

PART FIVE

Charter Report and Performance Measures





Statement of responsibility

In terms of sections 35 and 37 of the *Public Finance Act 1989*, I am responsible, as Chief Executive of Inland Revenue, for the preparation of the department's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the department for the year ended 30 June 2004.



David Butler
Commissioner of Inland Revenue
29 September 2004

Countersigned by:



Vanessa Johnson
Acting Chief Financial Officer
29 September 2004

Inland Revenue's *Charter*– Te Tutohinga a Te Tari Taake

Inland Revenue collects money to pay for public services and helps people to meet their obligations. We work within the Inland Revenue Acts and other relevant laws. We also work in ways consistent with the spirit of the Treaty of Waitangi.

HOW WE WILL WORK WITH YOU

We will be prompt, courteous and professional.

We will follow through on what we say we will do.

We acknowledge your individual, cultural and special needs and will look for solutions to them.

The person you are dealing with will give you their name.

We will continually improve our service by collecting information about how we are doing and using it to raise our performance.

RELIABLE ADVICE AND INFORMATION

We will provide you with reliable and correct advice and information about your entitlements and obligations.

We will assist you to get in touch with the right people for your needs.

We will be well-trained and competent.

We will keep looking for new and better ways to give you advice and information.

CONFIDENTIALITY AND PRIVACY

We respect your privacy and treat all information about you as private and confidential. Information you provide will be kept secure and will be used or disclosed only as required by law.

CONSISTENCY AND EQUITY

We will apply the law consistently so everyone gets their entitlements and pays the right amount.

We will take your particular circumstances into account as far as the law allows us to.

YOUR RIGHT TO QUESTION US

You can question the information, advice and service we give you. We will inform you about options available for resolving disagreements and we will work with you to reach an outcome quickly and simply.

For this charter to work effectively, we rely on each taxpayer to provide all the relevant information when dealing with Inland Revenue.



A handwritten signature in black ink, appearing to read 'David Butler'.

David Butler
Commissioner of Inland Revenue

For more information about this Charter

Phone: Business Taxpayers 0800 377 774 Personal Taxpayers 0800 227 774
Child Support Customers 0800 221 221

Write to: The Commissioner of Inland Revenue PO Box 2198 Wellington

Report on our *Charter* commitments

Introduction

Our *Charter* has been in place since March 2001. It is our commitment to ensuring that we have an effective relationship with the community. Our *Charter* sets out how we will work with the community and what we aspire to in providing advice and information, acting consistently, and guarding privacy and confidentiality. This is reinforced by customers having the opportunity to question us through our Complaints Management Service.

Our *Charter*, along with our *Code of Conduct* and our strategic direction, contribute to our success in strengthening community confidence. One of the ways we measure our success is by surveying customers who have recently contacted us. During this year these surveys showed that 86% of our customers are satisfied, or very satisfied, with the service received.

However, public expectations of good service will continue to change. Therefore it is important that we develop new initiatives to enhance our current services so we can continue to meet public expectations and our *Charter* commitments. Over the past three years we have made significant advances in improving the way we provide services to taxpayers and social support programme clients. Our *Charter* commitments are grouped under five headings:

- ✓ How we will work with you
- ✓ Reliable advice and information
- ✓ Confidentiality and privacy
- ✓ Consistency and equity
- ✓ Your right to question us

In the following section we describe some of the more important initiatives and ongoing activities that support each of our *Charter's* headings. We also describe the way we have worked with our people on reinforcing standards of professionalism and service.

Customer satisfaction survey

We regularly survey people who have contacted Inland Revenue and ask them about the service they

- ✓ How we will work with you
- ✓ Reliable advice and information
- ✓ Consistency and equity

received and whether they have suggestions for improvement. The overall result for Inland Revenue in 2003–04 was a customer satisfaction rating of 86%²⁵. High results were also achieved for call centres (87%), the 0800 tax agents' line (96%), and advisory services (97%).

Achieving these high levels of satisfaction for customer service in Child Support and in returns and debt collection is difficult. This is because we are often dealing with sensitive issues at a time when people may be under a considerable amount of emotional or financial pressure. Nevertheless, Child Support received improved ratings this year at 68%, and the rating for debt collection was 66%, up 9% on 2002–03. The rating for work undertaken relating to outstanding returns was 61%, up 4% on 2002–03.

