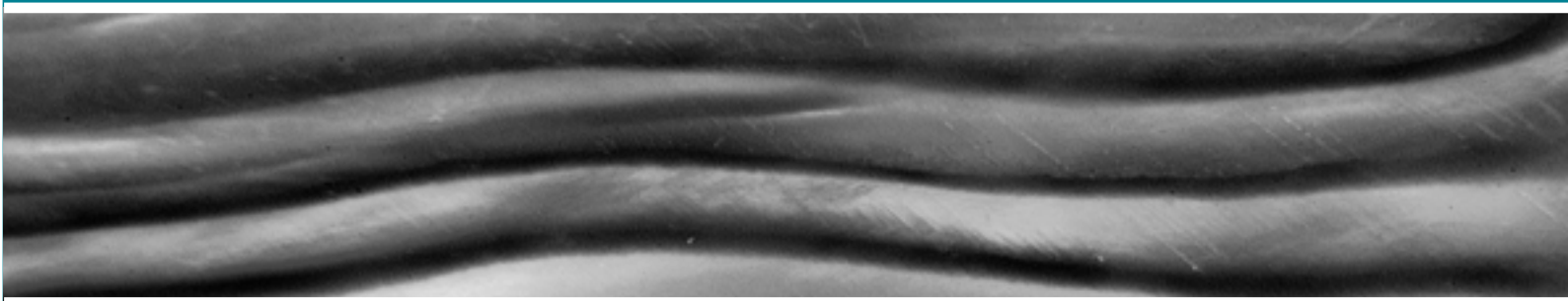


PART FOUR

Charter report and performance measures



Statement of responsibility

In terms 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 statements of service performance, and for the judgements made in them.

I have the responsibility for establishing a system of internal control designed to provide 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 2005.



David Butler
Chief Executive and Commissioner of Inland Revenue
30 September 2005

Countersigned by:



Vanessa Johnson
Acting Chief Financial Officer
30 September 2005

Inland Revenue's Charter

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.



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

Our Charter commitments

Our Charter has been in place since March 2001. It is our commitment to making sure that we have an effective relationship with the community. It sets out our aspirations for providing advice and information, acting consistently, and guarding privacy and confidentiality. By continuing to improve the standard of our service and observing the safeguards in our Charter, we will strengthen community confidence in the tax system. This is reinforced by customers having the opportunity to question us through our Complaints Management Service.

Many of our important initiatives and ongoing activities are detailed elsewhere in this report. In the following sections we outline how these initiatives and activities support our Charter.

How we will work with you

We regularly survey people who have contacted Inland Revenue and ask them about the service they received and whether they have suggestions for improvement. Over recent years we have sustained consistently high levels of customer satisfaction with our service, and this year we achieved an overall customer satisfaction rating of 85%¹.

Most of our customers contact us through our telephone services. We achieved a customer satisfaction rating of 86% from our call centre customers, while 96% of tax agents who called us were satisfied with the service they received. In addition, 82% of customers considered their questions to be fully resolved, requiring no follow-up action.

We continued to reach out to communities during 2004–05. This year we introduced a translation service for our child support customers who do not speak English as a first language.

We also met groups or individuals and advised them on tax and social policy programme issues. The hours spent on advisory services rose by 5% over last year, as additional work was done to inform people about *Working for Families*. Business advisory visits were also above forecast, as new business taxpayers are increasingly becoming aware of the professional service we provide. The customer satisfaction rating for our advisory work was 97%, the same as last year.

Our correspondence volumes increased again this year, and we were pleased that we achieved our correspondence timeliness performance standards while meeting other high priority demands. 88% of general correspondence was answered within three weeks, and 98% within six weeks.

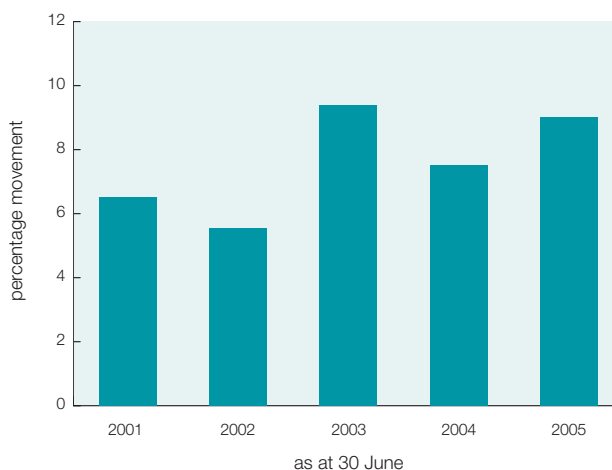
¹ The margin of error for these surveys is +/-2%

Reliable advice and information

We are committed to making sure our people have the skills and knowledge they need to provide reliable and correct tax information and advice. We continued to develop our internal tax technical training capability and improved its links with our human resources structure.

Every six months we measure the change in our people's technical competency rating. Their competency rating has increased by 9% between June 2004 and June 2005.

Figure 57 – Annual gain achieved in staff competency²



We also actively encourage our people to take external courses that will enhance their technical capability. Five of our staff have been selected to start the University of Auckland's Master of Tax extramural programme and we are looking at a partnership with a New Zealand university to offer our people an undergraduate degree in 2007.

² Competency is measured each year for the staff at the time. Because of staff turnover the gain in competency reflects the training given to both new and existing staff.

A recent innovation to enhance the consistency of the information we provide is through recording calls to our six call centres. By monitoring calls we can make sure that we are providing consistent and accurate information as well as helping to design better customer service methods.

In all cases we aim to give our customers an answer that is correct, complete, clear, timely and appropriately referenced. We achieved a result of 86% for our child support customers and 80% for our other customers.

