



EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT NO. 424

BIANNUAL PUBLIC HEARING WITH THE COMMISSIONER OF TAXATION

Response to the recommendations

Recommendation No. 1

The Committee recommends that the Australian Taxation Office move to using a traffic light reporting system when reporting publicly on its achievements against benchmarks, in particular its achievements against its Service Standards.

ATO response: Agreed and completed.

Recommendation No. 2

The Committee expects the next submission to the biannual hearing from the Australian Taxation Office to contain explicit consideration of, and reporting on action taken to improve complaint handling and address the underlying causes of complaints.

ATO response: Agreed and completed.

Recommendation No. 3

The Committee recommends that the Australian Taxation Office, in its submission for the next biannual hearing, explicitly state and detail actions for the following:

- areas of improvement since the last hearing; and
- planned future improvements.

ATO response: Agreed and completed.

Recommendation No. 4

The Committee recommends that the Australian Taxation Office's submission to the next biannual hearing includes a report on compliance activities, specifically action taken to make compliance easier and improve communications.

ATO response: Agreed and completed.

Recommendation No. 5

The Committee recommends that the Australian Taxation Office details the process for developing implementation plans for policy, as part of its submission for the next biannual hearing.

ATO response: Agreed and completed.

Recommendation No. 6

The Committee recommends that the next submission to the biannual hearing details the status of the 900 current cases of compromised tax file numbers, including actions taken to resolve the issue and reasons for delay, should some remain unresolved.

ATO response: Agreed and completed.

Recommendation No. 7

The Committee recommends that the next submission to the biannual hearing details the Australian Taxation Office's responses to recommendations made by external review agencies such as the Australian National Audit Office, the Commonwealth Ombudsman and the Inspector General of Taxation.

ATO response: Agree – the ATO provides written responses to scrutineers' recommendations.

Recommendation No. 8

The Committee recommends that the Australian Taxation Office respond to written reports and recommendations made by external scrutiny bodies in writing.

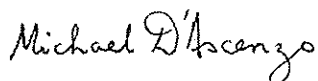
ATO response: Agreed and completed.

Recommendation No. 9

The Committee recommends that the Australian Taxation Office provide the Joint Committee of Public Accounts and Audit with its submission to the biannual hearing with the Commissioner of Taxation at least a month before the next hearing.

ATO response: Agreed and completed.

In line with the Committee's recommendations, many of the ATO's responses were included in the ATO's submission for the JCPAA's ninth biannual hearing with the Commissioner of Taxation. A copy of that submission is attached.



Michael D'Ascenzo
Commissioner of Taxation

SUBMISSION

JCPAA

6 SEPTEMBER 2011

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Australian Government

Australian Taxation Office

Report on ATO performance in 2010–11 and response to JCPAA Report 424 recommendations

Joint Committee of Public Accounts and Audit hearing:
Friday 23 September 2011



UNCLASSIFIED

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LIST OF ATTACHMENTS

- Attachment 1: An overview of the ATO's performance for 2010–11, presented to the organisation's internal July Plenary Governance forum.
- Attachment 2: Strategic statement 2010–15
- Attachment 3: Corporate plan 2011–12
- Attachment 4: ATO Delivery Plan 2011–12
- Attachment 5: Compliance program 2011–12
- Attachment 6: Compliance model
- Attachment 7: Taxpayers' Charter
- Attachment 8: ATO-Treasury protocol
- Attachment 9: ATO service standards performance 2010–11

INTRODUCTION

1. This is our ninth submission to the Joint Committee of Public Accounts and Audit (the Committee) for its biannual hearings with the Commissioner of Taxation.
2. On 4 July 2011, the Committee released *Report 424 Eighth biannual hearing with the Commissioner of Taxation*.
3. We have accepted all the Committee's recommendations and the additional information sought by the Committee in their recommendations is contained in this submission.
4. This submission is structured in three sections:
 1. a summary of our performance for 2010–11
 2. further information categorised by the four themes identified in the Committee's report
 3. a summary of the Committee's recommendations and the ATO's response to each.
5. The ATO welcomes parliamentary scrutiny, including by this Committee, as a significant and appropriate element in the structural model of governance, and as a positive opportunity for further constructive dialogue between the Commissioner and the Committee to the benefit of the Australian community.
6. The ATO has arrangements in place that support robust corporate governance and transparency of our administrative processes. The Committee's scrutiny is an integral part of those arrangements.
7. In our submission to the Committee for the 4 March 2011 hearing, we provided members with an update on our performance for the 2010–11 financial year to date, and an early draft of our *Corporate Plan 2011–12*. We reported that we were on track to deliver on budget measures, corporate priorities and activities detailed in the *2010–11 Compliance Program*. Our achievements for 2010–11, and areas where we plan future improvement, are provided in our end-of-year performance summarised below.
8. Full details of our performance will be presented in the *Commissioner of Taxation Annual Report 2010–11*, to be tabled in late October 2011.
9. Also provided with this submission are the following corporate documents for the Committee's information:
 - an overview of the ATO's performance for 2010–11, presented to the organisation's internal July 2011 Plenary Governance forum (attachment 1)
 - Strategic statement 2010–15 (attachment 2)
 - Corporate plan 2011–12 (attachment 3)
 - ATO Delivery Plan 2011–12 (attachment 4)
 - Compliance Program for 2011–12 (attachment 5)
 - Compliance Model (attachment 6)
 - Taxpayers' Charter (attachment 7)
 - ATO-Treasury protocol (attachment 8)
 - ATO service standards performance (attachment 9).