We also research the views of the wider community. Early indications show high community support for the proposition that by paying tax people are contributing to society. The research, which is a regular ongoing monitor, also shows that in general the impressions of Inland Revenue are positive, particularly from those people who have dealt with the department recently.

Response to flooding

The floods in central parts of New Zealand in February 2004 required prompt action from us to contact

- ✓ How we will work with you
- ✓ Reliable advice and information
- ✓ Consistency and equity

people who were affected and to follow this up with relief measures. Changes to the legislation were enacted under urgency and were part of a government

²⁵ The surveys have a margin of error of ± 2%

package that provided help to people and businesses affected by the flooding.

Federated Farmers publicly thanked Inland Revenue for being quick to respond and for the pragmatic approach taken to deal with people’s tax affairs after the floods.

Consultation with the community

- ✓ How we will work with you
- ✓ Reliable advice and information
- ✓ Consistency and equity

Inland Revenue has actively sought the views of individuals and organisations with an interest in tax and

the social policy programmes where we have a role.

For example, we consulted widely on ways that Inland Revenue can reduce compliance costs for small to medium-sized businesses as part of the wider government initiative to promote growth and innovation in the economy.

Our Policy Advice Division has also consulted widely on proposed legislation through the Generic Tax Policy Process.

Participation in wider government initiatives

- ✓ How we will work with you
- ✓ Consistency and equity

We participate in ongoing programmes such as *Heartlands* agencies that provide

services in rural locations. As with our response to the floods, we worked closely with other government departments on initiatives that apply across the community:

- *Working for Families*
- Small and Medium-sized Enterprises programme
- New Zealand Disability Strategy
- Positive Ageing Strategy
- Statement of Government Intentions for an Improved Community–Government Relationship.

Telephone services

Satisfaction with our call centres remained high this year, even though call numbers

- ✓ How we will work with you
- ✓ Reliable advice and information

were considerably higher than we had predicted. For example, both our tax agents’ and general (general enquiries, family assistance, GST and student loans) lines received 21%²⁶ more calls than we had predicted. Our predictions are based on our experience over the last few years and the impact of changes being implemented in the coming year. The increased volume meant calls were not always answered as quickly as we planned.

Another important measure of our phone service is whether we resolved the caller’s question fully at the time (“first call resolution”). At 90.5%, this performance measure remained virtually the same as last year.

In addition to the 4.9 million person-to-person calls to our call centres, we received 1.9 million calls to INFOexpress, our automated telephone service. To make it easier for people to request information, we introduced natural language speech recognition technology. The new technology allows callers to request options with their voice, rather than having to use the touch tone keypad on their telephone.

Results of surveying our people

In November 2003 we conducted the third climate survey of people

- ✓ How we will work with you

in our organisation. The survey measured progress in relation to the values supporting our *Charter*, our business plan, *The Way Forward*, and gathered information on Inland Revenue’s working environment.

We achieved a response rate of 81%, an increase of 23% on our first survey in 2001. Although this is a reflection of our management of this process, it also shows the willingness of people to contribute to improving the way

²⁶ 462,086 more calls were received than expected on our general lines and 156,227 more calls on our tax agents’ lines.

we work and the increasing confidence our people have in Inland Revenue. Some key findings were:

- A high percentage (59%) of our people supported the strategic direction compared to a benchmark of New Zealand private and public sector organisations (43%).
- There was a steady increase in the level of pride and confidence in Inland Revenue as an employer with 4% more positive than they were in 2002, and 10% more positive than 2001.

Payment options

✓ How we will work with you

Inland Revenue has continued to expand the options available

to people by arranging with banks to offer internet banking services for making tax payments. All the main banks now offer this service with one exception and we are currently working with this bank to make the service available.

A credit card payment option for student loan borrowers became available in late May 2004 to assist non-resident borrowers to repay their loans. Between late May and June nearly 300 payments, with a total value of over \$272,000, had been made using credit cards. Over 70% of the payments were made with cards issued overseas. We expect that, with the addition of more credit card brands in the coming year and ongoing promotion, the uptake of the service will increase to around 1,800 borrowers a month making repayments.

In 2003, interested parties had an opportunity to respond to a government discussion document that contained proposals designed to streamline tax payment processes:

- subsidies for people who employ payroll agents to handle PAYE
- alignment of provisional tax and GST so that they were paid together
- allowing GST turnover to be a basis for calculating provisional tax payments (linked to the proposal above)
- a discount for payment of tax in the first year of business.