We have continued to implement new and better ways to provide advice and information. For business users of our services we have:

- appointed a manager specifically to liaise with small- and medium-sized businesses
- developed a trans-Tasman section of our website and worked with the Australian Taxation Office to provide information for people in either country who wish to do business in the other country
- worked with the Companies Office to streamline the issue of IRD numbers by linking this directly to the process of registering a new company.

Confidentiality and privacy

It is vital that taxpayers and the community have confidence in us and our ability to keep their personal information confidential. Our training programme on integrity and ethics, *Judge for Yourself*, and our *Code of Conduct* continue to focus our people on these obligations.

When new staff join Inland Revenue they attend the *Judge for Yourself* programme as part of their induction. Staff who have taken part in the programme have given us very positive feedback. We will continue to use it over the coming year and also look for new initiatives.

We also acted on breaches of secrecy and unauthorised access to taxpayer information. We constantly monitor our computer systems and have safeguards to ensure that staff access to taxpayer data is for business reasons only.

Consistency and equity

To maintain the integrity of the tax system, we need to provide taxpayers and the community with a consistent interpretation of the law. We also need to apply it in a way that considers the extent of an individual's circumstances.

Since the changes to debt and hardship rules in 2002, we have been able to approach debt situations with greater flexibility. For example, where an instalment arrangement has been put into place, we can make sure that this is realistic and sustainable.

We show our commitment to achieving consistency and equity by our efforts to see that people receive their correct family support entitlement. Because they can easily receive an over- or under-payment when their circumstances change, we take proactive steps (such as checking actual income against predicted earnings) to avoid debt being incurred. In 2004–05 78% were not overpaid, compared to 72% in the previous year.

Your right to question us

Taxpayers and the community need a mechanism to question our decisions and resolve disagreements. This maintains confidence in the tax administration and helps to maintain high levels of voluntary compliance. People have a range of options for having their disputes resolved, which includes contacting:

- our Complaints Management Service, if they have not been able to resolve a complaint with the person handling their enquiry
- the Minister, the Commissioner of Inland Revenue, or other authorities dealing with complaints or disputes.

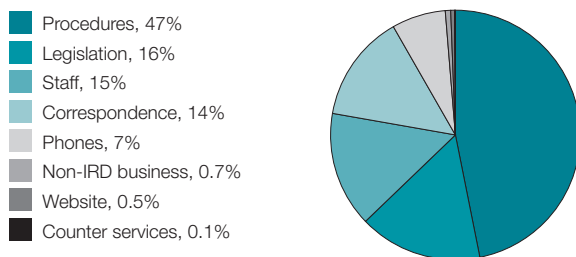
These two services are being integrated into a single unit in our Policy Advice Division to improve the feedback we receive through complaints and to link into our policy processes.

Complaints Management Service

Our complaints process has now been in place for four years. Each year the number of complaints dealt with has grown steadily, and this is a reflection of how the service has developed since its inception. It is now widely publicised in our publications and on our website, and this year our new-look website made it easier for customers to register complaints online. In 2004–05 there were 5,923 complaints, compared to 4,915 last year.

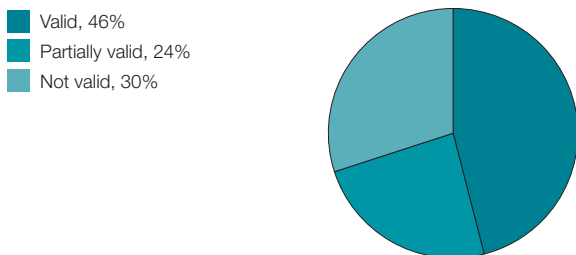
Despite the increased number of complaints registered, there has been little change in the proportion of each type of complaint. 47% of complaints were about Inland Revenue procedures, a similar level to last year (48%). Complaints about correspondence decreased by 2% to 14%, while complaints about our phone services increased by 2% to 7%.

Figure 58 –
Reason for complaint



In 2004–05 we completed our first full year of recording whether the complaint was upheld. We determined 70% of the complaints were valid or partially valid.

Figure 59 –
Percentage of cases upheld



We also recognise the importance that complaints have for giving us feedback about the way we provide our services. Analysis of complaints in 2004–05 led to improvements in processes, particularly to eliminate contradictory information in forms and improvements to the accessibility of information that taxpayers found to be important.

Approaches to the Minister, Commissioner and other authorities

Our Ministerial Services team manages matters raised with the Minister, the Commissioner of Inland Revenue, Ombudsmen, the Privacy Commissioner and the Human Rights Commissioner. Over the 2004–05 year the team dealt with 2,332 contacts.

Ministerial Services has tight deadlines for responding to Ministers' and the Commissioner's correspondence. All correspondence has to be resolved within ten working days. This year 98.4% of Ministerial correspondence and 98.5% of the Commissioner's correspondence (up by 8.2% on last year) was completed in that timeframe.

Income tax was the main issue raised in correspondence (57%). Other issues related to child support (25%), GST (10%), family assistance (4%), and student loans (4%).

Ombudsmen and Privacy Act complaints

The Office of the Ombudsmen and the Privacy Commissioner are independent review authorities that undertake investigations for taxpayers who have been unable to resolve their issues with Inland Revenue. Ministerial Services assists by providing them with impartial information about the cases they are investigating.

We received 96 new Ombudsmen cases during the year, 15 of which are still incomplete. A total of 92 cases were fully resolved during the year (including 11 cases from the previous year). Of these, 60 were informal enquiries and were resolved informally by a telephone call. In five cases the complaints were sustained, and one was partly sustained.

We received ten new privacy cases during the year, four of which are still incomplete. A total of 11 cases were fully resolved during the year, with only one case being sustained.

