made an estimation of these costs for 2012–13, based on information provided by BSLs.⁹⁰

4.45 The scope of the cost of handling complaints includes all direct employee costs (salary and superannuation, long service leave and training on-costs) in the relevant BSLs performing complaints handling activities, including complaints support, in 2012–13. Indirect management and administration costs incurred within each of the relevant BSLs, the additional cost of maintaining the client relationship system and the associated depreciation costs, and corporate support functions and overheads were not included. Activity costs estimated by the ANAO are based on BSL estimates of the proportion of effort expended by each staff classification level across the six activities in which they advised they were involved.⁹¹

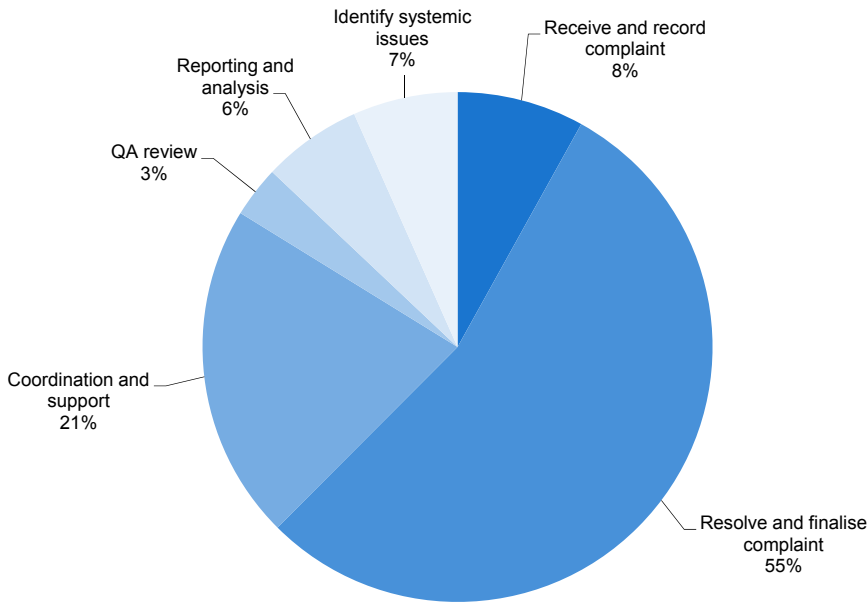
4.46 The total direct employee costs captured across the ATO for the complaints handling process in 2012–13 was estimated at \$16.16 million and total full time equivalent staffing number at 179.6. Primary activities accounted for \$10.1 million or 62.5 per cent of the costs and \$6.06 million or 37.5 per cent for the support activities. The dedicated support functions accounted for \$1.57 million or 9.7 per cent of the total costs. The average total unit cost per complaint was \$611, based on \$16.16 million of total costs and 26 431 complaints received. However, the average unit cost of the primary activities (that is, without the support activities) was \$382 (based on the total

90 While the ANAO endeavored to ensure that BSLs provided their data accurately and consistently, it is possible that there were some differences in the way that BSLs calculated resource usage relating to complaints, particularly as this was the first completed estimate of the cost of complaints handling across the ATO.

91 Of the six activities costed, two were primary activities (receive and record complaints) and four were support activities (identify and investigate systemic issues; coordination and support; reporting and analysis; and quality assurance reviews).

volume of complaints).⁹² Figure 4.3 illustrates complaints handling activity costs.

Figure 4.3: Complaints handling activity costs



Source: ANAO analysis.

4.47 The cost of handling complaints will vary depending on the level of complexity of the complaint. The ATO does not have standard definitions of simple and complex complaints. However, BSLs were asked to make their own assessments of the numbers of complaints that were simple, or relatively straightforward to resolve, and complex, or more difficult to resolve. Overall, they reported that they considered that 18 per cent of complaints were ‘simple’ and 81 per cent were ‘complex’, with the remaining one per cent being resolved at the first point of contact.

4.48 It is important to understand the downstream implications of introducing changes to tax policy, systems and processes. These changes tend to have a detrimental impact on service standards, which in turn increases the number of complaints and cost of complaints handling. As shown in Table 1.1,

92 Client Account Services; Customer Service and Solutions and the CSS Hotline; Debt; and Micro Enterprises and Individuals accounted for 72 per cent of the total costs and 92 per cent of the volume of complaints.

the number of complaints in recent years peaked at 47 704 in 2010–11, before declining to 26 431 in 2012–13. The peak in the number of complaints in 2010–11 occurred because of policy and administrative changes implemented by the ATO. If the number of complaints in 2012–13 had been the same as in 2010–11, the ATO would have incurred additional employee costs of around \$8.13 million (that is 21 273 @ \$382) to manage the workload. Similarly, addressing the root causes of some complaints so that they do not occur in the first place can realise savings.

4.49 It is also important to note that, generally, taxpayers have contacted the ATO a number of times to try to resolve their issue before they complain. For example, in a study of understanding complainant behaviour in April 2013, the ATO identified in relation to ‘debt and payments’ issues that 88 per cent of complainants had contacted the ATO before making a complaint about their issue, with an average of 8.9 calls each. This repeat contact costs the ATO, but is not reflected in the cost of handling the complaint. There is also the potential for a negative impact on compliance if the taxpayer feels that they have received bad service from the ATO and, more generally, on the reputation of the ATO.

4.50 There would be merit in the ATO monitoring the cost of complaints handling by BSLs to help ensure that complaints handling and prevention is managed as efficiently as possible. The ATO has, in its Complaints and Compliments Reengineering Project, identified a need to develop an analysis model to enable it to monitor the cost of complaints to enable it to make better decisions on issues requiring priority attention.

Integration of complaints handling with other ATO activities and other review mechanisms

4.51 The handling of complaints needs to be viewed as an integral part of the business of an organisation. That ATO has done this, with most BSLs in the ATO having separately identified units to manage their complaints, in addition to having a separately identified unit within the ATO to provide overall coordination and management of complaints.

