

Inland Revenue Department: Making it easy for taxpayers to comply

Progress in responding to
the Auditor-General's
recommendations

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Introduction

- 1.1 In June 2011, we published a report about our performance audit of how effectively the Inland Revenue Department (Inland Revenue) is making it easy for taxpayers¹ to comply with their obligations. The tax system is most effective and efficient when taxpayers voluntarily pay their taxes on time and in full. This progress report describes the actions Inland Revenue has taken to address the five recommendations in our report and our assessment of whether those actions have helped make it easier for taxpayers to comply.
- 1.2 In general, Inland Revenue has made reasonable progress in addressing our recommendations. It also has further projects under way. For example, Inland Revenue has improved its quality-checking process for its contact centres and how it monitors the effectiveness of its website. It has also made changes to help contact centre staff give accurate and relevant information to taxpayers. Inland Revenue still has some work to do before it has fully addressed our recommendations. However, it is carrying out significant work through its website project (see paragraph 1.17).
- 1.3 Despite the improvements, the percentage of people who find it easy to comply with, or are aware of, their obligations has not changed significantly. As presented in Inland Revenue's annual reports from 2010 to 2013 (and audited by the Auditor-General), the percentage of people who find it easy to comply has remained at about 70%. For the same period, the percentage of people who are aware of their obligations and entitlements has remained at about 80%.
- 1.4 Taxpayers who find it easy to comply, and who are aware of their obligations, are more likely to comply with those obligations. Improved compliance can be measured through the accuracy and timeliness of filing tax returns and the timeliness of payments. However, from 2010 to 2012, there has been no significant change in the percentage of:
- returns filed without errors;
 - returns filed on time; and
 - payments made by customers in full and on time.
- 1.5 Although there has been no significant change in the overall measures, Inland Revenue has told us that there has been some improvement in the accuracy of IR3 individual tax returns and that the timeliness of income tax returns has improved.

1 "Taxpayers" are individuals with tax obligations, whether or not they currently comply with those obligations.

- 1.6 Inland Revenue is making changes that will affect the areas our recommendations cover – particularly the Business Transformation Programme and the integrated channel strategy.² These changes should increase the number of taxpayers who use online services to comply with their tax obligations. Therefore, it is vital that Inland Revenue continues to improve the monitoring processes for its online services. It is also vital that its website evolves to keep pace with the increased use of those online services.
- 1.7 This article describes Inland Revenue's progress against each of our five recommendations by reporting:
- some of the actions Inland Revenue has taken since our 2011 report;
 - where applicable, further improvements Inland Revenue is planning; and
 - where available, information on the effectiveness of those actions.

Actions to improve monitoring of what customers think of services and further improvements planned

- 1.8 In 2011, we recommended that Inland Revenue monitor how effective and useful its website and publications are for taxpayers. We said that Inland Revenue lacked information about the usefulness of its services to taxpayers.
- 1.9 Since our report, Inland Revenue has improved monitoring of the effectiveness of its website and publications for taxpayers. It also has further improvements planned.
- 1.10 Inland Revenue has changed its quarterly customer satisfaction and perception survey to include more information on the usefulness of online services for customers. Between July 2012 and June 2013, 82% of people who used voice and correspondence services were satisfied with those services. For the same period, 94% of people who used Inland Revenue's online services were satisfied.³ These satisfaction rates are higher than the percentage of people who report finding it easy to comply with their tax obligations (see paragraph 1.3).

2 The Business Transformation Programme is a major project that we will look at in future years. The integrated channel strategy defines which service delivery channels should be used to deliver particular services, sets out what needs to change within Inland Revenue to achieve the desired strategy, and helps channels to be managed in an integrated manner.

3 We have used the July 2012 to June 2013 information here because it covers the same period as the result for the percentage of people who find it easy to comply and who are aware of their obligations and entitlements. The latest publicly available result for July-September 2013 shows overall satisfaction has increased to 83% and 95% respectively.

Actions to improve targeted materials to help taxpayers understand and comply with their obligations

- 1.11 If people are not aware of their obligations, they cannot comply with them, voluntarily or otherwise. In 2011, we recommended that Inland Revenue create materials targeted at taxpayers with a high risk of non-compliance, to help them easily understand their tax obligations and pay their tax.
- 1.12 Since our report, Inland Revenue has created targeted materials to help taxpayers to understand and comply with their obligations:
- It has produced targeted videos and booklets for specific audiences, such as small-to-medium businesses, to help them to understand tax and their obligations. The videos are also available with sign language translations for people with impaired hearing.
 - It has published new child support materials in a range of languages.
 - It developed a tool in 2012 to help businesses with less than \$10 million in turnover to check the accuracy of their tax returns.
- 1.13 Inland Revenue needs to ensure that its targeted materials are effective and accessible for the intended audience. Inland Revenue made several changes after testing its targeted booklets to improve their relevance to the target audience and their likelihood to persuade. However, we found that materials placed on the website were not always easy to find, which could prevent the intended audience from accessing and using them. For example, there was no direct link to the video about provisional tax from the provisional tax web page.