Statements of service performance

Summary of departmental output classes

Departmental output classes delivered by Inland Revenue during the year ended 30 June 2005, and their associated revenue, expenses and surplus or deficit are summarised below. All figures are GST-exclusive.

Output class description	Revenue	Expenses	Net surplus/ (deficit)
	\$000	\$000	\$000
1. Policy advice	9,726	9,610	116
2. Adjudication and Rulings	5,994	6,459	(465)
3. Information services	104,475	104,696	(221)
4. Revenue assessment and collection	57,426	57,425	1
5. Management of debt and outstanding returns	61,589	62,146	(557)
6. Taxpayer audit	110,449	109,215	1,234
7. Assessment and collection of child support	60,308	59,308	1,000
8. Collection of ACC levies	20,500	20,500	0
Total	430,467	429,359	1,108

Reporting performance

Where a performance measure is expressed in terms of a range of characteristics that the output should meet, the result is expressed as “achieved” or “not achieved”.

Inland Revenue reports explanations for:

- target performance measures with a negative variance of more than 5%
- demand-driven activity forecasts with a variance of more than 5% at either end of the target range
- measures reported as “not achieved”.

Negative variances of more than 100% are reported as “not achieved”.

OUTPUT CLASS 1 POLICY ADVICE

Description

This output class involves:

- assisting with the design and introduction of legislation that changes tax and social policy, and rewriting the current income tax legislation
- providing advice on laws impacting on the tax system
- forecasting future tax flows
- ministerial services.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
9,726	9,610	116

All policy advice outputs

The following service performance objectives apply to all policy advice outputs.

Quantity

Provide the Minister with:

- tax and social policy advice
- tax legislation
- rewritten tax legislation
- revenue forecasts

in accordance with the agreed work programme.

Quality

All advice, legislation and forecasts are delivered in accordance with agreed quality criteria.

The policy development process is managed in accordance with the Generic Tax Policy Process.

The Minister is satisfied with the quality of policy advice, tax legislation, revenue forecasts, rewritten legislation and ministerial services provided.

Timeliness

Provide or deliver:

- all reports and advice
- the tax and social policy work programme
- tax legislation
- rewritten legislation
- revenue forecasts

within the agreed timeframes.

Output 1.1 Policy advice in relation to tax and social policy

Description

This output involves:

- assisting with the design and introduction of legislation that changes tax and social policy
- providing advice on laws impacting on the tax system
- developing tax and social policy in accordance with the Generic Tax Policy Process.

The general service performance objectives detailed in “All policy advice outputs” apply to this output.

	Actual
Quantity	Achieved
Quality	Achieved
Timeliness	Achieved

Output 1.2 Legislative drafting

Description

This output involves drafting tax legislation for introduction in the House and assisting with its passage through the House.

The general service performance objectives detailed in “All policy advice outputs” apply to this output.

	Actual
Quantity	Achieved
Quality	Achieved
Timeliness	Achieved

Output 1.3 Forecasting and analysis

Description

This output involves:

- forecasting future tax flows for the Government
- forecasting other non-tax Crown revenue
- reporting on revenue receipts against forecasts
- analysing revenue implications of changes in tax and social policy.

The general service performance objectives detailed in “All policy advice outputs” apply to this output.

	Actual
Quantity	Achieved
Quality	Achieved
Timeliness	Achieved

Output 1.4 Ministerial services

Description

This output involves all activities associated with ministerial services, including responding to ministerial correspondence and parliamentary questions. It includes all tax, child support, student loans and family assistance ministerial correspondence and supply of information.

	Budget	Actual	Variance
Quantity			
We expect to draft responses to:			
• 800 – 1,000 pieces of ministerial correspondence	800 – 1,000	818	Nil
• 200 – 250 parliamentary questions about the administration of the Inland Revenue Acts or Inland Revenue business (volumes are demand driven).	200 – 250	329	32% ¹
Quality			
All responses will be accurate.		Achieved	
All responses to parliamentary questions will meet the Standing Orders requirements.		Achieved	
Timeliness			
Replies to all ministerial correspondence received will be forwarded for ministerial signature:			
• 80% within 6 working days	80%	89.0%	11%
• 100% within 10 working days	100%	98.4%	-1.6%
from the date received by Inland Revenue, where the information required to provide a response is readily available.			
All responses to parliamentary questions are forwarded for ministerial approval in time to meet any parliamentary deadlines.		Achieved	

¹ The number of parliamentary questions received was significantly above forecast. Many of the questions were about child support issues.

Output statement: Policy advice

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
9,775	Crown	9,695	10,003	9,595
6	Other	31	2	34
<u>9,781</u>	Total revenue	<u>9,726</u>	<u>10,005</u>	<u>9,629</u>
	Expenses			
9,868	Annual appropriations	9,610	10,005	9,629
0	Other appropriations	0	0	0
<u>9,868</u>	Total expenses	<u>9,610</u>	<u>10,005</u>	<u>9,629</u>
(87)	Net surplus/(deficit)	116	0	0
6,509	Output 1.1: Policy advice in relation to tax and social policy	6,504	6,601	6,353
1,169	Output 1.2: Legislative drafting	1,033	1,160	1,116
892	Output 1.3: Forecasting and analysis	701	901	867
<u>1,298</u>	Output 1.4: Ministerial services	<u>1,372</u>	<u>1,343</u>	<u>1,293</u>
<u>9,868</u>	Output class cost	<u>9,610</u>	<u>10,005</u>	<u>9,629</u>

OUTPUT CLASS 2 ADJUDICATION AND RULINGS

Description

This output class involves:

- adjudicating on behalf of the Commissioner in respect of proposed taxpayer assessments, to provide assurance of impartiality and consistency in the application of the tax law
- providing binding rulings, and other statements on the interpretation and application of the law administered by Inland Revenue, to give guidance and (in some cases) certainty to taxpayers.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
5,994	6,459	(465)

Output 2.1 Adjudication

Description

This output involves:

- providing a technical review of existing taxation disputes referred to the Adjudication Unit
- issuing an adjudication report to the parties concerned
- issuing, where required, an assessment consistent with the conclusions of the technical review.

