



Australian Government
Australian Taxation Office

JCPAA Inquiry into Commonwealth Financial Statements 2021-22

Auditor-General Report No. 8 of 2022-23

Australian Taxation Office submission

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Background

The Australian Taxation Office (ATO) thanks the committee for the opportunity to contribute to the Joint Committee of Public Accounts and Audit's inquiry into the *Auditor-General Report No. 8 of 2022-23: Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022*.

In connection with the 30 June 2022 financial statements audit, the ATO received two new moderate (Category B) audit findings:

- Uneconomic to pursue debt and re-raises
- ATO assurance over extracts of data

The ATO acknowledges the significance of the two new moderate (Category B) audit findings raised by the Auditor-General and the Australian National Audit Office (ANAO). Rapid remediation and resolution of these issues is a priority for the ATO. The ATO regularly briefs both the ANAO and the ATO's Audit and Risk Committee in relation to the progress of remediation activities associated with these findings.

This submission provides contextual information and actions being progressed by the ATO to remediate and resolve the two new moderate (Category B) audit findings.

2021-22 New Moderate Audit Findings

Uneconomic to pursue debt and re-raises

1. To support taxpayers during the COVID-19 pandemic the ATO paused all debt recovery including the automatic offsetting of credits against debts considered to be uneconomical to pursue ('non-pursued debts'). As a result, the application of credits against non-pursued debt did not occur except manually in limited circumstances. The ATO's automated system for the application of credits against all other debts was not affected and continued throughout this period.
2. The ATO became aware of law conformance issues associated with pausing automatic offsetting of credits against non-pursued debts and the use of exclusionary criteria and identified that offsetting needed to recommence. The ATO advised the ANAO of the law conformance issues and of the rapid corrective action being undertaken. The automated system for the application of credits against non-pursued debts was recommenced on 6 June 2022 in readiness for Tax Time 2022.

3. In connection with the 2021–22 financial statements audit, the ANAO raised a new moderate (Category B) audit finding Uneconomic to Pursue debt and re-raises relating to the law conformance issues and made recommendations to implement system processes and changes to ensure full law conformance.
4. The ATO accepts the audit finding and acknowledges the serious nature of the issues raised by the ANAO. The ATO is actively progressing a remediation plan with a focus on achieving full law conformance as quickly as possible. The remediation plan was discussed with both the ANAO and the ATO's Audit and Risk Committee, and progress updates are regularly provided.

ATO assurance over extracts of data

5. In connection with the ANAO's financial statements audit, the ANAO requests the ATO to provide numerous data extracts including data samples and datasets. Some of the data is extracted from the ATO's data warehouse by running queries written in structured query language (SQL). The ATO provides assurance statements confirming the completeness and accuracy of the data provided to the ANAO.
6. During the 2021-22 financial statements audit, as a result of system changes, two incomplete datasets and accompanying assurance statements were provided to the ANAO. Upon identification of the errors, the two impacted datasets and accompanying assurance statements were quickly corrected and provided to the ANAO to facilitate completion of their 2021-22 audit activities.
7. The ANAO raised a new moderate (Category B) audit finding *ATO assurance over extracts of data* relating to the incident. The ATO agrees with the ANAO's finding and recommendations and has acted immediately to address the issues raised. The ATO has reviewed the quality assurance process and implemented changes and improvements to support the SQL's and datasets provided to the ANAO. The ATO will request that the ANAO consider closure of this moderate (Category B) audit finding as part of their 30 June 2023 financial statements audit activities.

