

Performance measurement and reporting

Background

- 2.1 The Committee's fourth term of reference addresses the use of performance measurement and reporting:
- How the ATO supports the outcomes of efficiency, effectiveness and transparency through the use and publication of performance information.
- 2.2 The development and use of Key Performance Indicators (KPIs) by government agencies has been an area of interest for the Parliament over the last few years. The Joint Committee of Public Accounts and Audit has twice conducted reviews into reports of the Auditor-General,¹ making recommendations to improve the preparation of agency KPIs and to promote their use, ensuring they are relevant, measureable, and reportable against outcomes.²
- 2.3 The Australian Taxation Office's (ATO's) Strategic Intent³ currently outlines 12 major KPIs.
- community and key stakeholder engagement and satisfaction with ATO performance

1 Australian National Audit Office, Audit Report No. 28 (2012-13) *The Australian Government Performance Measurement and Reporting Framework - Pilot Project to Audit Key Performance Indicators*, Audit Report No. 21 (2013-14) *Pilot Project to Audit Key Performance Indicators*.

2 Joint Committee of Public Accounts and Audit, *Review of Auditor-General's Report Nos 11 to 31 (2012-13)*.

3 Australian Taxation Office, *ATO Strategic Intent*, July 2014.

- number of customer service interactions delivered through our multi-channel environment
- proportion of businesses and individuals registered in the system
- proportion of businesses and individuals that lodge on time
- proportion of liabilities paid on time by value for each of the major tax revenue types
- adjusted average cost to the individual taxpayers of managing their tax affairs
- net cost to collect \$100
- earlier resolution of disputed cases
- ratio of collectable debt to net tax collections
- GST gap as a proportion of GST revenue
- operating within budget
- employee engagement compared to Australian Public Service Commission (APSC) state of the service

Key Performance Indicators relating to disputes

- 2.4 In its first appearance before the Committee, the ATO was asked how its KPIs relating to the quality of dispute resolution were to be measured. The ATO replied that it was looking at trends over time, examining where cases were settled within the dispute process. Further, it noted that, more broadly, the ATO was looking for more immediate, qualitative feedback from those involved in disputes with the ATO.⁴
- 2.5 The Committee asked about publication of this material, and was advised that the ATO published a document called *Your Case Matters*, which would report on these measures, and information on the issue of performance measurement was also published within the ATO's *Annual Report*.⁵
- 2.6 The Committee then returned to the issue of KPIs relating to disputes and fairness at its final public hearing in Canberra, asking whether there were macro-level KPIs that the ATO was judged on relating to fairness. Ms Debbie Hastings replied that there were KPIs around fairness and the

4 Ms Debbie Hastings, ATO, *Transcript of Evidence*, 16 July 2014, p. 4.

5 Ms Debbie Hastings, ATO, *Transcript of Evidence*, 16 July 2014, p. 4.

time taken to resolve a dispute, and that this fairness was judged by the taxpayer, who was independently surveyed. Ms Hastings also noted that the surveyor was 'independent of the objection team.'⁶

2.7 The Committee then asked Mr Andrew Mills, Second Commissioner, Law, whether his KPIs included fairness, and whether KPIs relating to disputes were considered at ATO management meetings. Mr Mills replied that there was internal quarterly reporting on a range of KPIs, and that the issue of disputes was discussed 'quite a lot' at monthly meetings over the last year.⁷

2.8 Mr Neil Olesen clarified the process:

It is worth saying that there are layers of governance inside the organisation. So, in [Debbie Hastings's] world, they will be talking about disputes every month in detail. When Debbie gets together with Andrew at that next layer, they will talk about it less frequently but, nevertheless, it will be a significant part of the conversation. The ATO executive that Andrew and I sit on, it naturally becomes a lesser part of the conversation because we are looking at the entire system, nevertheless, it features significantly in the measures we have with our performance. If you look at our plan and you look at one of the 12 key KPIs we have I am pretty sure I have one that is focused around disputes and the timeliness of disputes.⁸