	Budget	Actual	Variance
Quantity Complete 50 to 70 adjudication cases.	50 – 70	20	-60% ²
Quality All adjudication reports supporting each decision meet the purpose, logic and alternatives standards*.		Achieved	
Timeliness Allocate all adjudication cases to an adjudicator on average within 20 working days of receipt by the Adjudication Unit.	20	48.1	Not achieved ³
Complete all adjudication cases on average within 16 weeks of receipt of all necessary information and allocation by the Adjudication Unit.	16	17.1	-6.9% ⁴

* The detailed standards are contained in Inland Revenue's *Performance Delivery and Monitoring Document 2005–06*.

² The uneven flow of cases contributed to fewer adjudications being completed than targeted.

³ The uneven flow of cases impacted on average allocation times, as a case can only be allocated when a staff member is available. Priority was given to cases that are close to the statute bar date.

⁴ The average was distorted by one particularly complex case that took 34 weeks to complete.

Output 2.2 Rulings

Description

This output involves:

- considering applications for and providing binding public, private and product rulings, and statutory determinations
- the development and publication of non-binding statements on the Commissioner’s view of the law administered by Inland Revenue (such as interpretation statements and interpretation guidelines)
- the preparation and publication of statutory determinations and valuations (such as livestock valuations and taxpayer-specific accruals and depreciation determinations), and handling technical correspondence relating to these matters.

	Budget	Actual	Variance
Quantity			
Finalise the Commissioner’s ruling in relation to 700 – 1,100 technical issues contained in applications for private and product binding rulings, accrual determinations and taxpayer-specific depreciation determinations and technical correspondence.	700 – 1,100	491	-30% ⁵
Publish or finalise consideration of a total of 30 – 50 public items giving the Commissioner’s interpretation of the law.	30 – 50	31	Nil
Quality			
In relation to private and product binding rulings, all reports supporting the decision to issue or decline to issue a ruling, or determination and any letter setting out the reasons for these decisions, meet the purpose, logic, alternatives and practicality standards.		Achieved	
All public items giving the Commissioner’s view of the law meet the purpose, logic, alternatives, consultation and practicality standards.		Achieved	
All technical correspondence meets the correctness, completeness and clarity standards.		Achieved	
Timeliness			
On average, applications for private and product binding rulings will be allocated to an analyst within 6 weeks of receipt of a complete application.	6	2.9	52%
Deliver draft private and product binding rulings and draft taxpayer-specific statutory determinations in:			
• 50% of cases within 3 months	50%	61.0%	22%
• 70% of cases within 5 months	70%	84.0%	20%
• 80% of cases within 9 months	80%	100.0%	25%
of the receipt of any additional information necessary and the applicant accepting the cost estimate.			

⁵ A group of 14 related rulings involving 238 issues was delayed when a further issue was raised for consideration. This issue was addressed and revised draft rulings were issued, but the draft rulings were not finalised until after the end of the year. As a result, the number of rulings finalised for the year is below forecast.

Output statement: Adjudication and Rulings

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
5,968	Crown	5,351	6,131	5,351
937	Other	643	1,088	1,111
<u>6,905</u>	Total revenue	<u>5,994</u>	<u>7,219</u>	<u>6,462</u>
	Expenses			
6,545	Annual appropriations	6,459	7,219	6,462
0	Other appropriations	0	0	0
<u>6,545</u>	Total expenses	<u>6,459</u>	<u>7,219</u>	<u>6,462</u>
<u>360</u>	Net surplus/(deficit)	<u>(465)</u>	<u>0</u>	<u>0</u>
1,363	Output 2.1: Adjudication	922	1,682	1,505
5,182	Output 2.2: Rulings	5,537	5,537	4,957
<u>6,545</u>	Output class cost	<u>6,459</u>	<u>7,219</u>	<u>6,462</u>

OUTPUT CLASS 3 INFORMATION SERVICES

Description

This output class involves:

- providing information to taxpayers on the application of the tax laws
- responding to enquiries from taxpayers and social support programme clients (excluding child support—see output class 7)
- providing proactive assistance to the public and tax agents.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
104,475	104,696	(221)

Output 3.1 Information services

Description

This output involves responding to public enquiries on tax and social support programme matters through correspondence, telephone, personal appointments, official information requests and the Complaints Management Service.

	Budget	Actual	Variance
Quantity			
In the year ended 30 June 2005 we will action between 7.1 and 7.8 million specific customer contacts.	7.1 – 7.8 million	7.240 million	Nil
Quality			
In all cases we aim to give taxpayers an answer that is correct, complete, clear, timely and appropriately referenced. The answer should also show an understanding of the business environment. This year we aim to improve our performance in this area by 1% from our 30 June 2004 result.	78.5%	80.0%	1.9%
At least 87% of taxpayers and other customers who have contacted us are satisfied with the quality of the service we provide.	87%	86.0%	-1.1%
85% of all calls will be fully resolved at the time, requiring no follow-up action.	85%	81.5%	-4.1%
By maintaining close contact with our customers, we will ensure that more than 70% of family assistance recipients, who receive a fortnightly payment, are not overpaid.	70%	78.2%	12%
We will ensure that at least 90% of resident student loan borrowers meet their total repayment obligation by the due date.	90%	86.9%	-3.4%
We will provide a proactive information service which will result in fewer than 475,000 new debt cases arising in the year ending 30 June 2005.	<475,000	465,990	1.9%

