

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
**POLICY AND PROGRAM DESIGN AND IMPLEMENTATION**  
ANSWERS TO QUESTIONS ON NOTICE

**Agency:** Australian Taxation Office  
**Reference:** Written  
**Topic:** ATO shadow economy program  
**Senator/Member:** Julian Hill MP

**Question:**

1. Has the ATO done work to develop efficiency measures for its program?
2. Has the ATO done further work to understand the 27 per cent underspend discussed in the ANAO's report (Para 3.33)?
3. What lessons have been learnt by the ATO about its approach to program management?
4. Do you think cross-agency program governance could have been strengthened? Why?

**Answer:**

1. We have commenced development of efficiency measures for our Shadow Economy Program. While this work is at an early stage, these measures will monitor the operational efficiency of the resources utilised in the ATO's approach in responding to the shadow economy. We anticipate finalising this work by 30 June 2024.
2. As part of the Shadow Economy Program closure process completed in June 2023, we evaluated expenditure in line with our Policy Program Outcomes Management Plan. No additional factors contributing to the underspend, discussed in the ANAO's report (Para 3.33), were identified.
3. Outside of the matters identified in the ANAO report, we consider our program management approach appropriate.
4. Refer to response to question on notice 'Agency learnings'.

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**Agency:** Australian Taxation Office  
**Topic:** Use of consultants  
**Member:** Mr Julian Hill MP

**Question:**

**CHAIR:** Could all three of you take this on notice: to what extent were consultants and contractors used as part of this work? Take it in the spirit that it's intended. If there were some used, you could say who they were, what they were for and how much they cost?

**Answer:**

Due to the size, implementation timeframes and complexity of the Shadow Economy Program, the ATO sought the services of one contractor for a fixed period.

The contractor's specialist capability and unique skills supported the establishment of the program, including identifying scope, deliverables and risks and opportunities, as well as providing guidance and mentoring to the project teams working as part of the overall program.

This contractor was engaged through a labour hire provider from 28 May 2019 to 28 October 2019.

The total expenditure under this contract was \$146,093.52 (excl. GST).

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**Agency:** Australian Taxation Office  
**Topic:** Tax Gap  
**Senator:** Senator Linda Reynolds

**Question:**

**Senator REYNOLDS:** Going to Mr Goding, what I take from that is your measure of success is that you're collecting more excise, not just because the price of excise has gone up but in relation to the amount of product that excise is being paid on.

**Mr Goding:** It is one of the measures we look at as part of our tax gap methodology.

**Senator REYNOLDS:** Is that going up or not?

**Mr Goding:** At this stage I'm aware of the current gap but excise is not a product that I manage under my portfolio.

**Senator REYNOLDS:** Could you take that on notice, please?

**Mr Goding:** Yes.

**Answer:**

1. Tobacco duty paid reflects both the volume of legal tobacco cleared and the duty rate. The ATO has seen a long-term decline in the volume of legal tobacco. In 2016-17, tobacco duty was paid on an estimated 14,135 tonnes of legal tobacco. By 2021-22, this had fallen to an estimated 7,884 tonnes.
2. The value of tobacco duty paid has not fallen over the same period due to the increases in the duty rate. The weighted average duty rate has increased from \$750.75 per kg in 2016-17 to \$1,598.69 per kg in 2021-22. As a result, the duty paid on legal tobacco has increased from \$10,612 million in 2016-17 to \$12,659 million in 2021-22.
3. The performance of the tobacco duty system can be estimated using a tobacco duty gap. The gap estimates the value of illicit tobacco (tobacco on which duty has not been paid i.e., illicit due to importation and locally grown) relative to the entire tobacco market (made up of both legal and illicit tobacco). The latest tobacco duty gap estimate was published in October 2023. We estimate that the duty gap for 2021-22 was \$2,343 million or 13.1% primarily due to illicit imports. This estimate has increased from 2016-17, \$621 million or 5.4%. The increase in the gap reflects both an increase in the volume of illicit tobacco and an increase in the duty rate.

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**Agency:** Australian Taxation Office  
**Topic:** Programme implementation  
**Senator:** Linda Reynolds

**Question:**

**Senator REYNOLDS:** These NPPs you've had separately funded were part of the broader Black Economy Taskforce program, and the 27 out of the 80 recommendations that the government accepted. Did you put the NPP in and then it was up to you to manage and oversee the program implementation, or are they completely separate?

**Mr Goding:** We manage that within the ATO through our governance processes, our steering committee and our governance committee. Once the projects came to light, we followed our standard ATO project methodology, standing up projects, reporting et cetera, depending on how they tracked through the system. There was a mix between enforcement, data builds and so on.

**Senator REYNOLDS:** Was there no reporting back to Treasury about these outcomes, because this was something the ATO was doing separately?

**Mr Goding:** There was regular reporting such as Senate estimates occur during those periods.

**Senator REYNOLDS:** But not directly to Treasury, who's the policy owner of this project?

**Mr Goding:** I'm unaware of whether that occurred. I'd have to take that on notice.

**Senator REYNOLDS:** It would be good if you could. It's relevant to this because what we're looking at is process and governance. ANO, have you got an observation about how this occurred?

**Answer:**

The Australian Taxation Office provided updates on the progress and outcomes delivered under the four-year Black Economy Program to the Treasury primarily through the Black Economy Advisory Board (BEAB) and the Shadow Economy Advisory Forum, which replaced the BEAB from 1 July 2021.

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**Agency:** Australian Taxation Office  
**Topic:** Agency learnings  
**Senator/Member:** Linda Reynolds and Mr Julian Hill MP

**Question:**

**Senator REYNOLDS:** On notice following on from that: could you share with us some of your reflections more about the lessons learnt. As you're going through this to improve this project now, what are the things you are doing, but also, for future circumstances for a department like yours, how would you better establish and manage this? For the ATO and Home Affairs, what, from your perspective, are some of the lessons learnt about how that could work better? Perhaps this includes the cross-agency integration as well ...

**Dr Barrett:** Certainly. I add that one of the things we already had in play and obviously do again—we're not looking in the rear-view mirror for this one, unfortunately—is that the ANAO have done a series of audits with other departments with regard to parliamentary inquiry recommendations and tracking those recommendations. In late 2021, our executive board agreed to implement a framework for tracking parliamentary inquiry recommendations. That's now in place, and the recommendations have oversight of our performance and risk committee and our audit and risk community. Our framework for doing that is built upon the audits that the ANAO undertook and learning from those other departments. Unfortunately, that wasn't in place at the time, but do think that is another lesson learnt where something has matured in the government space and it hopefully means we won't be in this position again.

**Senator REYNOLDS:** Thank you.

**CHAIR:** I might be cheeky and put a similar follow-up to the ATO and Home Affairs. I ask you to take on notice what Treasury could learn from you if you were courageous enough to answer that question to a central agency!

**Answer:**

The Australian Taxation Office and the Treasury have been working closely on the framework for cross-agency working arrangements. Together we have agreed that arrangements work best when the following are in place:

- Cross-agency monitoring and evaluation arrangements
- Clearly defined responsibilities and accountabilities for the coordination of cross-agency activities
- High levels of mutual trust to support early facilitation and escalation to rapidly resolve issues