SECTION 1

A SUMMARY OF OUR PERFORMANCE IN 2010–11

10. The ATO's performance for 2010–11 was considered at our Plenary Governance Forum held on 12 July 2011 (see attachment 1). This forum is a key mechanism within the ATO's corporate governance framework, involving the Commissioners and our most senior executives.
11. Overall, the ATO performed well in a year that contained some unique challenges. We consider 2010–11 a year of transition, consolidation and investment in our capability for the benefit of the community.
12. Having implemented the income tax release of our integrated core processing system in January 2010, we first used the system in a Tax Time environment in July 2010. As we are now into our second Tax Time period using the system, we are beginning to see the benefits of the significant investment in our information technology infrastructure.
13. Our financial management, with a continued focus on organisational thrift resulted in a \$3.5 million or 0.1% underspend. The ATO component of the underspend was \$0.2 million and the Australian Valuation Office achieved a \$3.3 million underspend. While the ATO's financial statements have not yet been signed by the Auditor General and the Commissioner, we have received material clearance from the Australian National Audit Office on these figures.
14. At the same time, we refreshed our workforce through significant recruitment effort at base and graduate levels. Two specific examples of this effort are the record number of graduates (403) we recruited through our ongoing graduate program and the recruitment of 126 APS level 1 officers through an initiative which we plan to repeat in 2012.
15. We met our commitments to government, including to the states and territories for goods and services tax. We continued to deliver on budget measures from the 2010–11 Federal Budget and prior years. While revenue collections were below expectations, this is largely attributable to the performance of the economy since the global financial crisis.
16. We responded quickly to the natural disasters in Australia during the early part of 2011 by providing practical support for impacted taxpayers and business.
17. We met government expectations by implementing new policies. This work, both funded and unfunded, included implementation of the flood levy and the introduction of the gross domestic product (GDP) adjustment factor of 4% for pay as you go instalment (PAYGI) taxpayers.
18. We met 22 of our 27 service standards, which is a significant improvement compared to 2009–10. Our clerical and administrative errors service standard could not be measured separately from other amendments, however there is no indication of any downward trend. We also improved our performance in the second half of the year so that by June 2011 we were meeting standards on a monthly basis on 25 of the 27 service standards.
19. While we improved our service standards performance this year, we have recently commissioned a strategic review to assess the effectiveness of our current measures against community expectations.
20. We regularly survey the community and tax practitioners as to their perceptions of our performance and professionalism. There was some decline in perceptions as to service delivery, particularly by practitioners during the last year compared with the previous year. This has to be considered in the context of the implementation of a major new information technology processing system. We carefully review changes in perception findings to ensure we fully understand them.

21. Community dissatisfaction with refund processing in late 2009–10 and early 2010–11 was reflected in a large spike in complaint volumes. We made a concerted effort to improve our management of complaints. As a result, complaints on hand reduced from 4,501 at 30 June 2010 to 962 at 30 June 2011. We are also conducting a review of our complaints and compliments handling processes, including consideration of best practice from other Australian and overseas organisations. Potential improvements will be considered in conjunction with the recommendations and suggestions arising from the service standards review.
22. We are confident that a much improved Tax Time 2011 performance will enhance community confidence and engagement. Early results are positive – as at 21 August 2011, we had issued almost 3.4 million refunds compared with 3.3 million for the same period last year. In addition, we exceeded our service standard benchmarks for July 2011 for telephone general enquiries and tax practitioners' premium service telephone enquiries.
23. The number of complaints being received has largely returned to traditional levels. For example, in July 2011 we received 1,783 complaints compared to 4,594 in July 2010 and 2,167 in July 2009.
24. Our 2010–11 performance statistics are notable – we processed approximately 16 million tax returns and handled some 14.7 million phone enquiries.
25. We also accepted a record number of e-tax lodgments on a single day (75,672 on 31 October 2010), a 44% increase compared to the same day in 2009. Between 10pm and 11pm on that day we received 7,830 lodgments, which is more than two per second.
26. During 2010–11, the ATO received and data matched over 528 million transactions to support a range of compliance and service activities. Expanding the range of data available, and providing that information as early as possible, has seen significant increases in the use of pre-filing by both taxpayers and tax agents since its introduction in 2007.
27. Over the year we issued more than 14 million refunds worth more than \$70 billion. On the audit front, we conducted 24,200 reviews and audits of employers, and more than 650 reviews and audits of highly wealthy individuals.
28. As expected, in the worst of the economic downturn, collectable debt grew considerably. It grew by 11.6% in 2008–09 and 21% in 2009–10, totalling \$14.7 billion at 30 June 2010. We have made significant progress in reducing the growth of collectable debt by taking a close and careful look at this picture, including the history, status and circumstances of the cases on hand. At the end of 2010–11, the ratio of collectable debt to receipts was 5.17%.
29. We continually aim to improve the services we provide and the experience of the community in their interactions with the ATO. While generally we provide a high level of service, there is always room for improvement as we strive to learn from our experience and seek to deliver to a higher standard.

SECTION 2

THEME 1: SERVICE DELIVERY

30. Over many years the ATO has improved and adapted its services including introducing a series of quality management approaches. Following implementation of an historic level of tax reform in 2000, the ATO built on that experience and adopted an integrated administrative design approach, which fundamentally changed our project management and design of new products, programs and services. The design methodology is founded on a strong regard for user-centred design principles. Under the methodology, a range of stakeholders are engaged to ensure that thinking is broadly focussed. It includes testing prototypes of major changes and new products in our user design (simulation) centre with staff, taxpayers and other stakeholders who will interact with them.

Service standards

31. ATO service standards are a key indicator of our service delivery to the community. As recommended by the Committee in recommendation 1 of their report 424, the ATO has applied the traffic light reporting system to achievements against service standards. The current year service standards performance information on our website has been updated to include traffic light indicators and a summary of our 2010–11 service standards performance is provided at attachment 9.
32. On an annual basis we undertake an internal review of service standards to test the relevance and appropriateness of the target measures to identify where we can make improvements.
33. Our 2010 annual review determined that the current service standards were primarily internally focussed, used timeliness as the major metric, and may not align with contemporary community expectations. This, coupled with the drop in our performance against service standards in 2009–10, led us to undertake a comprehensive and strategically focussed review of ATO service standards, with the aim of improving our service delivery to the community. The review began in late 2010.
34. An external consultancy drew on international and national experience in both the public and private sector to provide direction for a contemporary approach to service standards to apply over coming years. The results of the review are currently being considered.

Complaints

35. We welcome feedback about how we administer the tax and superannuation systems. If someone is not satisfied with our decisions, service or actions, they have the right to make a complaint (see the Taxpayers' Charter at attachment 7).
36. People may also complain to the Commonwealth Ombudsman (the Ombudsman) about our administrative actions. The Ombudsman can investigate these complaints, although people are encouraged by the Ombudsman to try and resolve their complaints directly with the ATO before contacting him.
37. The volume of complaints being received and our ability to handle them in a timely manner has been a major focus for the ATO in 2010–11. The ATO had unprecedented levels of complaints in late 2009–10 and early 2010–11, mainly about delayed refund processing.

38. Our focus on this area has positioned the ATO to shift from underperformance against service standards for complaints handling to a position where we are now meeting our monthly complaints service standard benchmarks.
39. The number and age profile of complaints on hand has substantially reduced. The proportion of aged cases (complaints over 60 days old) relative to all complaints on hand was less than 3% in June 2011. This compares to 10% in June 2008, 18% in June 2010 and 16% in December 2010. The average time taken to resolve a complaint has improved from 33 days in the first half of 2010–11 to 26 days in the second half. We expect this to reduce further as the effect of clearing 'aged' cases flows through. There are also early indications that complaint volumes are trending down and may return close to July 2008 levels – see table 1 below.