	Budget	Actual	Variance
Timeliness			
Issue a substantive response, or action a reassessment for:			
• 85% of correspondence within 3 weeks	85%	87.8%	3.3%
• 100% of correspondence within 6 weeks of receipt by Inland Revenue.	100%	98.2%	-1.8%
80% of			
• tax agents' telephone enquiries	80%	60.1%	-25% ⁶
• employers' telephone enquiries	80%	75.0%	-6.3% ⁷
• GST telephone enquiries (from 1 January 2005)	80%	n/a ⁸	
• returns and debt collection telephone enquiries will be answered within 20 seconds.	80%	54.1%	-32% ⁹
50% of all other calls will be answered within 60 seconds, except on days when the total number of calls exceeds 17,500.	50%	47.9%	-4.2%
For the days when total calls exceed 17,500:			
• the average speed-to-answer will be less than, or up to 5 minutes, and	<5:00 min:sec	5:56 min:sec	-19% ¹⁰
• callers will be advised of the potential delay and offered alternative services.			
Through our customer service programmes, we will ensure that at least 49% of taxpayers will file their returns on time.	49%	47.9%	-2.2%

⁶ Performance improved by 7.5% from last year. Although performance remained below target, 96% of tax agents surveyed this year were satisfied with the service they received.

⁷ Performance for the year was similar to last year's result (76.7%). This was close to target, especially considering that at various times resources were directed away to focus on other priorities.

⁸ The proposed performance measure for GST telephone enquiries did not proceed, following agreement between Inland Revenue and the Minister of Revenue.

⁹ Performance for the year was significantly influenced by the fourth quarter result when demand was stronger than anticipated.

¹⁰ This year there were 95 days when the total number of calls exceeded 17,500. This was 13 days more than last year.

Output 3.2 Advisory services

Description

This output involves providing proactive advice to the public and tax agents on tax and social support programmes through advisory visits, temporary tax offices and education visits and seminars.

	Budget	Actual	Variance
Quantity			
In the year ended 30 June 2005, we will complete between 96,000 and 111,000 hours of advisory services.	96,000 – 111,000	124,369	12% ¹¹
Quality			
At least 97% of customers are satisfied with the quality of advisory services we provide.	97%	97.0%	Nil

¹¹ Extra funding was supplied this year to provide proactive education about the range of family assistance available as part of the implementation of *Working for Families*. Business advisory visits were also above forecast, as new business taxpayers are increasingly becoming aware of the professional service provided to enable them to understand their tax obligations.

Output statement: Information services

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
94,802	Crown	104,050	104,932	104,250
138	Other	425	181	521
<u>94,940</u>	Total revenue	<u>104,475</u>	<u>105,113</u>	<u>104,771</u>
	Expenses			
95,797	Annual appropriations	104,696	105,113	104,771
0	Other appropriations	0	0	0
<u>95,797</u>	Total expenses	<u>104,696</u>	<u>105,113</u>	<u>104,771</u>
(857)	Net surplus/(deficit)	(221)	0	0
84,875	Output 3.1: Information services	93,327	93,274	92,971
10,922	Output 3.2: Advisory services	11,369	11,839	11,800
<u>95,797</u>	Output class cost	<u>104,696</u>	<u>105,113</u>	<u>104,771</u>

OUTPUT CLASS 4 REVENUE ASSESSMENT AND COLLECTION

Description

This output class involves:

- registering taxpayers
- making tax assessments
- banking tax payments
- processing applications and payments under social support programmes administered by Inland Revenue on behalf of the Government
- the supply of information to other government agencies
- accounting and reporting the collection of Crown revenue

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
57,426	57,425	1

Output 4.1 Return and payment processing

Description

This output involves processing all tax returns and issuing assessments, refunds, notices and statements, as well as processing and banking payments.

	Budget	Actual	Variance
Quantity			
Process between 13.7 million and 15.2 million paper and electronically-filed returns and payments.	13.7–15.2 million	15.279 million	0.6%
Receive at least 20% of returns electronically.	20%	23.4%	17%
Issue at least 40% of refunds by direct credit.	40%	45.3%	13%
Process paid parental leave applications within 5 working days of receipt from the Department of Labour.	100%	82.9%	-17% ¹²

¹² The number of paid parental leave applications was above forecast due to a high response to legislative changes in December 2004. Although we were only able to process 82.9% of applications within five days, most people made their application well in advance of finishing work. By tailoring our business practices we ensured that all eligible applicants received their entitlements on time.

	Budget	Actual	Variance
Quality			
All notices, statements, certificates of entitlement, and loan transfer letters are correctly processed.		Achieved	
Correctly process all payments to accounts.		Achieved	
Timeliness			
We will assess and issue income tax returns within the following timeframes (after receipt):			
• 80% within 6 weeks	80%	91.1%	14%
• 100% within 10 weeks.	100%	97.3%	-2.7%
We will assess and issue FBT and GST returns and employer monthly schedules within the following timeframes (after receipt):			
• 95% within 3 weeks	95%	94.4%	-0.6%
• 100% within 6 weeks.	100%	98.6%	-1.4%
Issue all non-queried GST refunds within 15 working days of receipt.	100%	97.6%	-2.4%
Process and issue:			
• at least 90% of rebate claim refunds within 3 weeks of receipt	90%	90.4%	0.5%
• 100% within 8 weeks.	100%	99.3%	-0.7%

Output 4.2 Supply of information to other agencies

Description

This output involves the supply of information to other government agencies in accordance with the agreements between Inland Revenue and those agencies.