Arrangements for receiving complaints

4.52 In earlier years, the ATO had service level agreements in place between ATO Complaints (the corporate owner of complaints) and the Customer Service and Solutions BSL for the receipt of complaints by the Customer

Service and Solutions hotline. These agreements had a performance improvement focus and set out expectations between the two areas. However, these agreements have since lapsed and no service level agreement currently operates, although the hotline still receives the complaints.

4.53 In 2012, the Customer Service and Solutions BSL decentralised the complaints call centre. Before the decentralisation, all complaints were captured at the one call centre site in Penrith by approximately 25 customer service representatives who had a depth of experience in complaints work. After the decentralisation, complaints were spread across four sites and approximately 125 customer service representatives. This decentralisation had the advantage of expanding the periods in which complaints could be lodged through the complaints hotline (including through different time zones and state public holidays), but has posed challenges for obtaining timely feedback on complaint issues.

4.54 Decentralisation has also made it more difficult to manage and alert complaints staff about unreasonable complainant behaviour. This problem has been somewhat alleviated by having the matter escalated to the relevant team leader. ATO Complaints also conducts weekly phone hook-ups with call centre team leaders and a relationship manager role was established within the Customer Service and Solutions BSL to facilitate communication between ATO Complaints and complaints hotline staff.

4.55 There would nevertheless be merit in reinstating a service level agreement between ATO Complaints and the Customer Service and Solutions BSL. This would allow ATO Complaints to be assured that decisions made by the Customer Service and Solutions BSL do not impact adversely on the quality of complaint capture and handling in the ATO.

Complaints to the Treasurer and Assistant Treasurer

4.56 Complaints received via the Treasurer's or the Assistant Treasurer's offices are not handled in the same way as other complaints. For the most part, where a person writes to the Treasurer or Assistant Treasurer with a complaint, the ATO will propose a written response to the complainant for the Treasurer or Assistant Treasurer. Some BSLs may contact the complainant in preparing the response and, where possible, will seek to resolve the matter. However, the ANAO was advised that in most cases complainants are likely to have had previous contact with the ATO about their complaint. Although the

case may be reviewed as a result of the correspondence, there may be little more that the ATO can do about the matter.

4.57 Complaints received via the Treasurer or Assistant Treasurer are not recorded as complaints. Instead, they are recorded as ministerial correspondence in the Parliamentary Workflow System, used by all Australian Government agencies.⁹³ A note of ministerial correspondence being received from a client may be made in the client relationship system, but this does not usually occur. There would be merit in a record of the ministerial correspondence also being made in the client relationship system, as this would provide a whole-of-client picture of contacts with the client. It would also enable complaints made through ministerial correspondence to be included in the numbers of complaints reported by the ATO. The ATO advised in November 2013 that it has started implementing the better capture of ministerial correspondence in the client relationship system.

4.58 The ATO advised that BSLs aim to finalise 95 per cent of their input to ministerial correspondence within 10 business days. These are then submitted to the Treasury to provide to the Treasurer or Assistant Treasurer. While responses to ministerial correspondence may take longer than 15 business days for a response to be finalised, there would be no need to exclude complaints to ministers from reporting against the performance target for complaints handling resolution. This is because the ATO currently only aims to resolve 85 per cent of complaints within the 15 business day performance target, as it is too difficult to resolve some complaints in this timeframe.

Integration with other review mechanisms

4.59 The Taxpayers' Charter commits that, when the ATO makes a decision about a person's affairs, it will explain how that person can get the decision reviewed and tell the person if there are time limits. There are several ways in which a taxpayer can request that the ATO review a decision. These include a review process provided for in the law, a review done as good administrative practice under the Charter, a complaint investigation and a simple check to ensure that an obvious mistake has not been made.⁹⁴ There is also a separate

93 The ATO advised that it had received an average of around 754 pieces of ministerial correspondence per year in the past three years and that most of these would have been complaints from taxpayers. The figures for the past three years were: 1004 in 2010–11; 718 in 2011–12; and 539 in 2012–13.

94 Corporate Management Practice Statement PS CM 2007/01, *Respecting Clients' Rights of Review*, 22 May 2013, para. 32.

review of debt remission decisions.⁹⁵ The ATO has advised that complaints not related to tax affairs such as complaints from contractors are dealt with in a variety of places including in consultative forums and through ministerial correspondence.

4.60 It is important that taxpayers understand the various review options available to them. Recent changes to the ATO's website have gone some way to explaining the review mechanisms, because there is now a page, linked to the ATO's home page, 'Correct a mistake or dispute a decision', that lists the review mechanisms and provides a link to the ATO's complaints and compliments page.⁹⁶

4.61 In some cases, a complainant may have lodged a complaint, when it may have been more appropriate for them to lodge an objection. As part of this audit, the ANAO reviewed 387 complaints cases in greater detail. For 43 (11 per cent) of these complaints, the complaint trigger was listed as 'Disagree with decision'. Of the 43 complaints, 16 (37 per cent) were upheld, 25 (58 per cent) were not upheld and two (five per cent) were withdrawn.⁹⁷

4.62 In reviewing these 43 complaints, the ANAO assessed the complaints issues to determine whether it would have been more appropriate for the taxpayer or tax practitioner to lodge an objection. In 12 cases, it appears that the complainant may have actually wanted to lodge an objection to a decision, rather than a complaint. In some cases, the complaint resolver was able to explain the original decision to the complainant's satisfaction and closed off the complaint. In two cases the complainant was advised to lodge an objection. There would therefore be merit in the ATO reviewing the information it provided to taxpayers and staff about when to lodge an objection or make a complaint.

95 While complaints are generally not about ATO decisions, client dissatisfaction about decisions not to remit tax penalty or interest charges can be considered as a complaint.

96 As there is now no reference to complaints on the ATO's home page, there would be some merit in renaming the link on the home page as follows: 'Correct a mistake, dispute a decision or make a complaint'.

97 In a number of complaints, it was unclear why the complaint had been classified by the ATO as 'Disagree with decision', suggesting that there would be value in providing guidance to staff on the correct classification of 'Disagree with decision' complaints. For instance, one complaint had lodged an objection in relation to her tax return because of what she believed was an ATO error. However, she was complaining because she had not heard back from the ATO by the date she was given. 'Timeliness—Decision making' would have been a more appropriate trigger.