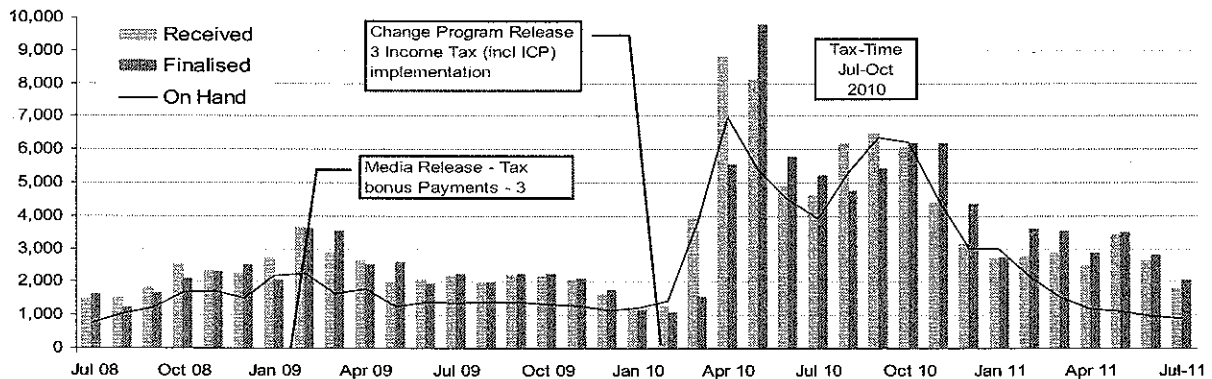


Table 1: Complaint volumes July 2008 – July 2011

40. Measures we have taken to improve our complaint handling processes include:
- additional resourcing, including earlier involvement of very senior officers
 - extending the types of complaints we can resolve at the first point of contact
 - more direct routing of complaints to the business areas responsible for investigation and resolution
 - new internal reporting improving our capacity to monitor complaints handling and turnaround times
 - continued active monitoring and resolution of 'aged' cases
 - renewed focus on quality assurance processes to measure the quality of our complaint handling
 - additional training for our complaints and tax practitioner hotline staff so we can better explain to complainants why a return is delayed
 - an improved online feedback channel.
41. We are working with the Ombudsman's office on a range of initiatives targeted at improving the timeliness of resolution of complaints to the Ombudsman about the ATO. These include a new process for Ombudsman referrals, routing of income tax return hardship cases directly to the area responsible and escalating proposals that find Administrative Deficiency in the ATO's administration to senior management.
42. We are currently engaged in a major overall review of ATO complaint and compliment handling, with the involvement of the Ombudsman's Office.
43. *Planned future improvements*
 Recommendations from the review of complaints handling will be considered by the ATO Executive in 2011 and inform the ATO direction. We will continue to work closely with the Ombudsman on our approaches.

44. In late 2010 we undertook diagnostic work on complaints to help us better understand the reason why taxpayers found it necessary to complain. One finding was that taxpayers want to be able to get more specific information about the status of their tax return. As a result we have given our client contact staff extra training on the process a tax return follows as it goes through our system and what can hold up its progress. The findings of the diagnostic work are also being used to inform the scripting for call centre operatives and review of complaints handling.
45. We have made improvements to our complaints data capture system that will allow us to more readily identify why the taxpayer made a complaint (complaint trigger) at the time a complaint is made. This will enable us to better understand the underlying causes of complaints and how we can intervene early to improve the community's experience.
46. We also monitor the investigations referred by the Ombudsman's office to identify trends in issues raised so we can consider whether our processes need to be reviewed.
47. *Planned future improvements*
In the future, a key focus is developing an enhanced complaints intelligence capability. This will help us identify, report and resolve systemic issues and drive business improvement.

Improving Tax Time service

48. The experience of Tax Time 2010 provided the ATO with valuable insights into those areas where we can improve our service delivery. We have been working to deliver a streamlined experience for the community during Tax Time 2011.
49. For example, this year we have:
- upgraded our 'proof of identity' interactive voice recognition system, allowing taxpayers to confirm their identity before speaking with an ATO officer
 - enhanced our capability to deal with busy periods, so reducing call wait times and minimising delays to processing refunds
 - commenced processing returns earlier than last year using enhanced system testing capability
 - published updated information about reasons for refunds being delayed, and encouraged taxpayers and their tax practitioners to double-check their returns for simple errors before submission
 - introduced priority processing capability to intervene where returns are delayed, particularly where refunds have not issued within the normal 14 day standard.
50. Following the experience of Tax Time 2010, we also increased our engagement with tax practitioners. For example, we met with tax practitioner representatives through our ATO Tax Practitioner Forum in the lead up to Tax Time and continue to meet with this group on a weekly basis to keep tax practitioners informed. This forum provides an avenue for two way communications with tax practitioners, who have advised they find the increased communication to be particularly valuable. The group has also developed tips to reduce common client and practitioner errors, and helped communicate warnings around risk of over claiming and fraud.
51. In making Tax Time easier for the community, one of our major successes has been our pre-filing initiative, which we have further refined this year. We have collaborated with Centrelink and industry to pre-fill additional information. The take-up rate of this initiative continues to rise, with an increase of about 13% on 2009 – about eight million downloads last year.

52. We have also improved our communication with taxpayers whose refunds are stopped for review by our income tax return integrity process. Our system automatically issues a letter that tells taxpayers when we have 'stopped' their return for checking and what they can expect. This reduces 'progress of refund' enquiries, allowing us to review and, where appropriate, release other returns faster.
53. We are publishing weekly online updates, including our processing performance, to keep tax practitioners and the community informed.
54. We are on track with processing for Tax Time 2011. As at 21 August 2011, we have finalised over 3.9 million tax returns and issued almost 3.4 million refunds to the value of approximately \$8.81 billion.
55. We will continue to make electronic lodgment easier and more appealing for taxpayers. This will contribute to our longer-term goal of optimising our electronic interactions with the community. We note that a number of jurisdictions internationally have mandated electronic lodgment and have brought forward the date on which third parties are required to provide information to their tax administration.

Other initiatives

Innovation centre of expertise

56. In 2010–11, we established an enterprise-wide project group to build on our innovation capability. The group looked at 'better practice' tools and techniques of innovation that complement existing processes that promote innovation and continuous improvement.
57. Last year we introduced an ideas management system to capture, track and manage staff contributions to innovation across our organisation. By 30 June 2011, hundreds of ideas were submitted in our ideas management system. Many of these were quick-win, easy to implement ideas which have increased efficiencies and made improvements to the community's experiences.
58. We also recently established an 'innovation centre of expertise' to support an innovative culture.

Superannuation – addressing lost and unclaimed money

59. Part of our role is in administering legislative systems that safeguard the retirement incomes of Australians. Principally, these are the superannuation guarantee charge, self managed superannuation funds and lost members register, but they also include co-contributions and unclaimed superannuation money.
60. In 2010–11, the ATO's SuperSeeker online tool, which allows an individual to search for lost and unclaimed superannuation amounts, was enhanced with a new pre-filled portability form. This form assists individuals to consolidate separate amounts into an active superannuation fund account. The tool is important foundational technology that is supporting greater speed and integrity in the rollover process. As at 7 August 2011, we have received approximately 21,000 electronic portability forms lodged via SuperSeeker since it was implemented on 19 February 2011. The next lost member statement, which is due in October 2011, will give an indication of how many requests have resulted in consolidation of super amounts as it reports on changes to lost accounts for the period 1 January 2011 to 30 June 2011.