	Actual
Quality and timeliness	
All information provided to other agencies meets the agreed standards.	Achieved

Output statement: Revenue assessment and collection

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
56,302	Crown	55,815	60,518	56,165
1,620	Other	1,611	1,517	1,718
<u>57,922</u>	Total revenue	<u>57,426</u>	<u>62,035</u>	<u>57,883</u>
	Expenses			
58,540	Annual appropriations	57,425	62,035	57,883
0	Other appropriations	0	0	0
<u>58,540</u>	Total expenses	<u>57,425</u>	<u>62,035</u>	<u>57,883</u>
(618)	Net surplus/(deficit)	1	0	0
57,212	Output 4.1: Return and payment processing	56,097	60,707	56,555
1,328	Output 4.2: Supply of information to other agencies	1,328	1,328	1,328
<u>58,540</u>	Output class cost	<u>57,425</u>	<u>62,035</u>	<u>57,883</u>

OUTPUT CLASS 5 MANAGEMENT OF DEBT AND OUTSTANDING RETURNS

Description

This output class involves taking follow-up action against those who do not:

- file a return, or
- make a payment

when a return or payment is due.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
61,589	62,146	(557)

For all debt and returns outputs

	Budget	Actual	Variance
Quality All debt and return collection activity will be actioned appropriately and in accordance with the law.	100%	94.9%	-5.1% ¹³

¹³ All of our activities were actioned in accordance with the law, but a few cases were identified where Inland Revenue's return and debt policies were not followed. A new national quality measurement framework has recently been implemented to improve quality, consistency and transparency in our responses.

Output 5.1 Outstanding returns

Description

This output involves all activities associated with collecting overdue returns and includes taking appropriate follow-up action against taxpayers who do not file a return.

	Budget	Actual	Variance
Quantity The number of returns that remain outstanding at 30 June 2005 will be no more than 5% greater than the previous year.	<5% increase	13.7% increase	Not achieved ¹⁴
Timeliness We will ensure that 80% of all returns that were not filed by taxpayers by the due date will have been filed and brought to completion by Inland Revenue within 12 months.	80%	82.3%	2.9%

¹⁴ Performance for the year has been affected by resourcing and growth in the taxpayer base, resulting in more returns being issued.

	Budget	Actual	Variance
Quality and timeliness			
The average age of outstanding returns will not grow by more than 5% in the year ended 30 June 2005.	<5% increase	6.1% increase	-22% ¹⁵

¹⁵ In the fourth quarter we finalised 20,000 relatively new outstanding returns. This impacted negatively on overall average age. However, by the end of the year we had successfully cleared 86% of the 2,000 oldest returns, and there were no outstanding returns for years prior to 1996.

Output 5.2 Overdue debt

Description

This output involves all activities associated with collecting outstanding debt and includes taking appropriate follow-up action against those who do not make payments when they are due.

	Budget	Actual	Variance
Quantity			
We will ensure that the number of debt cases grows by less than 5% in the year to 30 June 2005.	<5% increase	8.3% increase	-66% ¹⁶
Timeliness			
80% of all new debt cases will have been resolved within 12 months of the due date for payment.	80%	84.2%	5.2%
Quality and timeliness			
We will reduce the average age of debt cases by 3% by 30 June 2005.	3% decrease	4.0% increase	Not achieved ¹⁷
The total collectable debt figure will be not greater than \$1.6 billion at 30 June 2005.	<\$1.6 billion	\$1.55 billion	3.1%

¹⁶ Our focus on high-value debt cases, which tend to be more complex and take longer to close, is delivering benefits in terms of the value of debt collected. However, as it involves a relatively low number of debt cases, it has not significantly contributed to achieving this performance measure. In addition, there was a significant increase in debt cases following the due date of 7 February (12,000 more cases compared to last year).

¹⁷ For the months prior to June 2005, the average age of debt cases was consistently lower than the same month of the previous year. However, in June 2005 we closed a large number of relatively new debt cases and this impacted negatively on the overall average age.

Output statement: Management of debt and outstanding returns

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
57,116	Crown	60,249	59,422	59,849
1,612	Other	1,340	2,798	3,000
<u>58,728</u>	Total revenue	<u>61,589</u>	<u>62,220</u>	<u>62,849</u>
	Expenses			
59,439	Annual appropriations	62,146	62,220	62,849
0	Other appropriations	0	0	0
<u>59,439</u>	Total expenses	<u>62,146</u>	<u>62,220</u>	<u>62,849</u>
(711)	Net surplus/(deficit)	(557)	0	0
20,610	Output 5.1: Outstanding returns	20,081	21,762	21,982
38,829	Output 5.2: Overdue debt	42,065	40,458	40,867
<u>59,439</u>	Output class cost	<u>62,146</u>	<u>62,220</u>	<u>62,849</u>

OUTPUT CLASS 6 TAXPAYER AUDIT

Description

This output class involves:

- verifying that tax obligations have been met by auditing a selection of taxpayers
- the management of tax litigation.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
110,449	109,215	1,234

All audit outputs

	Budget	Actual	Variance
Quality At least 85% of all cases closed meet our quality standards.	85%	95.7%	13%

Output 6.1 Individual and small to medium enterprise audit

Description

This output involves the audit of businesses with a turnover of up to \$100 million (excluding groups in the Corporates segment). It includes audits of duties, non-residents, investments, and salary and wage-earners.

	Budget	Actual	Variance
Quantity In the year ended 30 June 2005 we will complete between 778,000 and 863,000 hours conducting all audit activities.	778,000 – 863,000	824,600	Nil
Quality In the year ended 30 June 2005 we will assess at least \$535 per hour for all audit activity, including aggressive tax issues and tax evasion.	\$535	\$600	12%
Timeliness On average, complete general audits within 6 months.	6 months	3.2 months	47%
On average, complete all-risk audits within 12 months.	12 months	11.0 months	8.3%
On average, complete disputed cases within 24 months.	24 months	13.9 months	42%
85% of open cases (including disputed open cases) are less than 24 months old.	85%	83.7%	-1.5%

Output 6.2 Corporate audit

Description

This output involves auditing and providing services to businesses with a group turnover of greater than \$100 million, plus other specific groups.