Actions to improve content and usability of Inland Revenue's website

- 1.14 In 2011, we recommended that Inland Revenue test the usability of its website on taxpayers and design its website so taxpayers can more easily find the information they need.
- 1.15 Inland Revenue conducts some usability testing of its website. In March 2013, Inland Revenue tested its proposed child support web pages. This testing found some usability issues. For example, people were unable to navigate to more detailed information. In real life, this would probably lead to a person ringing Inland Revenue or not completing what they set out to do. In addition, all test participants failed to complete at least one task. Inland Revenue told us that it used information from the testing to adapt and improve the site, where technically achievable.

- 1.16 In October 2013, we tested Inland Revenue's individual income tax return (IR3) web pages.⁴ We found that they contained some links to outdated information and that Inland Revenue is not always making the best use of its materials. For example, there was no direct link to a current IR3 demonstration to help people complete the online form. A link titled "Help completing your IR3 return" took us to a web page that gave information on how to complete an online IR3 from the tax years 2003-2006.
- 1.17 Inland Revenue has a project under way to improve the content and design of its existing website. This is an important project because implementing the integrated channel strategy will increase Inland Revenue's reliance on its website and other online services to deliver services and information. The project is changing the website from a reference library to a task-oriented website.⁵ The "mega menu" and "contact us" pages, which were launched in April 2014, reflect this task-oriented approach. These were user-tested as an important part of their development.
- 1.18 Inland Revenue told us that it expected to finish stage 1 of the website project in May 2014. Further improvements to the website are planned for stage 2 of the project. Inland Revenue's improvements should address many usability issues identified in its and our testing.
- 1.19 Inland Revenue has plans to build a "crowdsourced"⁶ application to help customers use mobile devices to manage their tax affairs.
- 1.20 Inland Revenue is also developing a framework to measure customer effort. Customer effort is measured from multiple perspectives. One measure reflects how easy the website is to use. From this perspective, customer effort is measured by the number of steps that a customer has to take to complete a task. The fewer the steps, the less customer effort, and the easier the website is to use. Another measure reflects customers' satisfaction with the effort being taken.

Actions to improve monitoring of contact centre effectiveness

- 1.21 In 2011, we recommended that Inland Revenue review its quality assurance systems and processes for its contact centres and find ways to ensure that:
- the calls to be assessed are randomly selected;
 - assessors verify that all necessary quality checks have been carried out;

4 We looked at these web pages because taxpayers who are self-employed or get rental income from property must file an IR3 every year.

5 A site is task oriented when it supports users to effectively and efficiently complete their tasks.

6 Crowdsourcing enlists the services of many people, either paid or unpaid, to provide information or input into a task, typically through the Internet.

- consistent quality assurance processes are applied to all calls received; and
- assessments are calibrated on a regular basis to ensure consistency.

1.22 Inland Revenue has improved the quality-assurance process by:

- using a new call-recording platform to randomly sample calls;
- recently introducing an assessment tool to highlight assessments awaiting completion; and
- putting in place a process to check the consistency of call assessments.

1.23 The quality-assurance process that operates within Inland Revenue's contact centres does not extend to all calls that are received by the contact centre during busy times of the year, because calls answered by staff who provide supplementary assistance during these busy periods are not recorded. It is therefore difficult to know whether these calls are answered to the same standard as calls answered by permanent contact centre staff. Inland Revenue told us that it has implemented a range of mitigations to support staff who assist with the contact centres' busy periods, to reduce the risk of call responses not providing accurate and helpful advice during those periods. In our view, Inland Revenue still needs to consider how to put in place a consistent quality-assurance process for all calls through its 0800 numbers, including calls answered by staff who assist during busy periods.

Actions to better enable contact centre staff to give accurate and relevant information to taxpayers

1.24 In 2011, we recommended that Inland Revenue update the telephone scripts its staff use, clearly set out the information that must be provided to taxpayers, and consider how that information should be best delivered to taxpayers.

1.25 Inland Revenue has changed its processes and systems that help to ensure that contact centre staff give accurate and relevant information to taxpayers. In particular:

- a new database has replaced several different databases; and
- staff have more flexibility when dealing with queries.

1.26 Contact centre staff now use one database, called Knowledge Base, to find information on topics when talking to taxpayers (staff previously had to use five databases). We were told that Knowledge Base is easy to use once staff become familiar with it. Knowledge Base is updated regularly in response to any changes (such as changes to legislation). Inland Revenue is working on improving the process for updating information.

- 1.27 Inland Revenue told us that, unless a staff member needs to read specific information to a taxpayer, contact centre staff have flexibility to directly answer a taxpayer's question from both their own knowledge and Knowledge Base. Inland Revenue also told us that, if a script says to direct a taxpayer to a specific communication channel, the taxpayer is also given an alternative option. For example, a staff member might direct a taxpayer to either Inland Revenue's website or an 0800 number. This is useful if the taxpayer does not have access to the Internet or to a landline telephone.