Law Interpretation – Technical decision making

61. In recent years we have been considering how to further improve and increase our capacity to provide law interpretations. There is a high demand for access to our tax and

superannuation experts and for quick answers on complex cases. The ATO continually faces the challenge of lifting the level of skill more broadly in the organisation and how best to deploy the limited number of its most highly expert officers for best outcomes.

62. In 2010–11 we embarked on a project called 'transforming tax technical decision making'. The aim of the project is to develop and refresh the corporate risk model for prioritising matters which need to be referred to our technical and legal experts, improved mechanisms to deliver more timely and quality technical decisions, and strategies for supporting tax technical capability development across the ATO. Early results include earlier use of senior tax experts in complex matters and in holding tax clinics to broaden our capabilities, and in 2011–12 we will be providing improved technical training and development packages for our staff.

Alternative dispute resolution

63. The ATO is committed to resolving matters as early as possible, and we have recently reviewed our management of disputes, focussing on integration, transparency and cost effectiveness. We note that the Inspector-General of Taxation has announced a review into our use of early and alternative dispute resolution and we look forward to working with the Inspector-General on this.
64. In response to a recommendation by the Inspector-General of Taxation in his 2009 *Review into the underlying causes and the management of objections to Tax Office decisions*, we published a guide on our website in 2011 that brings together the relevant information taxpayers need to correct or amend returns, make voluntary disclosures, object to our decisions or seek an external review of our decisions.
65. Resolving disputes in a way that facilitates access to justice for taxpayers and minimises costs is a priority for the ATO. Although alternative dispute resolution will not always be appropriate, we want to resolve disputes as efficiently and cheaply as possible. For this reason we prefer direct attempts to resolve potential disputes by party to party negotiations in the first instance. The number of matters resolved by this means are not all recorded, particularly where this involves pre-assessment or pre-adjustment discussions.
66. We are also engaged with external groups to identify best practices in dispute resolution, including the National Alternative Dispute Resolution Advisory Council (NADRAC) and the Justice Improvement Taskforce of the Attorney-General's Department.
67. One of our key external forums, the National Tax Liaison Group, has recently established a Dispute Resolution Sub-committee and we look forward to working constructively with them.
68. In 2010–11, there were 90 instances of alternative dispute resolution in ATO matters in the Administrative Appeals Tribunal and Small Taxation Claims Tribunal. This compares with an average of 47 alternative dispute resolution processes conducted in ATO matters in 2009–10 and in 2008–09. These figures do not include conferencing, which is the primary alternative dispute resolution tool of the Tribunal. There is at least one conference in almost every matter, and conferences are often the catalyst for resolution of matters prior to hearing.
69. There has only been a small use of alternative dispute resolution in Federal Court cases, but the introduction of the *Civil Disputes Resolution Act 2011* may lead to more Federal Court cases being resolved by dispute resolution processes. Many Tribunal and Federal Court matters are also resolved by direct party to party negotiation.

ATO Online 2015

70. In 2010–11 our system focus moved from the change program to developing and implementing a plan for information technology (IT) investments for the future. The ATO Online 2015 plan will bring together our IT priorities for the coming four years.
71. The plan provides us with a corporate overview of planned IT system changes and ensures that IT investments are aligned with our corporate priorities. It focuses on changes to legislation, updates to corporate systems, infrastructure and application upgrades, the effective use of our online channels and social networks.
72. ATO Online 2015 will change and evolve as we respond to new government requirements, service delivery improvements for the community (in alignment with whole-of-government approaches to improve citizen experiences) as well as internally driven change initiatives.
73. A major focus of the plan is to foster the use of online services by the community. In promoting this we are seeking to improve our website and deliver a portal displaying superannuation memberships (a measure from the Super System review).
74. *Planned future improvements*
Some of our key system improvements for 2011–12 include:
- completing the integration of pay-as-you-go and fringe benefits tax instalments into integrated core processing by January 2012
 - designing and building systems to meet government commitments from the Super System review and budget measures
 - commencing the transition to a 'one client' register to support some new online services, such as display of superannuation memberships and change of contact details
 - improving the user experience in the tax agent and business portals.

THEME 2: COMPLIANCE

75. We encourage willing and proper participation in the community's tax and superannuation systems. We want to make it as easy as possible for taxpayers to do the right thing by providing information, tools, services and guidance to assist with record-keeping, reporting and lodgment. We take a risk management approach to compliance and are increasingly differentiating our engagement with taxpayers based on our view of their relative likelihood of non-compliance and the consequences of their behaviour. The ATO's approach to compliance has influenced Organisation for Economic Co-operation and Development (OECD) thinking, including greater emphasis on 'prevention rather than cure' strategies. The JCPAA's Report 410 endorsed the ATO's compliance model.
76. Our approach to the main compliance risks attracting our attention is published annually in our compliance program. First published in 2002, it was a world first in tax administration. A summary of the major areas being addressed is on page 5 of the *Compliance program 2011–12*, a copy of which is at attachment 5.
77. A cornerstone of our self assessment system is our continued approach to make it as easy as possible for taxpayers to comply with their tax and superannuation obligations and be fair but firm with those that don't. Our differentiated approach is underpinned by our compliance model, which helps us to understand the factors that influence taxpayer behaviour and to apply the most appropriate compliance strategy (see attachment 6).
78. We aim to achieve the right balance between assistance and enforcement activities. For example, the future of data matching reflects the high volume, low cost approach that

treats the risk as closely to real time as possible. In practice this often means that we use data in the ATO's pre-filing service as the first step in our compliance strategy, before using it and other available data to identify discrepancies. We also improved our risk filters to stop incorrect or fraudulent refund claims – a good example of prevention being better than cure.