	Budget	Actual	Variance
Quantity			
In the year ended 30 June 2005 we will complete between 168,000 and 198,000 hours conducting investigations, audits and checks, and risk assessment.	168,000 – 198,000	198,697	0.4%
Timeliness			
On average, complete investigations within 17 months.	17 months	13.3 months	22%

Output 6.3 Litigation management

Description

This output involves the management of litigation of disputed tax cases, including the requirement to state the case through to resolution by the courts.

	Budget	Actual	Variance
Quantity			
75 to 100 cases resolved during the period.	75 – 100	216	116% ¹⁸
Quality			
At least 66% of the cases dealt with by courts and those settled out-of-court will be resolved in favour of Inland Revenue based on the:			
• value of the cases	66%	62.2%	-5.8% ¹⁹
• number of cases.	66%	90.7%	37%
No judgments in the courts will contain adverse judicial comments on the department's conduct of the litigation.		Not achieved ²⁰	
Timeliness			
All timetable requirements imposed by the courts on the department's solicitors in tax cases will be met, resulting in no requests for adjournments, enlargements or extensions of time.		Achieved	

¹⁸ The cases dealt with by the Litigation unit exceeded the forecast range because a large number of taxpayers were involved in tax avoidance cases.

¹⁹ In a number of cases the nominal amount of tax in dispute was very high. Even though Inland Revenue was successful in these cases it was not realistic to expect that (when the litigation risk for the department is taken into account) the full amount would be received.

²⁰ Adverse comments were made on the contents of a supporting affidavit for an ex-parte injunction. Although the Court found the omissions worrying, it was not considered sufficiently serious or potentially determinative to justify rescission of the injunction.

Output statement: Taxpayer audit

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
		\$000	\$000	\$000
Revenue				
96,571	Crown	110,027	104,731	110,277
150	Other	422	172	511
<u>96,721</u>	Total revenue	<u>110,449</u>	<u>104,903</u>	<u>110,788</u>
Expenses				
98,207	Annual appropriations	109,215	104,903	110,788
0	Other appropriations	0	0	0
<u>98,207</u>	Total expenses	<u>109,215</u>	<u>104,903</u>	<u>110,788</u>
(1,486)	Net surplus/(deficit)	1,234	0	0
71,293	Output 6.1: Individual and small to medium enterprise audit	79,885	77,064	81,203
19,854	Output 6.2: Corporate audit	21,264	21,682	22,847
7,060	Output 6.3: Litigation management	8,066	6,157	6,738
<u>98,207</u>	Output class cost	<u>109,215</u>	<u>104,903</u>	<u>110,788</u>

OUTPUT CLASS 7 ASSESSMENT AND COLLECTION OF CHILD SUPPORT

Description

This output class involves:

- informing people of their entitlements and obligations under the law
- assessing liabilities
- banking payments
- disbursing payments to custodians
- managing debt and taking necessary action against those who do not comply with the law
- providing an administrative process for reviewing assessments that is inexpensive and readily accessible to custodians and paying parents.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
60,308	59,308	1,000

Output 7.1 Customer information services

Description

This output involves responding to customer enquiries and providing advice and information on child support matters.

	Budget	Actual	Variance
Quantity Action between 930,000 and 980,000 customer contacts.	930,000 – 980,000	934,446	Nil
Quality In all cases we aim to give an answer that is correct, complete, clear, timely and appropriately referenced. The answer should also show an understanding of the business environment. This year we aim to improve our performance in this area by 5% from our 30 June 2004 result.	92.6%	86.4%	-6.7% ²¹
Timeliness 70% of all phone calls will be answered within 30 seconds, except on days where the total volume of calls exceeds 3,500. For the days when total calls exceed 3,500:	70%	78.0%	11%
<ul style="list-style-type: none"> • the average speed-to-answer will be less than or up to 3 minutes, and • callers will be advised of the potential delay and offered alternative services. 	<3:00 min:sec	1:14 min:sec	59%
Issuing a substantive response for:			
<ul style="list-style-type: none"> • 85% of correspondence within 2 weeks 	85%	85.8%	1.0%
<ul style="list-style-type: none"> • 100% of correspondence within 6 weeks of receipt by Inland Revenue. 	100%	98.1%	-1.9%

²¹ Following an exceptionally good 2003–04 performance (87.6%) the target was set at a challenging level (92%). While this target was not achieved, performance continued at a similar level to that of the 2003–04 year.

Output 7.2 Registration and assessment

Description

This output involves the registration and assessment of new Child Support customers, together with issuing annual assessments and reassessments to paying parents.

	Budget	Actual	Variance
Quantity	52,250 –		
Process between 52,250 and 55,000 applications for child support.	55,000	57,725	5.0% ²²
Quality			
All assessments issued are correct on the basis of the information provided.	100%	97.1%	-2.9%
Timeliness			
Issue assessments to:			
• 70% of paying persons within 2 weeks	70%	75.1%	7.3%
• 95% within 6 weeks	95%	89.7%	-5.6% ²³
of receipt of the properly made application.			

²² Applications for child support have been slightly higher than forecast for the year.

²³ The bulk exchange of cases under the reciprocal agreement with Australia resulted in reduced timeliness for issuing assessments in the first quarter. Although the subsequent quarter results achieved the performance target, the full-year result remained below target. All applications processed under the New Zealand scheme were completed within the target timeframe.

Output 7.3 Collection of payments

Description

This output involves collecting and banking child support payments from paying parents.