Staff handling complaints

4.63 Figure 4.2 provides details of complainants' perception of the professionalism of ATO staff, as reported in the Professionalism surveys in May 2011, May 2012 and May 2013. ATO Complaints staff performed highly under the 'Respectful and courteous' category (80 per cent in May 2013), but there would appear to be scope for improvement in other categories, such as 'Understood needs' (57 per cent), 'Sufficient understanding of issues' (58 per cent) and 'Willingness to explain rights' (65 per cent).

4.64 Skilled people are needed to effectively handle complaints. When a person initiates a complaint, it is usually as a result of significant frustration with the way the ATO has handled a matter. The ATO recognises that only certain staff should receive complaint calls. This particularly applies to complaints hotline staff, who are the first point of contact that a complainant has with the ATO and who may also be able to resolve complaints at the first point of contact. It is therefore important that the more experienced and skilled staff handle complaints, and the ATO advised the ANAO that such staff handle complaints calls. The ATO also advised that complaints handling staff are provided with ongoing feedback on their performance in handling complaints, with a view to improving their skills in handling complaints effectively.

4.65 It is also important that complaints staff receive appropriate training in the handling of complaints. As at September 2013, three training courses were run by the ATO's centralised Learning and Development area and a number of others were being developed. Details of the courses and the number of participants during 2012–13 are presented in Table 4.3.

Table 4.3: Learning and Development courses 2012–13

Course name and description	Number of participants
Client Service Skills, Challenging Calls: This course was offered to telephony staff (front line) and was part of their overall induction. The relatively large telephony workforce and the overall staff 'churn' reflected the greater degree of investment in training in complaints handling for this function. There were over 1100 ATO employees whose title fitted within the functional category of telephony.	367
Complaints and Feedback, how to action: This course was aimed at officers who were required to escalate complaints within the ATO.	46
Identifying Complaint Issues: The course was aimed at officers who undertook research into complaints and synthesised this information to help examine the ATO's administrative processes. Each major area of the ATO has data analytics, risk assessment and reporting functions that may play a role to differing degrees in the examination of complaints and causality.	34

Source: ATO advice.

4.66 Before 2010–11, ATO Complaints was responsible for developing training materials and working with the BSLs in the delivery of this training. This meant that it had carriage of the training and was able to be involved in the delivery of the training, either directly or by training staff in the BSLs to deliver the training. However, since then, responsibility for the delivery of training in complaints handling has been transferred to the ATO's Learning and Development area.

4.67 The ANAO received feedback from ATO Complaints in June 2013 that, following this change, opportunities for its involvement in the training of new complaint hotline staff had been limited. For example, ATO Complaints staff could have assisted in the training of hotline staff when the Customer Service and Solutions BSL decentralised complaints call handling from a single site in Penrith, NSW, to four call centres in Penrith, Melbourne, Chermide and Perth. They were not involved, despite the fact that they are highly experienced in complaints handling issues and were located only a short distance from one of the centres. ATO Complaints also advised that it had not been involved in approving training materials relating to complaints handling since responsibility for this function had been transferred to Learning and Development.

4.68 Subject to resource availability, the opportunity could also be taken for ATO Complaints staff to be involved in training trainers. This would help to ensure that the training that is being delivered meets the ATO's national expectations in the way that complaints are handled.

4.69 In addition to the formal training that is provided for complaints handling staff, it is important that on-the-job training and development is provided. The ANAO was advised by BSLs that this feedback is provided as issues come to light, through monitoring of complaints calls, quality assurance checks of complaints handling and other routine supervision of staff.

4.70 The Customer Service and Solutions BSL advised that it was reasonably straightforward to provide feedback to staff and communicate with them on complaint issues that had come to light when complaints handling had been centralised in Penrith. This had become more challenging following the decentralisation of complaints call handling over four centres. One of the reasons for this is that complaints handling staff are not co-located in each of the four call centres. In discussions at one of the centres, it was agreed that there would be merit in co-locating complaints handling staff, as this may assist in developing complaints handling skills in the team and in more quickly communicating issues that arise on a daily basis. This may also assist in providing support to hotline staff. ATO Complaints also advised that it is considering developing a consolidated electronic complaints site to help disseminate information among staff handling complaints.

Conclusion

4.71 Research into stakeholder perceptions of the ATO indicated a strong decline in satisfaction with its complaints handling in early 2012, which has subsequently returned to reasonable levels. These results followed a dramatic increase in the number of complaints in previous years. They also emphasise the importance of the ATO avoiding such spikes in complaint numbers in the future, and preferably continually reducing the number of complaints.

4.72 The ATO has been taking steps to improve the application of better practice principles for handling complaints outlined by the Ombudsman, although there remains scope for improvement.

4.73 While the ATO has effective procedures in place to support the impartial examination of a complaint, the ANAO identified a privacy risk regarding the handling of named officer complaints. To further strengthen processes to demonstrate the fair handling of cases, where a complaint is not upheld the ATO should advise complainants in writing of the outcome of their complaint and of their review rights or require that a file record be made of the advice provided orally to complainants on these matters. There are also some relatively minor potential improvements to the accessibility and

responsiveness of the ATO complaints handling arrangements, such as placing a direct link to the complaints page on the ATO homepage and reviewing its policy on managing unreasonable complainant behaviour. The ATO advised that it is reviewing this policy.

4.74 The ANAO estimated that the average total unit staffing cost per complaint was \$611 in 2012–13, or \$382 per complaint when staff support costs are excluded. Ongoing monitor of the cost of complaints handling by BSLs would help ensure that complaints handling and prevention is managed as efficiently as possible. The need to develop a model to analyse the cost of handling complaints has also been identified in the context of the Complaints and Compliments Reengineering Project.

4.75 Complaints received through ministers' offices are currently not integrated with complaints received through the complaints hotline, and consequently there would be merit in better integrating these processes. The ATO has indicated that it has begun work to this end.