Communication

79. Much of the information we need to provide to taxpayers is inherently complex, and various initiatives have been put in place to communicate messages more clearly and with an emphasis on practical guidance.
80. We engage ATO consultative forums to seek advice and early design on products and for administrative solutions whenever such solutions are available. We engage the community directly through user-testing and market research activities to build and improve our communication products. We also have products to assist people with a non-English speaking background and people with disabilities.
81. Correspondence remains a focus area for the ATO. Our external scrutineers and the community have told us that we need to improve our written communication. We issue approximately 70 million pieces of correspondence annually (including letters automatically generated by our systems, business activity statements, notices of assessment and statements of account) so a comprehensive review across all our correspondence would be a significant undertaking. We have been tackling particular types of correspondence on a rolling basis and are currently piloting improvements to our debt letters.
82. In this context, we identified that we could encourage more effective taxpayer compliance by applying a behavioural science perspective to our correspondence. We are working with psychologists and a sample of taxpayers to assess how letters impact compliance behaviour. We are currently analysing the results of the pilot.
83. We also reviewed 450 generic letters in 2010. We used professional authors to rewrite some letters and focussed on a 'people writing to people' style that is less formal, avoids the use of jargon and simplifies messages. Internally, a corporate correspondence capability has been established to assist all ATO areas to improve their letters and review letter content.
84. We continue to deliver targeted communication and public education programs to make our products and services accessible to diverse audiences, including exploration of opportunities beyond the scope of mainstream media. These channels allow us to increase our online presence, use technology to meet the changing needs of the community, and provide practical guidance in a time, manner and place suitable to users. These channels also allow us to monitor community interests and opinions about the ATO. While social media has its place in our communication strategies, there are also security issues which have to be carefully managed. Nevertheless, we are seen by the OECD as a leading administration in the use of social media.
85. Our Twitter profile, whilst modest, continues to attract new followers, and we are engaging more with our followers by actively responding to their questions. We are also continuing to use Facebook to provide information to the community and to support the Tax Time campaign.
86. For Tax Time 2011, we successfully piloted a YouTube channel 'AusTaxOffice' with videos promoting tax tips by well known and respected financial commentators Paul Clitheroe and Scott Pape. The videos cover issues such as work-related expenses and the education tax refund. On launch day, our tax tip video on e-tax was the sixth most-watched YouTube video in the education category in Australia.

87. Along with the information products available on our website and at our shopfronts, we have a number of online tools to assist people to understand their tax and superannuation obligations. This includes a range of self-help calculators, such as the 'tax withheld calculator' and 'education tax refund calculator'.
88. In 2010–11 we released additional online tools, including a tool to help small business assess their eligibility for the small business capital gains tax concessions and, where appropriate, calculate the concession amount. In 2011–12 we will continue to improve online systems used by the community. This will include implementation of an educational tool used to assess and determine GST implications for property transactions.
89. Our Small Business Assistance Program offers a range of services that encourage new businesses down the right path and help existing businesses get back on track and stay there. Under the program, field officers provide assistance through tailored and practical visits to businesses at various stages of their business cycle.
90. Through this program we directly assisted over 85,000 small businesses in 2010–11. We have found that those assisted have improved the average time taken to lodge activity statements, are making more electronic lodgments and have a lower taxation debt on average than the broader micro business population.
91. *Planned future improvements*
- We plan to modify our website navigation to support key user tasks by December 2012, and we are continuing to take a topic-based approach to simplify the content on our website.
 - Further simplification of our forms, and the greater use of electronic forms.
 - Decision support tools to reduce the need for taxpayers to formally request advice or guidance from us.
 - Enhancing our communication relating to the benefits and entitlements that may be available to people or businesses in particular circumstances.

Superannuation

92. In 2010–11, there was an increase in the use by employers of support tools developed by the ATO. We also saw an increase in the number of employers voluntarily bringing their obligations up to date in particular industries where we undertook targeted communication.
93. Schemes providing illegal early release of money from superannuation funds negatively impact on the integrity of the superannuation system. While the risk is largely confined to opportunistic scheme promoters, the ATO is taking firm action against illegal early release schemes to protect the system that provides for Australians' retirement income.
94. We worked with industry to implement a number of initiatives focussing on areas previously susceptible to illegal early release of superannuation monies, including rollovers to self managed superannuation funds and the registration stage for new funds. This resulted in a visible and significant reduction in the instances and inherent risk of illegal early access to superannuation monies.
95. For example, we introduced new risk assessment processes at registration and enhanced SuperFund Lookup, which provides publicly available information about superannuation funds that have an Australian business number. We issued new guidance for Australian Prudential Regulatory Authority (APRA) funds when making rollovers, including a member verification service to ensure that the target fund for a rollover to a self managed superannuation fund is valid. The ATO also continues to work closely, as appropriate, with law enforcement agencies.

96. *Planned future improvement*
The ATO plans to strengthen arrangements with the Fair Work Ombudsman and share information that will improve the ability of both agencies to protect workers' entitlements.

Tax debts

97. This was a challenging year for debt collection as the community experienced the ongoing effects of the economic downturn and a series of natural disasters across the country.
98. We have introduced a number of enhancements to our collection strategies in 2010–11 to reduce debt levels, while maintaining a level playing field for taxpayers and the community. These improvements included:
- better tailoring of debt repayment plans to align with a taxpayer's individual circumstances
 - an increased focus on business viability to ensure that the taxpayer has the capacity to adhere to a repayment plan and meet their ongoing obligations
 - piloting a new approach to provide a more seamless experience for taxpayers faced with a tax debt following an audit.
99. These enhancements enabled us to reduce collectable debt by 4.2% in 2010–11. However, the collectable debt-to-receipts ratio at 30 June 2011 was 5.17%, above our 5% target.
100. We have developed a business viability assessment tool to help our staff make decisions about how to better treat taxpayers according to their circumstances. This approach has a number of benefits, a key one being greater openness and transparency. To increase community awareness and understanding of our approach, the business viability assessment tool used by our staff will be available on our website in 2011–12.
101. We will continue to focus on business viability by piloting the use of professional firms to conduct independent business viability assessments for cases with a significant debt to the ATO. The pilot will test the feasibility of an external assessment of critical decisions on the viability of businesses with large tax debts, before determining if further support should be provided or if firmer action should be taken.
102. Because personal bankruptcy and the winding-up of a company have serious implications for debtors and creditors, we initiate these proceedings only after careful consideration. We have independent reviews sampling the quality of our decision-making.

THEME 3: POLICY DEVELOPMENT AND IMPLEMENTATION

103. The ATO is currently implementing almost 200 new policy measures, including the minerals resource rent tax and changes relating to superannuation reform including those from the Super System review.
104. We strongly believe early involvement of the ATO in policy and law design leads to better policy outcomes that take into account implementation and ongoing administration and compliance issues for the community and the ATO. Our role is to contribute to the design and development of the laws we administer by injecting the voice of administration as well as our law interpretation and design skills. For example, we have been able to advise on practical impacts of proposals, the lead times needed for affected taxpayers and the ATO to prepare for new measures, the likely impacts on revenue and compliance costs, and on the design of the law so that it is likely to be interpreted by the courts in a way that achieves its policy intent.