	Budget	Actual	Variance
Quantity and timeliness			
Collect 80% of child support assessments for the year ended 31 March 2005 by 30 June 2005.	80%	72.4%	-9.5% ²⁴
65% of assessed paying persons will pay their whole liability by the due date.	65%	61.2%	-5.8% ²⁵

²⁴ The most significant impact on performance was the increased value of annual assessments. Since 2000, the average annual assessment value has increased by 45%.

²⁵ Performance improved over the last three quarters of 2004–05 and the downward trend that has developed over past years has been arrested. However, because results were below expectation in the first quarter, year-end results were below target.

Output 7.4 Disbursement to custodians

Description

This output involves the disbursement of child support payments to custodians.

	Budget	Actual	Variance
Timeliness			
Make 95% of identified payments received by the due date (20 th of the month) to custodians on or before the 7 th day of the following month.	95%	97.8%	2.9%
Disburse the balance, and any previous payments received prior to the 7 th day of the following month, by the 20 th of that month.	100%	98.8%	-1.2%

Output 7.5 Debt management

Description

This output involves all activities associated with the recovery of overdue child support payments. It includes taking appropriate action against non-compliers within the child support law.

	Budget	Actual	Variance
Quantity, quality and timeliness			
Collect 90% of total assessments relating to years before 31 March 2004 by 30 June 2005.	90%	88.3%	-1.9%
The rate of growth of total debt (excluding penalties) from 1 July 2004 until 30 June 2005 will be no more than 12%.	<12% increase	15.7% increase	-31% ²⁶
55% of liable parent debt cases will be cleared within 3 months from the end of the month that they are identified as a new arrears case.	55%	41.2%	-25% ²⁷
Reduce by 2% the number of paying persons in debt.	2% decrease	3.0% increase	Not achieved ²⁸

²⁶ Performance was adversely affected by the location of 6,629 paying parents in Australia in the third quarter as their assessments were recalculated based on Australian income. In the short term, the higher reassessments have increased debt, but in the longer term, the location of these paying parents will result in more meaningful enforcement action.

²⁷ Our continued focus on early identification of new salary and wage-earners getting into debt means we are now taking less time to make contact and establish debt repayment arrangements. However, we are finding that it generally takes longer than three months for paying parents to clear debt. Emphasis is being placed on encouraging positive improvement in the paying parent's ongoing compliance behaviour and ensuring the payment of debt is sustainable. Given these factors, the 2005–06 performance measure has been revised to clearing new paying parent debt cases within five months.

²⁸ As a consequence of paying parents taking longer to clear debt, we were unsuccessful in reducing the number of paying persons in debt.

Output 7.6 Child support administrative reviews

Description

This output involves providing an administrative process for reviewing child support assessments that is inexpensive and readily accessible to child support custodians and paying parents.

	Budget	Actual	Variance
Quantity			
Complete between 4,600 and 4,850 applications for administrative review of child support assessments.	4,600 – 4,850	4,050	-12% ²⁹
Timeliness			
We will issue:			
• 90% of administrative review decisions within 7 weeks	90%	90.5%	0.6%
• 100% within 10 weeks of receipt of the application.	100%	99.4%	-0.6%

²⁹ Delay of the introduction of Commissioner-initiated administrative reviews resulted in an anticipated 250 cases not taking place.

Output statement: Assessment and collection of child support

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	2005	2005
			\$000	\$000
	Revenue			
55,195	Crown	60,007	60,477	59,707
70	Other	301	244	440
<u>55,265</u>	Total revenue	<u>60,308</u>	<u>60,721</u>	<u>60,147</u>
	Expenses			
55,571	Annual appropriations	59,308	60,721	60,147
0	Other appropriations	0	0	0
<u>55,571</u>	Total expenses	<u>59,308</u>	<u>60,721</u>	<u>60,147</u>
(306)	Net surplus/(deficit)	1,000	0	0
5,642	Output 7.1: Customer information services	6,182	6,150	6,091
13,761	Output 7.2: Registration and assessment	14,625	14,827	14,687
10,915	Output 7.3: Collection of payments	10,445	11,192	11,087
1,841	Output 7.4: Disbursement to custodians	1,995	1,861	1,844
21,427	Output 7.5: Management of debt	23,914	24,403	24,172
1,985	Output 7.6: Child support administrative reviews	2,147	2,288	2,266
<u>55,571</u>	Output class cost	<u>59,308</u>	<u>60,721</u>	<u>60,147</u>

OUTPUT CLASS 8 COLLECTION OF ACC LEVIES

Description

This output class involves the collection of ACC employee earners' levy as a component of PAYE deductions and the provision of information.

Financial performance for the year ended 30 June 2005 (GST-exclusive) \$000

Revenue	Expenses	Net surplus/(deficit)
20,500	20,500	0

Output 8 Collection of ACC levies

	Actual
Quality, quantity and timeliness	
Pay to ACC, within the agreed timeframes, the determined amounts of earners' levy collected as a component of PAYE.	Achieved

Output statement: Collection of ACC levies

for the year ended 30 June 2005

Actual		Actual	Main	Final
2004		2005	Estimates	voted
\$000		\$000	\$000	2005
				\$000
	Revenue			
0	Crown	0	0	0
20,650	Other	20,500	20,500	20,500
<u>20,650</u>	Total revenue	<u>20,500</u>	<u>20,500</u>	<u>20,500</u>
	Expenses			
0	Annual appropriations	0	0	0
20,650	Other appropriations	20,500	20,500	20,500
<u>20,650</u>	Total expenses	<u>20,500</u>	<u>20,500</u>	<u>20,500</u>
0	Net surplus/(deficit)	0	0	0
20,650	Output: Collection of ACC levies	20,500	20,500	20,500
<u>20,650</u>	Output class cost	<u>20,500</u>	<u>20,500</u>	<u>20,500</u>