We are working with businesses and their representatives to resolve the issues that were raised. The government has already decided to implement the option for discounted voluntary provisional tax payments and expects to enact it in 2004, with implementation in 2005.

Advisory services

Our advisory services are a vital way of reaching specific community groups by making visits and

- ✓ How we will work with you
- ✓ Reliable advice and information
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helping them to understand their tax obligations or the entitlements that they can receive. This also includes managing relationships with business groups and accountants who handle people's tax affairs. We increased resourcing to advisory work from 76 full-time equivalents (FTEs) last year to 93 FTEs in 2003–04. Satisfaction with the service increased to 97%, up 3% on last year.

One particular area of focus this year has been on ensuring that Māori groups have been fully informed on changes to the Māori authorities legislation. We held ten information workshops and follow up work is now being done locally by our Māori Community Officers.

Delivering services electronically

Access to electronic information and services is fast becoming a "must" for many people and we

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are ensuring we are meeting this growing demand.

For example, taxpayers and tax agents can now file all major returns online. Use of all our online services such as returns, forms, secure email and calculators is steadily increasing.

We are also continuing to introduce new services.

This year we introduced a *look at account information service* that allows student loan borrowers to view their Inland Revenue account through a secure online system. This service is progressively being extended to tax agents. Along with extending these services

in 2003–04, we have also implemented suggestions from users. For example, we now have a text box in the electronic GST return so that people can include messages on the return, rather than writing a separate letter. We have also added more forms and calculators to make it easier to file returns. We will continue to enhance these services as customers' needs evolve.

New technology to improve access to information

Inland Revenue is investing in electronic tools to support our people who are working outside Inland Revenue offices so that they can link into our information systems. This will make them more mobile when they are doing their work, and enable them to provide accurate and consistent information when they meet taxpayers in their own environment.

- ✓ Reliable advice and information
- ✓ Consistency and equity

Technical skills

We are committed to strengthening our capability by investing in the continual improvement of our technical skills so that we provide reliable advice and information to taxpayers and other customers.

- ✓ Reliable advice and information
- ✓ Consistency and equity

We continue to promote ongoing training and professional membership. We are the third largest employer of Institute of Chartered Accountants of New Zealand (ICANZ) members, with 270 professionally qualified staff having membership. We are also an ICANZ Approved Training Organisation for accounting graduates.

Currently, 23% of our staff have undergraduate qualifications and 12% have other tertiary qualifications. In 2003–04, over 80% of external recruits to investigator, advisor, and senior positions in the Corporates group, had one or more undergraduate degrees. We are also promoting further training with over 150 of our investigation staff studying towards gaining a qualification or professional membership.

In the last year:

- the average technical competency for service delivery staff has increased.
- we launched *Headstart*, a structured programme run over 12 months working towards the National Certificate in Administration of Revenue Law, a level 5 NZQA qualification (similar level as advanced trades, technical and business qualifications). So far, 61 people have started the programme with 30 people having completed.
- our inhouse *aspire* courses have continued to provide our people with training and updates on technical issues. Over 3,300 staff completed 62 *aspire* training courses.
- work started on a new training programme for investigators joining our audit teams. The programme is an integral part of the wider Audit Strategy which is emphasising the use of intelligence and a range of audit responses to improve long-term compliance.

Monitoring and reporting the quality of our work

We measure the quality of our services by looking at the correctness, clarity, completeness and timeliness of responses.

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- ✓ Your right to question us

This year our target was to improve our child support results by 5% on last year (from 76.1% to 80%). Our performance increased by 15%, with 87.6% of responses meeting our standards. This increase built on the improvement measures put in place in 2002–03 where we placed emphasis on improving technical advice and resources.

Our target for our general information responses was to improve by 1% on last year's result of 82%. However, our results declined, with 77.5% of responses meeting all of the correctness, clarity, completeness and timeliness standards. The correctness and clarity of our responses to our customers remained at a similar level to last year, but there was a decline in the completeness of our written responses. This does not necessarily mean

that customers received an incorrect or incomplete response as our standards refer to not just the answer to the customer, but also to the completeness of our record keeping. During the year we undertook training to raise performance. The training has resulted in 85% of surveyed work meeting the completeness standard at the end of the year.

Call recording

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- ✓ Your right to question us

Understanding why our customers contact us has been greatly assisted by the introduction of call recording to our five

call centres in late 2003–04. The information from call recording is helping us to design improved processes to enhance our customer service.