4.76 It is also important that the ATO staff communicate clearly to taxpayers which mechanism is most appropriate for taxpayers to use when they disagree with a decision—a complaint or an objection. Specific staff training could be useful in this regard. More generally, involving ATO Complaints in the development and delivery of complaints related training would strengthen the capability of ATO staff to handle complaints.

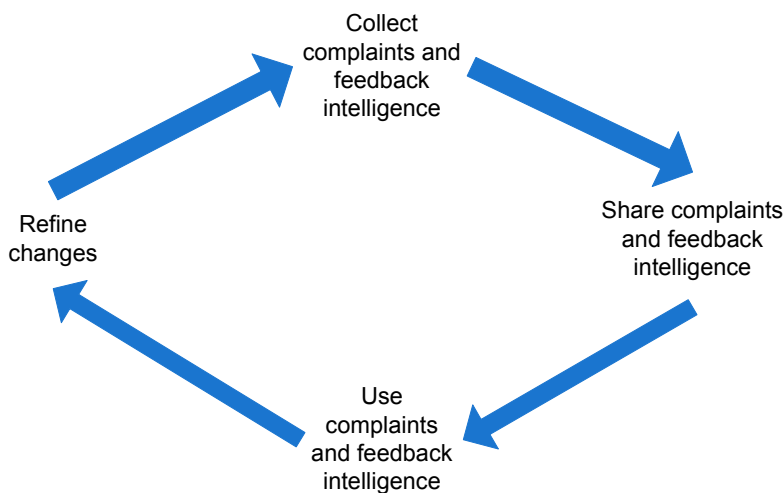
5. Using Complaints and Other Feedback to Improve Service Delivery

This chapter examines the ATO's use of complaints and other feedback intelligence to improve service delivery and administration.

Introduction

5.1 Complaints and compliments are valuable sources of business information. They can help inform an organisation on what is working well and where the organisation may need to improve its service delivery, services or administration. Element 5 of the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* stresses this point, stating that agencies should analyse complaints data to determine what is going wrong and what can be improved.⁹⁸ Figure 5.1 illustrates the feedback loop between the analysis of complaints data and improvements to service delivery and client satisfaction.

Figure 5.1: Feedback loop for analysing complaints data to improve services



Source: Based on Mind Tools, *Managing Complaints and Feedback: Improving the way that you do things*, <<http://www.mindtools.com/pages/article/managing-complaints.htm>> [accessed 24 September 2013].

98 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, 2009, pp. 27–28.

5.2 Some complaints deal with occasional or ad hoc breakdowns in service delivery that do not reflect any systemic weakness in ATO programs or services. However, other complaints may suggest the need for changes in the ATO's policies or procedures and are systemic in nature.

5.3 The ANAO examined how the ATO captures and uses intelligence on complaints and other feedback to improve its programs and services.

Collecting and sharing intelligence on complaints and other feedback

Capturing intelligence

5.4 The ATO has implemented processes to capture information relating to complaints, although, as noted at Table 3.4 and paragraphs 3.32 to 3.35, there is scope to improve the accuracy, consistency and completeness of the capture of this information.

5.5 The ATO also recognises the importance of identifying systemic issues. Systemic issues that it seeks to identify and resolve are those that:

- adversely affect the experience of more than one taxpayer or practitioner
- have the potential to put community confidence at risk. They are the type of issues that staff may come across and think
 - 'this problem has come up before'
 - 'this issue is going to affect lots of clients'
 - 'does this represent the easiest, cheapest and most personalised service that we can deliver to our clients?'⁹⁹

5.6 The ATO seeks to identify systemic issues in a number of different ways, including by:

- complaint owners/resolvers flagging issues in the work management component of the client relationship system when they complete the 'Complaint Finalise' template on completion of a complaint, where the complaint is upheld or partially upheld (although this information is

99 ATO, *Systemic issues procedural guide*, p. 1.

not being used in a comprehensive way to identify issues for possible further analysis);

- feedback received by ATO Complaints—including issues forwarded by staff completing an online feedback form¹⁰⁰;
- examining possible systemic issues raised with the ATO by the Ombudsman; and
- analysis of complaints data by the ATO.

Sharing intelligence on complaints and other feedback

5.7 Complaints information can provide an agency with a picture of weaknesses in existing programs, policies, and service and program delivery.¹⁰¹ As such, regular and accurate reporting on complaints is necessary to prompt an agency to monitor emerging trends and respond accordingly.¹⁰²

5.8 As discussed at paragraphs 2.35 to 2.38, ATO Complaints compiles detailed monthly reports on complaints and other feedback across the ATO from the templates used in the work management component of the client relationship system to record details of complaints. These reports are distributed to the ATO's complaints network and allow ATO Complaints, as well as others, to monitor complaint volumes, trends and issues and the performance of the complaints system. However, there would be merit in these reports also being considered by relevant corporate management committees to help ensure that problem areas and emerging issues that are identified in the reports are addressed at a senior management level. There would also be benefit in the ATO analysing the compliments and other feedback it receives to identify areas of positive feedback and opportunities for further improvement.

5.9 Complaints intelligence is also discussed at the National Complaints Forum (see paragraphs 2.51 to 2.53). The ANAO reviewed the minutes of the Forum between September 2011 and March 2013. Issues discussed included: intelligence about the operation of the complaints handling system; feedback from the Ombudsman's office; and intelligence from complaints and other

100 There is an online form for notification of systemic issues arising from complaints.

101 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, p. 32, available from <<http://www.ombudsman.gov.au/docs/better-practice-guides/onlineBetterPracticeGuide.pdf>> [accessed 3 October 2013].

102 *ibid.*, p. 13.

feedback to the ATO. There was also evidence that the complaints network had considered some of the potential tax time complaints issues before tax time. However, the Forum is not a decision making body. Rather, it is essentially a mechanism for information sharing at an operational level among ATO complaints handling staff. There would therefore be merit in the Forum identifying options for improving the handling and prevention of complaints which it considers should be escalated to senior management for further consideration.