2.9 The Committee noted that the KPI relating to the issue of fairness was a broader one than that of the timeliness of disputes, and asked the ATO to clarify that, beyond timeliness, there was no specific KPI that focused on disputes. The ATO agreed that this was correct at the top level of the organisation.⁹

2.10 The Inspector-General of Taxation (IGT) discussed this issue in his report into tax disputes. The report noted that the KPIs in the Corporate Plan are 'largely quantitative in nature and not directed at the qualitative and taxpayer experience aspects of such feedback. The IGT also stated, 'There is a need for the ATO to better understand its own performance from the perspective of the taxpayer.'¹⁰

6 Ms Debbie Hastings, ATO, *Transcript of Evidence*, 26 November 2014, pp. 8-9.

7 Mr Andrew Mills, ATO, *Transcript of Evidence*, 26 November 2014, p. 9.

8 Mr Neil Olesen, ATO, *Transcript of Evidence*, 26 November 2014, p. 9.

9 Mr Andrew Mills, ATO, *Transcript of Evidence*, 26 November 2014, p. 10.

10 IGT, *The Management of Tax Disputes: A report to the Assistant Treasurer*, January 2015, pp. 104, 107.

- 2.11 Mr Neil Olesen acknowledged the importance of perceptions of fairness in promoting taxpayer compliance:

We are deeply interested in fairness because we understand that, in the tax system, if people have a misperception of how the system operates, if they think it operates unfairly, that is a no-no in tax administration. That gets people thinking, 'Well, if it's unfair, I don't want to participate in it'. We understand deeply and, indeed, as part of the work we are doing we are trying to change the organisation and we have to address community perceptions around fairness and, in fact, address any issues around actual fairness where they might arise. It is a huge part of the thinking we are doing at the moment and how we look at our organisation.¹¹

- 2.12 Mr Olesen also stated that changes in the large business and high wealth individuals sector, and the promotion of alternative dispute resolution were acknowledgements by the ATO of the importance in improving fairness in disputes.¹²

- 2.13 The Committee then asked whether the ATO planned to have a KPI on dispute fairness reviewed and regularly discussed by ATO senior management. The Committee was advised that this was planned, with the Committee then asking whether this would be included in the key KPIs reviewed by the ATO executive on a regular basis. The ATO agreed that this would be the case.¹³

Committee comment

- 2.14 The Committee found the discussions with the ATO relating to KPIs on fairness difficult to understand. There was a distinct lack of clarity in what KPIs the ATO had, and how it worked with them.
- 2.15 The Committee acknowledges that the ATO has worked to address perceptions of fairness, but notes that dispute fairness is an issue buried fairly deeply in the ATO's corporate reporting and management structure, and that it should be more prominent.

11 Mr Neil Olesen, ATO, *Transcript of Evidence*, 26 November 2014, p. 10.

12 Mr Neil Olesen, ATO, *Transcript of Evidence*, 26 November 2014, p. 10.

13 Mr Neil Olesen, ATO, *Transcript of Evidence*, 26 November 2014, p. 11.

- 2.16 Accordingly, the Committee believes the ATO should address this issue as a matter of priority.

Recommendation 1

- 2.17 **The Committee recommends that the Australian Taxation Office review its performance reporting measures and:**
- **develop a measureable key performance indicator of taxpayer perceptions of fairness in tax disputes;**
 - **that this key performance indicator be monitored and reviewed by the Australian Taxation Office executive on a regular basis (at least half-yearly); and**
 - **that the outcomes against such a key performance indicator be reported in the Australian Taxation Office Annual Report.**
- 2.18 The Committee will continue to monitor KPIs relating to fairness in disputes in its regular hearings into the ATO Annual Report, and looks forward to seeing how the ATO addresses taxpayer perceptions of fairness in the disputes process.