Call recording also ensures that we continue to provide consistent and accurate information to customers through assisting in identifying and managing staff development.

Code of Conduct

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- ✓ Reliable advice and information
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- ✓ Consistency and equity

Our *Code of Conduct* explains the expectations we have of our people so that we meet our statutory obligations relating to

confidentiality and secrecy of taxpayer information as set out in the Tax Administration Act. Our Code also sets out the standards of integrity and behaviour required of Inland Revenue staff. It builds on the minimum requirements established by the State Sector Act and other public sector legislation and the requirements of public service employers and employees set out in the State Services Commission's *Public Service Code of Conduct*.

Our new staff receive our *Code of Conduct* when they join Inland Revenue. As part of their induction process they confirm that they have received and read it, and understand the potentially significant consequences of any breaches. We also have an educational process to ensure that our people remain aware of the code.

Training on ethical standards

Inland Revenue has continued to promote standards of integrity through innovative

- ✓ Confidentiality and privacy
- ✓ Consistency and equity

training techniques. During 2003–04 integrity and ethics education programmes were delivered to 86% of staff through facilitated sessions in their areas. Remaining staff will be trained by the end of 2004, and new staff will receive training as part of their induction process.

This training received the 2004 State Services Commissioner's Award for Ethics, Values and Standards with the team that tailored and delivered the programme being recognised as making an outstanding contribution to the ethics, values and standards of the New Zealand Public Service.

The initiative has also received a very positive response from staff, with 89% of attendees agreeing, or strongly agreeing, that as a result of the course they had a greater awareness of what constitutes misconduct or wrongdoing.

Confidentiality of taxpayer and other customers' information

Confidentiality of information is vital to maintain community

- ✓ Confidentiality and privacy

confidence in the tax administration. To safeguard against misuse of taxpayer data our computer systems are monitored and a "history" of user access is kept for reference.

We refer to these records if we receive complaints from taxpayers and also to be proactive ourselves to ensure that information, or access to the system, is not

misused. Misuse occurs if taxpayer records are accessed without authorisation or if a breach of secrecy has occurred.

In 2003–04 we concluded 105 investigations into possible misuse and during the year 38 staff were dismissed in relation to breaches of secrecy and inappropriate action within the computer system.

Compliance model

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Our compliance model shapes our thinking about how we interact with customers and respond to any concerns we may have about compliance with the law. In many circumstances, providing educational services or improving access to information will result in taxpayers meeting their obligations under the law. Where it is clear that taxpayers have decided that they will not comply, our response is to use our powers and other approaches to ensure that obligations are met.

Industry Partnership initiative

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The Industry Partnership initiative was started two years ago to improve our relationship with the business community, particularly small business, and to address the cash economy. Since then, we have formed 14 relationships with industry sectors. The initiative has emphasised education and relationship building processes to improve compliance, along with debt and audit activity, and includes prosecutions in any cases of blatant evasion and fraud.

The publicity given to recent court cases, such as the prosecutions for tax evasion in the fruit picking and contracting industry, has highlighted our message to the community that we will take action against those who do not comply. It confirms our attitude to consistency and equity, giving honest taxpayers in the industry assurance that there is a “level playing field”

and that their businesses will not be disadvantaged by operators who do not pay tax.

Receiving family assistance entitlements

An important component of our commitment to consistency and equity

- ✓ How we will work with you
- ✓ Consistency and equity

is everyone receiving their entitlements. Because people receiving family assistance can easily receive an over or underpayment when their circumstances change, we take proactive steps (such as checking actual income against predicted earnings) to avoid debt being incurred.

The percentage of people who have been overpaid remained the same this year (at 28%). However, preliminary results show that the average amount of overpayment has decreased because of the efforts we made to contact people when actual income has varied from that predicted. Family assistance debt has also declined by \$22.6 million in 2003–04 and there is a continuing decrease in the average value of family assistance debt.

Changes to debt and hardship rules

In December 2002 new debt and hardship rules were introduced to make the management of debt situations more flexible and ensure that if instalment arrangements were made they could be sustained by the taxpayer.

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The value of instalment arrangements has risen again in the current year (2002–03: \$450 million; 2003–04: \$570 million) and the overall response to these changes continues to be positive. Our improved debt performance is also reflected in our customers’ satisfaction with our service. The nature of overdue debt collection means it is hard to achieve high levels of customer satisfaction. This year, 66% of overdue debt customers surveyed were satisfied with our overdue debt collection activities, compared to 57% in 2002–03.