Using information on complaints to improve services and increase efficiency

5.10 While sharing intelligence through the Complaints Forum and other complaints information sharing mechanisms is valuable, how it is used to improve services and prevent complaints from occurring in the first place is particularly important. This requires a good understanding of the causes of complaints and anticipating and being in a position to identify when complaints are likely to increase, unless corrective action is taken.

Identifying the causes of complaints

5.11 Since November 2011, the ATO has been recording complaint ‘triggers’ and complaint ‘issues’ to determine the causes of complaints. The capture template records what prompted the complainants to lodge complaints, while the issues template captures underlying complaint issues. For example, a complainant may have experienced difficulties in contacting the ATO about a refund delay. In the light of these access difficulties, the taxpayer may have been prompted to make a complaint. The access difficulties are the complaint trigger or cause, although the underlying issue is the refund delay. Complaint triggers are identified when a person first makes a complaint and complaint issues are identified during the resolution of the complaint.¹⁰³

5.12 There are currently 13 triggers used by the ATO. The most common trigger relates to ‘processing’, that is, the time taken to process an assessment, amendment, refund, replacement cheque, registration or other similar taxpayer

¹⁰³ Complaint issues are captured either through the First Contact Resolution template or through the Issues template.

request. Disagreements with decisions are also common causes of complaints. Triggers recorded during 2012–13 are outlined in Table 5.1.

Table 5.1: Triggers recorded in 2012–13

Trigger	Number	Per cent
Timeliness – processing	10 588	40.6
Disagree with decision	3 092	11.9
Timeliness – failed escalation	2 251	8.6
Dissatisfaction with ATO policy	1 761	6.8
Quality of advice	1 568	6.0
Other	1 546	5.9
Timeliness – response	1 189	4.6
Access – systems	986	3.8
Access – telephones	964	3.7
Advised to complain	873	3.3
Staff behaviour	810	3.1
Timeliness – decision making	289	1.1
Unreasonable information request	144	0.6
TOTAL	26 061	100.0

Source: ANAO analysis of ATO data.

Note: The total number of triggers does not equal the total volume of complaints (26 530), because the ATO could not determine triggers for all records.

5.13 There are 11 high-level issue categories, with more detailed sub-categories under each category. The three most common issues for complainants in 2012–13 were: registrations (22.5 per cent); form processing (18.5 per cent of complaints); and account management (15.7 per cent). The details for 2012–13 are presented in Table 5.2.

Table 5.2: High-level issues recorded in 2012–13

Issue	Number	Per cent
Registrations	8 073	22.5
Form processing	6 635	18.5
Account management	5 626	15.7
Audit and review	3 332	9.3
Debt and payments	3 265	9.1
Guidance and information	3 139	8.7
Telephone and electronic access	2 083	5.8
Interpretative assistance	1 275	3.5
People and privacy	1 115	3.1
Lodgements	770	2.1
Penalties	611	1.7
Total	35 924	100.0

Source: ANAO analysis of ATO data.

Note: The total number of issues exceeds the total volume of complaints (26 530) because a single complaint can have several complaint issues.

5.14 The high-level issue may not always provide enough information to readily identify or address systemic issues. However, when combined with level two and three issues, it can be more obvious what issues are causing complaints. For example, the ‘registrations’ high-level issue could refer to a number of registration problems but, when combined with the level two and three issues, it becomes clearer where there are problems. For example, in June 2013 the top three issues related to registrations were:

- registrations – Australian Business Number (ABN) & AUSkey¹⁰⁴ – not received (ABN);
- registrations – ABN & AUSkey – registrar cancellation¹⁰⁵; and
- registrations – Tax File Number – not received.

104 AUSkey is a common authentication solution for business-to-government online services. Rather than needing different user IDs and passwords to access each online service that are used on behalf of a business, AUSkey will give the user access to all participating online services.

105 ABN and AUSkey registration issues are considered further in Figure 5.3.

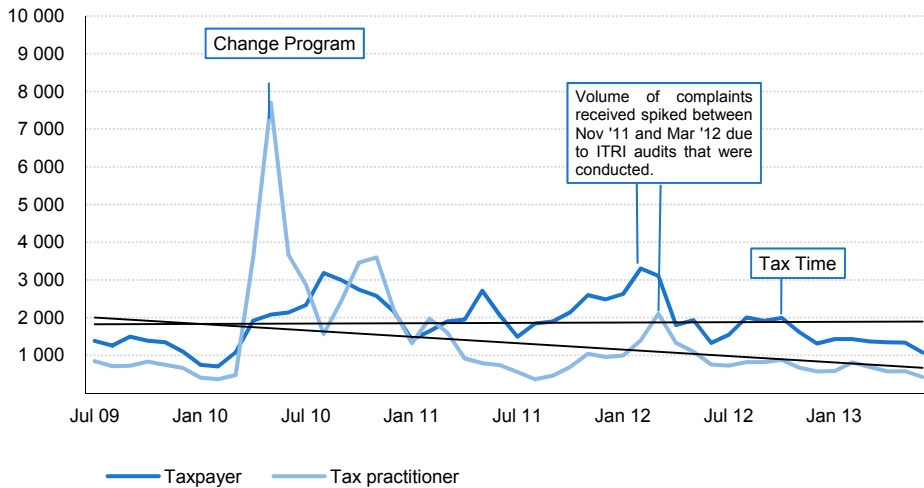
5.15 ATO Complaints includes information in its monthly reports on emerging complaint issues. However, it is important that these issues are then addressed. Addressing the underlying causes of the complaint triggers and complaint issues would both reduce the number of complaints that the ATO receives, as well as improve the efficiency of ATO operations. As the monthly reports are not routinely considered by senior management committees, there is no assurance that emerging issues will be addressed.

Identifying when complaints are likely to increase

5.16 The ATO regularly monitors the stocks and flows of complaints and other feedback. In relation to complaints, the ATO monitors the numbers received, finalised and on hand. This is also broken down by area, channel, and by taxpayer and tax practitioner complaints. Breaking the data down enables the ATO to track performance compared to previous months and previous years. It is, for example, useful to determine if complaint numbers are lower, higher or around the same as for previous years. This helps the ATO identify emerging issues.