105. The ATO-Treasury protocol (provided at attachment 8) is an agreed framework that sets out how we work together throughout the policy development and legislative design process. The Treasury has responsibility for advising Government on tax and superannuation policy, and consistent with the protocol includes the ATO in consultations with stakeholders on tax and superannuation legislation.
106. We provide advice to Treasury on:
- the administrative and interpretive aspects of law design
 - material that may form the basis of official costing of tax and super proposals, including administrative costs and the compliance implications of policy proposals
 - issues that emerge through our experience in administration, including compliance costs and other issues that may arise for taxpayers in complying with proposed changes, and any apparent lack of fairness in impact.
107. The Tax Policy Co-ordination Committee is a well established forum which meets monthly and involves senior officers from Treasury and the ATO. This forum operates to ensure a high level of integration and coordination across the policy, legislative and administration including changes announced or being contemplated by Government and changes to be recommended by Treasury. This, together with other regular meetings between the ATO and Treasury supports our day-to-day operations for developing implementation plans for new measures.
108. We also have a well-established partnership with some agencies outside of the Treasury portfolio. For instance we regularly work with the Department of Education, Employment and Workplace Relations on changes relating to the higher education loan program. Similarly we work with Department of Human Services and the Department of Families, Housing, Community Services and Indigenous Affairs on the tax and transfer system.
109. To improve the extent to which we are consulted early by other agencies leading new policy initiatives, we are working on boosting our profile with other departments outside the Treasury portfolio. This is assisted through the use of the New Policy Proposal template (developed by Department of Finance and Deregulation and Department of Prime Minister and Cabinet), which guides agencies to consult with the ATO on any possible tax implications of a new policy proposal. Recent examples of agencies consulting with the ATO include the Department of Agriculture, Forestry and Fisheries and the subsequent tax implications of grants made to individuals or entities. We are also working with the Department of Climate Change and Energy Efficiency to consider the tax implications of the carbon pricing package and the Department of Health and Ageing with regard to the private health insurance rebate.
110. In 2010 we engaged with the Policy Transition Group regarding the proposed resource rent tax arrangements. The Policy Transition Group was established to advise government on the technical design of the new minerals resource rent tax and extension to the petroleum resource rent tax. The Policy Transition Group was co-chaired by Mr Don Argus AC and the Minister for Resources, Energy and Tourism. Our work with the Policy Transition Group, and continued engagement with the Resource Tax Implementation Group, the Treasury and the Department of Resources, Energy and Tourism is an example of practical application of integrated tax design principles in a challenging environment. In April 2011 we established a sub-committee of the National Tax Liaison Group to undertake consultation on administration issues associated with a resource rent tax.
111. At the time of the last hearing, the ATO had not been consulted on the carbon pricing mechanism as it does not have administration of that function. Since then, we have been consulted on the interaction of the carbon pricing measure with fuel tax credits and excise, and on the tax consequences of permit trading which is due to commence in

2015. We have also been consulted on the delivery of the compensation packages for households and small businesses.

112. The ATO also has robust internal governance processes for managing the implementation of new policy. The Policy Implementation Forum of senior executives oversees the ATO's implementation of new tax and superannuation policies.
113. Where policy proposals have significant administrative impacts for the ATO and the community, they are subject to a 'rapid response' process, which involves bringing together relevant senior officers (SES Band 2 level) who can quickly provide advice on the ATO's response to new policy proposals. Similarly, our 'rapid design process' brings together relevant ATO capabilities, including technology, to develop the core implementation and design of new measures.
114. Following the Government's acceptance of certain policy recommendations from the Super System and Australia's Future Tax System reviews, the ATO is implementing a suite of changes to the superannuation system. This program of reforms will be implemented over several years, and are expected to fundamentally reconfigure and enhance the current superannuation system.
115. *Planned future improvements*
We continue to work with Treasury to bring together senior officer involvement at earlier stages of the policy design process (for example, by including both Treasury and ATO officials in 'rapid response' and 'rapid design' processes).

THEME 4: EXTERNAL SCRUTINY AND REVIEWS

116. The ATO is scrutinised by a number of external bodies. We work co-operatively with external scrutineers throughout their reviews to develop practical, workable recommendations. We are focussing more attention on the clarity and precision of our responses to scrutineer recommendations.
117. The Australian National Audit Office (ANAO) conducts financial, performance and business support process audits on the ATO. During 2010–11, the ANAO tabled seven performance audits specific to us and two cross-agency audits involving us.
118. The Commonwealth Ombudsman investigates taxpayer complaints, conducts 'own-motion' investigations and can report on any complaints received.
119. In 2010–11, the Ombudsman published one report and:
- referred 238 investigations to us, compared to 257 in 2009–10
 - referred 860 investigation briefs to us, compared to 660 in 2009–10. (The Ombudsman uses investigation briefs to make initial enquiries to us regarding potential investigation matters.)
 - made a finding of administrative deficiency in 10 investigations compared to 18 in 2009–10.
120. The Inspector General of Taxation reviews potential systemic issues in taxation administration. In 2010–11 the Assistant Treasurer publicly released four reports from the Inspector-General of Taxation.

Responding to recommendations by external review agencies

121. Whilst we value external scrutiny and usually agree with the recommendations of scrutineers, this is not always the case for all recommendations. Where we disagree with a recommendation, or agree in part on in principle, we explain our rationale in discussions and in our formal written response to draft reports and recommendations. Our formal written responses to the draft reports state our position in relation to individual

- recommendations. The ATO response is made publicly available through its incorporation in the scrutineers' final reports. (This relates to the Committee's recommendation 7 of Report 424.)
122. The ATO formally responds to the written reports and individual recommendations of the ANAO, Inspector-General of Taxation and Ombudsman as a matter of practice. Scrutineers generally require us to provide a response within 28 days of receipt of the scrutineer's report. The ATO also has the opportunity to provide written feedback to our scrutineers' draft reports or issues papers earlier in the review or audit process.
123. ANAO reports are tabled in Parliament and published on the ANAO website; Inspector-General of Taxation reports are made public by the Government and are published on the Inspector-General of Taxation website; and Ombudsman investigation reports (own motion report and section 15 reports) are generally published on the Ombudsman's website.
124. In responding to the final reports and individual recommendations of scrutineers our approach is to be open and constructive about our thinking on the report findings and recommendations. Where we consider that additional contextual information is necessary and important we may comment on this. We generally also comment on findings if we disagree with them and explain our perspective.
125. Our response to individual recommendations can be grouped as follows:
- agree - we completely agree with the recommendation and offer no qualifications or provisos
 - agree in part - we agree with some, but not all, elements of the recommendation
 - agree in principle - we agree with the direction (in principle) but not necessarily with the method of implementation suggested
 - disagree - we do not agree with the recommendation.