Complaints Management Service

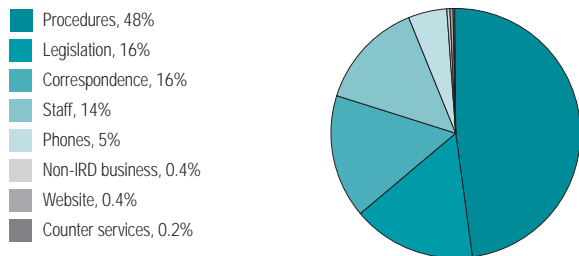
- ✓ Consistency and equity
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Our complaints process has been in place for three years.

It is now widely publicised in our publications and on our website. People have also started to use our online option to register their complaint with us. A complaint can be made directly to our complaints service, or it can originate in one of our service or call centres.

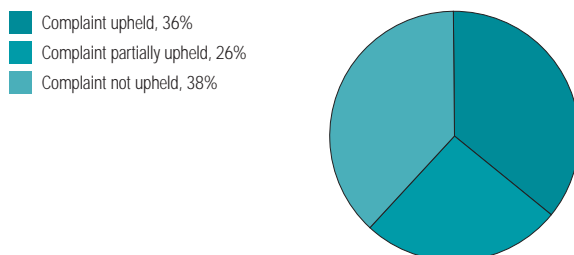
In 2003–04 we simplified the process used to record complaints. We also carried out further training with our staff to make sure that we fully recorded complaints into the customer feedback system. As a result, far more complaints are being entered into the system than in the past. In 2003–04 there were 4,915 complaints, compared to 3,524 the previous year. About half of them are about Inland Revenue procedures, as shown in the graph below.

Figure 41 – Reason for complaint



We have recently started to record whether the complaint was upheld (as determined by Inland Revenue). The results are shown in the graph below and are based on data from October 2003 to June 2004.

Figure 42 – Percentage of complaints upheld



We have also begun to measure the satisfaction level with the quality of the complaints process using a sample of those who have contacted the service. Over 80% of customers continue to feel that their complaint has been resolved—irrespective of whether the outcome was in their favour or not. Additionally, 80% felt that Inland Revenue delivered good service in dealing with their complaint.

Complaints also help us to identify any inconsistencies in our procedures and ways in which we can improve the presentation of information. For example, changes have been made to several Inland Revenue forms to make it clear that if a taxpayer has credits for one revenue type, they can be offset against debits in others.

Approaches to the Minister, Commissioner and other authorities

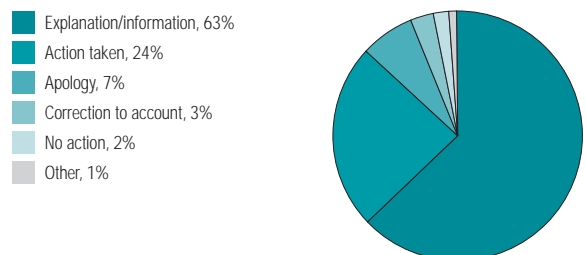
Our Ministerial Services team investigates and resolves matters that

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are raised with Ministers, the Commissioner, the Ombudsmen, the Privacy Commissioner and the Human Rights Commissioner. In all, the team dealt with 2,222 letters and calls, slightly more than last year.

The approaches to Ministers and the Commissioner more commonly relate to current or proposed legislation, service provided by Inland Revenue staff, and requests for either the Minister or the Commissioner to intervene in decisions made by Inland Revenue on individual tax obligations.

Figure 43 – How contacts were resolved



Complaints made to the Ombudsmen, the Privacy Commissioner or the Human Rights Commissioner about Inland Revenue are fully investigated. The findings are reported back to the agency investigating the complaint.

There were 102²⁷ new Ombudsmen cases received during the year (and 10 on hand from last year). Of the cases actioned during the year:

- 65 were resolved informally
- 11 were sustained
- 23 were not sustained
- two were partly sustained.

There are 11 cases still under action.

There were eight new privacy cases received (and five on hand from last year). Of the cases completed:

- four cases were resolved and the complaint not sustained
- one case sustained

There are eight cases still under action.

²⁷ The number of cases received is at similar levels to previous years although previously we have not reported informal cases.