Increases in complaints at tax time and when major changes are implemented

5.17 Examination of complaints data for the ATO indicates that complaints have increased during tax time each year (July to October) and when major systems or process changes are being implemented. Complaint numbers for the years 2009–10 to 2012–13 are shown in Figure 5.2. The data show a fairly consistent pattern of taxpayer generated complaints (dark blue line), with these complaints generally increasing around tax time as individuals engage more with the ATO to submit their income tax returns.

Figure 5.2: Finalised complaints, monthly from 2009–10 to 2012–13

Source: ANAO analysis of ATO data.

5.18 Between April 2010 and April 2011, complaints from tax agents spiked due to issues relating to 'forms processing'. On average, the ATO received 2246 complaints per month in relation to forms processing over this period, compared to 427 per month for this issue over the previous year. Predominantly, complaints spiked because of processing delays due to systems problems caused by the ATO's Change Program. After adjusting for this large increase in 2010 and 2011, tax practitioner complaints have for the most part followed a similar pattern to taxpayer complaints.

5.19 In 2011–12, there was another spike in the number of complaints at tax time that was partly caused by delays in processing income tax returns caused by audit review activities (mentioned in Figure 5.3). In 2012–13, to reduce the number of such complaints, the ATO changed the way in which these audit review activities were conducted.

5.20 The ATO can reasonably predict when there are likely to be spikes in the number of complaints and implement strategies to minimise these spikes, such as the implementation of major changes and tax time, driving efficiency improvements (indicative cost savings for each complaints are outlined at paragraph 4.46). The ATO has done this to some extent, as it did in tax time for 2012 with its audit review activities, following the lessons learnt from similar review activities in 2011. However, spikes in complaints have still occurred at tax time as a result of some changes, which may have been avoided by better planning.

5.21 By way of illustration, in July 2013, the ATO experienced an increase in complaints, which was driven not just by tax time activity but also by a decision of the ATO to cease providing tax packs through newsagents. Instead, taxpayers were encouraged to request a copy of the tax pack from the ATO website (which was difficult because of 'teething problems' following an upgrade of the website) or to contact the ATO to request that a printed copy of the tax pack be sent to them. As a result, the ATO received complaints about this issue (approximately 283 complaints had been received by 31 August 2013), indicating a negative impact on the overall experience for taxpayers. The ATO then issued a letter to a targeted pool of 43 000 taxpayers to provide information about how they could receive a tax pack. Making better use of the complaints network's expertise in devising implementation strategies, such as the targeted letter that was eventually sent out, may have led to a smoother introduction of this change and a reduction in the number of complaints related to the change.

5.22 Recognising the importance of tax time, the ATO has established a corporate committee, the Tax Time Nerve Centre (the nerve centre), to oversee the annual tax time peak (July to October) and it meets regularly during this period.¹⁰⁶ The role of the nerve centre is to identify risks and devise solutions to those risks and to provide assurance to the ATO Executive that tax time processing is being effectively implemented and managed. The nerve centre was established in June 2010 and has continued to operate since then. Members of the nerve centre are mostly from the ATO's Senior Executive Service, making this body a decision-making authority.

5.23 Both the Assistant Commissioner of the External Relations and Conformance Branch and the Director of the Charter, Complaints and Feedback Unit attend the nerve centre to report on emerging issues identified from complaints and other feedback. The nerve centre provides an opportunity to respond to complaints that are occurring at the time. However, as illustrated in paragraph 5.21, it is important for the ATO to implement strategies to prevent complaints occurring in the first place, particularly when any major change in practice or procedures is being implemented.

106 During Tax Time 2013 the nerve centre first met on 25 June 2013, then on 27 June, and then daily until late July. Meetings were then rolled back to twice a week. Weekly meetings commenced in late August, and are expected to continue until the end of October 2013.

5.24 The ANAO reviewed the minutes of tax time nerve centre meetings between June and September 2013. The ATO Complaints representatives shared data and intelligence on complaints and other feedback, highlighting problems such as: the ATO's webpage performance; the unavailability of tax packs at newsagents; and the long wait time in contact queues. The nerve centre provides an effective forum to address issues arising from complaints during tax time.

5.25 Because of the increase in complaints that the ATO receives at tax time each year, ATO Complaints prepared reports on complaints that were received in tax time 2012 and 2013. The 2013 report identified the need to ensure that proactive mitigation strategies are in place so expectations are managed in a considered and deliberate way, rather than in a crisis management mode, and to involve complaints experts in decisions.

How the ATO has used complaints information to improve service delivery

5.26 Figure 5.3 provides three examples of how the ATO has used complaints intelligence to improve service delivery.

Figure 5.3: Examples of the ATO's use of intelligence to prevent complaints

Income Tax Refund Integrity (ITRI) program

During 2011 tax time the ATO received a large number of complaints about the Income Tax Refund Integrity (ITRI) program, which automatically stopped refunds being issued if there was a risk of fraud. Based on intelligence from complaints for that year, the ATO made a number of changes to the operation of ITRI and related complaints decreased the following year. Changes included the ATO: adjusting the risk model to reduce the number of items being stopped; customising advice letters and timeframes; providing greater publicity about the purpose of the program; and improving scripting for front line staff.

Authorised contacts for deceased estates

Where a taxpayer has died, the ATO needs to determine who has authority to manage the tax affairs of the deceased taxpayer. This can be straightforward if there is a will and an executor to act on behalf of the estate. However, there are instances where the ATO has to use its discretion to establish the authority of a third party to manage the deceased taxpayer's tax affairs. For example, where: the deceased taxpayer did not leave a will; there are insufficient assets to appoint an administrator; or there is insufficient evidence of authority to act on behalf of the deceased taxpayer.

The ATO receives approximately 60 complaints a year in relation to its handling of these cases. Following an investigation into the matter, the ATO determined that the application of this discretionary function to establish proof of identity and divulge client information was not being applied consistently, and the requirements on a third party to establish authority to act were not consistent between different products areas (such as in relation to income tax returns and payment of unclaimed superannuation money).