Implementation of scrutineer recommendations

126. The ATO's Audit Committee oversees progress on implementation of recommendations made by scrutineers. At a practical level, the Audit Committee and its sub-committee work with the Chief Internal Auditor to monitor the implementation of external scrutineer recommendations. The Chief Internal Auditor provides regular updates to the committees through the sub-committee on the status of the implementation of recommendations based on quarterly progress reports from management.
127. To strengthen the governance arrangements and effective management of external scrutineer recommendations in 2010 the ATO developed:
- mandatory implementation plans to clearly define the intent of the recommendations and key implementation features
 - the requirement for senior executives to substantiate the closing of high risk recommendations
128. Internal Audit is also closely scrutinising overdue recommendations and associated reasons for delay. Further information as to how the risk is being mitigated in the interim period is also sought.
129. The ATO also monitors progress in implementing agreed Ombudsman Administrative Deficiency findings and progress reports are provided twice yearly to the Ombudsman's office.

Scrutineer reports released between 1 March and 31 July 2011

130. In the period between 1 March and 31 July 2011, six formal ATO-specific external scrutineer reports and one cross-agency report involving the ATO were publicly released. We agreed with the vast majority of the recommendations in those reports. A brief description of each of these reports follows.
131. The ANAO tabled in the Parliament four ATO-specific audit reports in the period:
- *Audit Report No. 45: Administration of the Luxury Car Tax* found that while there are processes in place to administer this small, low risk tax, there is still scope to better target administrative arrangements for planning, operational, reporting and compliance purposes.
 - *Audit Report No. 49: Fuel Tax Credits Scheme* found that overall the ATO is effectively administering the Fuel Scheme.
 - *Audit Report No 50: The Tax Office's Administration of Shopfronts* report found that key processes and practices underpinning the delivery of services in Shopfronts are sound and that service provision is consistent, quality-checked and monitored. The ANAO concluded that the direction of Shopfront services would benefit from more targeted client research and a more co-ordinated approach to service delivery initiatives across all channels.
 - *Audit Report No 52: The Administration of the Deductible Gift Recipients (Non Profit Sector)* report found that the ATO has generally implemented appropriate arrangements to effectively administer DGR endorsements and associated tax concessions.
132. The ATO was also one of four agencies examined in an ANAO cross-portfolio audit report tabled between 1 March and 31 July 2011:
- *Audit Report No 48: The Management of the certificate of compliance process in FMA Act agencies* report found that audited agencies' certificate processes were appropriate for each agency's size, financial activities and financial management arrangements.
133. Two Inspector-General of Taxation reports were released by the Assistant Treasurer and Minister for Superannuation and Financial Services between 1 March and 31 July 2011:
- *The Follow up review into the ATO's implementation of agreed recommendations included in the six reports prepared by the Inspector-General of Taxation between June 2006 and October 2008* found that the ATO has implemented or made significant progress with the vast majority (38 of 41) of the agreed recommendations.
 - *The Review into the ATO's Change Program* identified some major risks in the project and found that the ATO developed appropriate mitigation strategies to address these risks. Areas of improvement such as enhancing communication with tax practitioners were also identified in this review.
134. The Ombudsman did not release any own motion reports or reports specific to the ATO under section 15 of the *Ombudsman Act 1976* in the period since March 2011.

Scrutineer reviews underway at 1 August 2011

135. The following ANAO performance audits specific to the ATO are in progress:
- the ATO's compliance approach toward, and management of, small and medium enterprises
 - the ATO's administration of external debt collection arrangements

- interpretative assistance.
136. A further two ANAO cross-agency audits involving the ATO are in progress:
- ICT security management of portable storage devices
 - administration of Project Wickenby.
137. Our annual financial statements are audited by the ANAO in accordance with the *Financial Management and Accountability Act (1997)*. The audited financial statements will be available in the *Commissioner of Taxation Annual Report 2010–11*.
138. The Inspector-General of Taxation's *Review into the ATO's large business audit and risk review policies, procedures and practices* report has been finalised and is awaiting release by the Assistant Treasurer and Minister for Superannuation and Financial Services.
139. Four Inspector-General of Taxation reviews are currently in progress:
- administration of class rulings
 - small and medium enterprise audit and risk review policies, procedures and practices
 - improving the self-assessment system
 - use of early and alternative dispute resolution.
- 139a. In April 2011, the Commonwealth Ombudsman commenced an own-motion investigation into certain aspects of the administration of the joint-agency taskforce, Project Wickenby.

Non-audit specific scrutineer reports

140. The Ombudsman and Inspector-General of Taxation also publish a number of other reports or publications which may refer to their audits or reviews in relation to the ATO. These include their Annual Reports and the Taxation Ombudsman e-bulletin. We are provided with an opportunity to provide feedback on some of these.

Update on compromised tax file numbers

141. In his September 2010 report *Australian Taxation Office: Resolving Tax File Number Compromise*, the Ombudsman expressed concerns about how the ATO handled complaints and took steps to rectify compromised tax file numbers.
142. Our approach to managing incidents of compromised tax file numbers involves working with those affected by tax file number fraud to provide tailored solutions to mitigate impacts and minimise risk to the taxpayer and their identity. Where possible privacy breaches occur, the ATO engages at an early stage with the Privacy Commissioner.
143. In recent years the ATO has received increased reports of taxpayer identities being compromised. In 2010–11 the ATO completed 31,249 activities associated with potential compromised tax file numbers (TFNs) compared to 12,669 in 2009–10. This increase can be attributed to:
- an increase in the incidence of identity theft
 - heightened community awareness of personal information security and increasing willingness of taxpayers and their representatives to report incidents of potential compromised identity to the ATO
 - improvement in ATO methods of detecting fraudulent TFN use.
144. In the latter half of 2010–11, the ATO piloted and implemented revised work practices aimed at improving the timeliness of actions taken in responding to potential

compromised taxpayer identities. These actions resulted in improvements in 2010–11 which reduced average finalisation times to less than 28 days. Once established as our preferred approach to managing compromised TFNs, all aged holdings were moved into this new environment from May 2011 (see table at paragraph 148 for volume on hand).

145. The 900 compromised TFN cases referred to in the Committee's recommendation 6 in their Report 424 were high priority cases identified and treated under the pilot referred to above. These cases are now finalised and the work practices tested in the pilot have been adopted as standard operating procedures.
146. The ATO takes a risk management approach and provides a range of treatments for potentially compromised cases. For example, where we know a TFN has been stolen or there is fraudulent activity taking place on a taxpayer's account, this potentially presents a higher risk than a case where we understand the taxpayer has misplaced their TFN in a public location.
147. These treatments fall into three categories:

Percentage breakdown of treatment actions taken for compromised TFN post re-engineering (Feb–June 2011)		
Risk profile	Treatment	Breakdown
High Risk	Provision of a new TFN.	6%
Moderate Risk	Potentially requiring the provision of a new TFN. These cases are manually monitored to allow direct intervention to verify transactions with the taxpayer as they occur.	77%
Low Risk	These are managed using varying levels of intervention including extending or modifying Proof of Identity arrangements.	17%

Sources of potential compromised incidents (Feb–June 2011)	
ATO Compliance Detection – referred from ATO fraud detection models	50%
Internal Referral – taxpayer initiated or ATO identified	27%
External Referral – bulk referrals from taxpayers or agents to the ATO/ Privacy Commissioner	23%

148. Improving the compromised TFN work practices has resulted in significant reductions in the numbers of:
- on hand and aged compromised TFN cases (reduced by 62% since June 2010)
 - complaints associated with potential compromised cases (reduced by 91% since June 2010)
 - Ombudsman complaint cases (currently no cases on hand).