Using intelligence from complaints, and in order to remedy inconsistencies, the ATO is: reviewing its policies, procedures and call centre scripting; aligning and simplifying the requirements for third parties relating to deceased estates; developing decision making guidelines; and better communicating information and support material to ATO officers exercising their discretion in these deceased estate cases.

ABN and AUSKey complaints

In 2012–13 there were a number of complaints related to ABN and AUSKey. 'ABN not received' was the number one complaint issue of the year (2703 complaints). However, other issues related to: the reactivation of an ABN; updates to the ABN registration; decisions to cancel an ABN or AUSKey; and decisions to not grant ABNs. In June 2013, the ATO also identified the cancellation of ABNs and AUSKeys as an emerging issue, with this issue having increased in rank by volume of complaints from 64 to two between January 2013 and June 2013.

In a September 2013 submission paper to an internal committee, ATO Complaints and the relevant BSLs advised of work that had commenced or would be undertaken to address complaints related to ABNs/AUSKey. This included: working together to understand workloads and business processes that may be contributing to complaints; reviewing the current arrangements for managing ABN related complaints; exploring first contact resolution options; and investigating ABN related complaints with a view to identifying business process improvements that could reduce client dissatisfaction and complaints.

Source: ATO advice to the ANAO.

5.27 While these examples illustrate that the ATO has effectively used complaints and other feedback intelligence to drive improvements within the organisation, there is scope to do more. Examples include ensuring that ATO Complaints staff are involved in the planning of major changes and by more proactively addressing systemic issues identified in the monthly complaints reports and Complaints Forum meetings.

Initiatives to prevent complaints

5.28 The ATO is taking steps to better anticipate issues and stop them occurring in the first place. Two such initiatives are a study of complainant behaviour and the Complaints and Compliments Reengineering Project, discussed below.

Complainant behaviour

5.29 In 2013, the Operations Sub-plan (now Service Delivery) undertook an intelligence scan of complainant behaviour related to their BSLs. The scan assessed complainants from the Client Account Services, Customer Service and Solutions and Debt BSLs between 1 June 2010 and 31 May 2012 and has potentially wide ranging implications for complaints handling in the ATO because these three BSLs receive the majority of complaints (78 per cent of total complaints in 2012–13).

5.30 The scan aims to get a better understanding of why people complain and how people decide to complain by applying various behavioural theories. To reduce the number of complaints, the intelligence scan suggests that the ATO should provide taxpayers with more information, for example, about processing delays or problems affecting the timeliness of ATO decision making. The study suggests that, if this information were more effectively provided to potential complainants, they are less likely to complain.

5.31 In January 2014, the ATO advised that the intelligence scan had been shared amongst relevant internal stakeholders and decision makers, including risk owners, risk managers and the broader intelligence community across the ATO. The scan has been made available to all staff through the ATO's Intelligence Product Repository so that it can further inform and shape decision making.

5.32 ATO also advised that insights from the scan had been useful in a number of ways, including by informing:

- the broader program of complaints prevention and process improvement. For example, the scan demonstrated that complainants contact the ATO multiple times prior to lodging a formal complaint, which has supported workload management and prioritisation; and
- the design of the complaints intelligence model and reporting dashboard so that more relevant and timely insights into complaint activity are provided to the ATO complaints network and the ATO generally.

Complaints and Compliments Reengineering Project

5.33 The recent review of complaints handling by a consulting firm as part of the reengineering project recommended that the ATO better involve complaints experts in the planning process to pre-empt issues and in policy

and service implementation and design. Using complaints and other feedback intelligence more effectively to improve business practices and service delivery is also a focus in the reengineering project.

5.34 Stream three of the reengineering project relates to the use of complaints intelligence and has five associated tasks: analytical capability; leadership; external relationships; adding value; and establishing a community feedback system.

5.35 Some work that the ATO is undertaking as part of this project is:

- working with BSL complaints staff to develop a process for sharing intelligence and raising emerging issues with stakeholders to prevent recurring complaints;
- providing tools that support BSLs to undertake root cause analysis;
- refining a basic text analysis engine (using spreadsheets). This will allow classification of free text data from a range of community feedback sources against typical complaint scenarios, assisting early detection of emerging issues;
- implementing an enterprise process for managing emerging issues identified from analysis of community feedback; and
- undertaking daily monitoring of data sources such as website visitor comments. This has the potential to provide notification of an issue before complaints are received.

5.36 The ATO advised in September 2013 that there had been limited opportunity to progress work on the project because of resource constraints and tax time, as well as the unusually high volume of Australian Business Number related complaints. In addition, the redesign of the ATO's website had created some problems in relation to the work that could be undertaken on the project as access to general feedback had been limited. However, in December 2013, the ATO advised that work had been progressing on various elements of the project, including: system and template improvements; the broader enterprise feedback system; and developing a survey of complainants, which is expected to be operational in early 2014.

Conclusion

5.37 The ATO has a range of mechanisms in place to compile and share intelligence gained from complaints and other feedback. These include providing whole-of-agency monthly reports on complaints and regular meetings of the National Complaints Forum. While there are instances where the ATO has proactively sought to address systemic issues that give rise to complaints, there is scope for the ATO to better use its complaints intelligence to more proactively address such issues and put in place strategies to minimise complaints occurring in the first place, thereby helping to drive efficiency improvements.

5.38 There is also scope for the ATO to better manage taxpayer expectations. In this regard, an ATO study of complainant behaviour suggests that if the ATO provided taxpayers with more information, for example, about processing delays or problems affecting the timeliness of ATO decision making, they would be less likely to complain about these matters. Similarly, given that a major cause of complaints relates to processing issues, there is scope to examine the reasons for such complaints in an effort to identify changes to processing arrangements that may reduce the number of such complaints.



Ian McPhee
Auditor-General

Canberra ACT
12 February 2014

Appendices

Appendix 1: Agency response



Australian Government
Australian Taxation Office

COMMISSIONER OF TAXATION

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

Dear Ms Cass

RE: AUSTRALIAN NATIONAL AUDIT OFFICE PERFORMANCE AUDIT OF
MANAGEMENT OF COMPLAINTS AND OTHER FEEDBACK.