Volume of compromise holdings on hand

Compromise holdings	0-7 Days	8-14 days	15-21 days	22-28 days	29-60 days*	61-90 days*	> 90 days*	Total
as at 27/06/2010	18	30	310	169	590	701	2766	4584
as at 13/07/2011	194	198	172	118	347	135	587**	1751

* Figures include aged cases moved into the revised work practices environment from May 2011.

** Of cases on hand over 90 days:

- 75% have treatments applied to mitigate the risk of fraud while remediation activity is finalised, including provision of a new TFN
- 25% are awaiting information from the taxpayer or their agent, or are in the new review process.

Volume of complaints on hand relating to compromise holdings

Complaints holdings	0-7 Days	8-14 Days	15-21 Days	22-28 Days	29-60 Days	61-90 Days	> 90 Days	Total
as at 27/06/2010	37	19	19	18	69	48	70	280
as at 13/07/2011	9	9	3	1	3	0	0	25

149. Improving the compromised TFN process reflects the ATO's commitment to providing the best possible support for victims of identity theft whilst maintaining the integrity of Australia's taxation system. However, changes in our environment, including information security, advancements in technology and increasing incidence of tax crime make it likely that this workload will grow.

SECTION 3

ATO RESPONSE TO RECOMMENDATIONS IN JCPAA REPORT 424: EIGHTH BIENNIAL HEARING WITH THE COMMISSIONER OF TAXATION

Recommendation 1




The Committee recommends that the Australian Taxation Office move to using a traffic light reporting system when reporting publicly on its achievements against benchmarks, in particular its achievements against its Service Standards.

ATO response: Agreed and completed

The ATO's performance against service standards is available on our website. The current year service standards performance information has been updated to include traffic light indicators and a summary of our 2010–11 service standards performance is provided at attachment 9.

The ATO uses red, amber, and green ratings to summarise our performance in delivering specific programs of work at a point in time and/or forecasting our performance for year end. An exception report must be raised for all service standards with amber or red ratings for the year-end outlook.

The following table details the performance characteristics associated with rating dials:

Rating	Current status	Outlook for end-of-year	Characteristics	Commentary for reporting
	Work is not meeting plan – either falling short or well above plan	Work will not meet plan	<ul style="list-style-type: none"> ▪ High risk of failure ▪ Reputation risk ▪ Serious or urgent problems ▪ Requires executive involvement or intervention 	<p>Explain the main source(s) of risk, and the impacts of the problem.</p> <p>Note what action is being taken to address issues or problems.</p> <p>Identify what action needs to be taken by the executive.</p>
	Work is not on track but is expected to meet plan by the end of the reporting period	Work will largely meet plan – possibly with the exception of some minor deliverables	<ul style="list-style-type: none"> ▪ Medium risk of failure ▪ Deviation from plan, or issues that are being monitored by National Program Manager (SES Band 2) ▪ May require close monitoring by executive if problems develop or persist 	<p>Summarise the main source(s) of risk and the impacts of the problem.</p> <p>Note what action is being taken to address issues or problems.</p> <p>Provide an indication of when the activity will be back on track.</p> <p>Note a re-evaluation date to confirm progress against the outlook.</p> <p>If relevant, note what could be done better in future.</p>
	Work is on track or slightly ahead of plan	Work will meet plan	<ul style="list-style-type: none"> ▪ Low risk of failure ▪ No problems or minor issues that are in control of Director (EL2) or Assistant Commissioner (SES Band 1) ▪ No action required by executive 	<p>Focus on benefits of work so far (eg, improved processes or efficiency) and opportunities to expand work in future plans.</p>

Recommendation 2

The Committee expects the next submission to the biannual hearing from the Australia Taxation Office to contain explicit consideration of, and reporting on action taken to improve complaint handling and address the underlying causes of complaints.

ATO response: Agreed and completed

See paragraphs 35 to 47 of this submission.

Recommendation 3

The Committee recommends that the Australian Taxation Office, in its submission for the next biannual hearing, explicitly state and detail actions for the following:

- *areas of improvement since the last hearing; and*
- *planned future improvements.*

ATO response: Agreed and completed

See paragraphs 35 to 115 of this submission.

Recommendation 4

The Committee recommends that the Australian Taxation Office's submission to the next biannual hearing includes a report on compliance activities, specifically action taken to make compliance easier and improve communications.

ATO response: Agreed and completed

See paragraphs 75 to 102 of this submission.

Recommendation 5

The Committee recommends that the Australian Taxation Office details the process for developing implementation plans for policy, as part of its submission for the next biannual hearing.

ATO response: Agreed and completed

See paragraphs 103 to 115 of this submission.

Recommendation 6

The Committee recommends that the next submission to the biannual hearing details the status of the 900 current cases of compromised tax file numbers, including actions taken to resolve the issue and reasons for delay, should some remain unresolved.

ATO response: Agreed and completed

See paragraphs 141 to 149 of this submission.

Recommendation 7

The Committee recommends that the next submission to the biannual hearing details the Australian Taxation Office's responses to recommendations made by external review agencies such as the Australian National Audit Office, the Commonwealth Ombudsman and the Inspector General of Taxation.

ATO response: Agree – the ATO provides written responses to scrutineers' recommendations

Consistent with scrutineers' requirements, the ATO provides formal written responses to the recommendations contained in scrutineers' final draft reports. Scrutineers include our written response to their recommendations in their final report.

Whilst we have not provided copies of our formal written responses to scrutineers' recommendations in this submission, the ATO response is publically available in the scrutineers' final reports. However, we can provide this to the Committee if the Committee would like us to do so.

ANAO reports are tabled in Parliament and published on the ANAO website; Inspector-General of Taxation reports are made public by the Government and are published on the Inspector-General of Taxation website; and Ombudsman investigation reports (own motion reports and section 15 reports) are generally published on the Ombudsman's website.

The ATO is unable to comment on, or publicly release, our response to formal scrutineer recommendations until they are finalised and released.

Recommendation 8

The Committee recommends that the Australian Taxation Office respond to written reports and recommendations made by external scrutiny bodies in writing.

ATO response: Agreed and completed

See response to recommendation 7. The ATO provides written responses.

Recommendation 9

The Committee recommends that the Australian Taxation Office provide the Joint Committee of Public Accounts and Audit with its submission to the biannual hearing with the Commissioner of Taxation at least a month before the next hearing.

ATO response: Agreed and completed

Submission provided to Committee on 23 August 2011.