Thank you for your letter dated 17 December 2013 and for the opportunity to provide comments on the proposed report on the *Management of Complaints and Other Feedback*.

The Australian Taxation Office agrees with the three recommendations as presented in the section 19 report.

Attached is the ATO response to recommendations (Annexure 1) and summary of our comments to be included in the report (Annexure 2).

I would like to thank the Australian National Audit Office audit team for the cooperative and professional manner they have adopted in working with us on this matter. I look forward to continuing the good working relationship developed in this performance audit.

If you require further information on this matter, please contact Jacqui Cristiano, Director, Charter, Complaints and Feedback on (02) 6216 2881.

Yours sincerely

Geoff Leeper
Acting Commissioner
Australian Taxation Office

20 January 2014

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Index

A

Accessibility, 18, 79, 86, 98
Anonymous complaints, 82
ATO Complaint reviews, 17, 58, 64
ATO complaints network, 52
 communication within, 15, 55

B

Business and Service Lines
 complaints handling, 12, 16, 29,
 41–42, 58–59
 escalated complaints, 17, 30, 58,
 62–64, 81

C

Change Program, 12, 30, 35, 48, 87, 107
Commonwealth Ombudsman
 ‘one last chance’ and ‘second chance’
 reviews, 17, 33–34, 66, 74
 ATO-related complaints, 33, 66, 74
 better practice, 14, 18–19, 28, 32,
 36–39, 68–69, 75, 80, 100–102
 investigations, 17, 59, 65
Community perceptions of ATO
 complaints handling, 13, 20, 75–77,
 81, 85, 96–98

Complaints

 causes, 12, 30, 103, 105–107
 channels, 11–12, 18, 86
 definition, 8, 11, 29
 numbers, 12–13, 30

Complaints and Compliments

 Reengineering Project, 13, 32, 51, 74,
 92, 99, 110–111

Complaints handling principles, 14, 18,
 75, 80

Compliments

 definition, 8, 11, 31
 handling, 12, 18, 31, 73
 numbers, 12–13

D

Decentralisation of complaints
 handling, 93, 97–98

E

Efficiency of complaints handling, 19,
 90–92

F

Fairness, 19, 80
 confidentiality, 19, 82
 impartiality, 19, 81, 98
 transparency, 19, 84

Feedback

 definition, 11
 handling, 31, 73, 82
 volumes, 12

I

Information management system, 15,
 33–35, 44, 52, 57–59, 82, 94
 issues tree, 44
 templates, 15, 44, 59

Integration of complaints handling
with other parts of the ATO, 21,
92–95

Intelligence

capturing, 31–32, 70–73, 101
sharing, 15, 102–103, 109–113
using, 21, 92, 103, 106–111

J

Joint Committee of Public Accounts
and Audit, 32–34

M

Management of complaints, 12, 15–16,
29, 39, 40–42

Ministerial complaints, 12, 44, 93–94

N

Named officer complaints, 14, 18–19,
23, 72–74, 82–84, 98

National Complaints Forum, 15, 55–56,
59, 67, 102, 113

O

Objections, 13, 21, 35, 95, 99

P

Performance

framework, 15, 45–46

performance measures, 16, 45–47,
50–51

performance reporting, 16, 23, 47–50,
52–53, 57, 69

Previous audits, 34

Privacy of complaints records, 19, 23,
58, 82–84, 98, 105

Q

Quality assurance, 14, 16, 23, 50, 53–57,
60, 69–70, 73, 98

ANAO examination of ATO
complaints records, 70–73

quality assurance results, 18, 70, 74

R

Responsiveness, 89

S

Staff handling complaints, 96

training, 96–98

T

Tax agent complaints, 87

single complaint handling process,
18, 88–89

Tax Time Nerve Centre, 108–109

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Design and Implementation of the Liveable Cities Program

Department of Infrastructure and Transport

ANAO Audit Report No.2 2013–14

Administration of the Agreements for the Management, Operation and Funding of the Mersey Community Hospital

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Defence Materiel Organisation

ANAO Audit Report No.13 2013–14

Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2013

Across Agencies

ANAO Audit Report No.14 2013–14

Explosive Ordnance and Weapons Security Incident Reporting

Department of Defence

ANAO Audit Report No.15 2013–14

The Indigenous Land Corporation's Administration of the Land Acquisition Program

Indigenous Land Corporation

ANAO Audit Report No.16 2013–14

Administration of the Smart Grid, Smart City Program

Department of the Environment

Department of Industry

ANAO Audit Report No.17 2013–14

Administration of the Strengthening Basin Communities Program

Department of the Environment

ANAO Audit Report No.18 2013–14

Administration of the Improving Water Information Program

Bureau of Meteorology

ANAO Audit Report No.19 2013–14

Australian Taxation Office: Management of Complaints and Other Feedback

Australian Taxation Office

Current Better Practice Guides

The following Better Practice Guides are available on the ANAO website.

Implementing Better Practice Grants Administration	Dec. 2013
Preparation of Financial Statements by Public Sector Entities	June 2013
Human Resource Management Information Systems – Risks and Controls	June 2013
Public Sector Internal Audit	Sept. 2012
Public Sector Environmental Management	Apr. 2012
Developing and Managing Contracts – Getting the right outcome, achieving value for money	Feb. 2012
Public Sector Audit Committees	Aug. 2011
Fraud Control in Australian Government Entities	Mar. 2011
Strategic and Operational Management of Assets by Public Sector Entities – Delivering agreed outcomes through an efficient and optimal asset base	Sept. 2010
Planning and Approving Projects – an Executive Perspective	June 2010
Innovation in the Public Sector – Enabling Better Performance, Driving New Directions	Dec. 2009
SAP ECC 6.0 – Security and Control	June 2009
Business Continuity Management – Building resilience in public sector entities	June 2009
Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Fairness and Transparency in Purchasing Decisions – Probity in Australian Government Procurement	Aug. 2007
Administering Regulation	Mar. 2007
Implementation of Program and Policy Initiatives – Making implementation matter	Oct. 2006

