PS LA 2009/6 - Quality improvement and assurance: application of and conformance with the Integrated Quality Framework

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PSLA 2009/06 is currently under revision. During this time transitional instructions outlined in an office minute titled "Transitional Arrangements PSLA 2009/06" issued by Peter Coakley Assistant Commissioner, External Relations and Conformance are to be followed.

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Practice Statement Law Administration

PS LA 2009/6

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This practice statement is issued under the authority of the Commissioner of Taxation and must be read in conjunction with Law Administration Practice Statement PS LA 1998/1. It must be followed by Tax Office staff unless doing so creates unintended consequences or is considered incorrect. Where this occurs Tax Office staff must follow their business line's escalation process.

SUBJECT:	**Quality improvement and assurance: application of and conformance with the Integrated Quality Framework**
PURPOSE:	**To prescribe the corporate processes to be followed in improving and assuring the quality of written interpretative decisions and certain types of other actions, advice, decisions and information**

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STATEMENT

1. Each business line is required to act to continuously improve and assure the quality of its written interpretative decision making and of certain types of other actions, advice, decisions and information (work in-scope) specified in this Practice Statement. This assurance must be provided to the Corporate Assurer,[1] Quality Improvement and Assurance, in Law and Practice (L&P).
2. To do this each business line conforms with and applies the Integrated Quality Framework (IQF). The IQF is the principal corporate means of improving and assuring the quality of work in-scope.
3. The IQF replaces the Technical Quality Review (TQR) process for types of work to which Law Administration Practice Statement PS LA 2001/11 formerly applied.

Major processes of the IQF

4. The IQF is a framework that is consistent with best practice in global quality improvement and assurance; as exemplified by the *Business Excellence Framework* and the relevant international standards for quality management systems (*AS/NZS ISO 9000:2000*). The IQF includes processes for continuously improving and assuring:
   - the management of quality
   - people capability with regard to quality
   - assessment of quality
   - integrated reporting
   - continuous improvement
   - culture.

   These processes are detailed at paragraphs 41 to 59 of this practice statement and in the *IQF Blueprint*.

[1] Assistant Commissioner, Law Infrastructure Branch, Law & Practice.

Corporate assurance and reporting

5. To enable close to real-time assurance of continuous improvement and quality, each business line reports on finalised work in-scope monthly, in the prescribed form to the Corporate Assurer. Monthly IQF reports are to be with the Corporate Assurer by the tenth working day after the end of each calendar month.

6. To enable corporate outcomes and governmental reporting, monthly IQF reports are to be synthesised and aggregated biannually in respect of work in-scope finalised during the periods 1 April to 30 September and 1 October to 31 March.

7. To assure conformance with and application of the IQF, an annual audit of alignment with the IQF is to be carried out for each business line, as a rolling work program. Findings are to be incorporated into corporate reporting.[2]

8. Continued alignment of the IQF with current best practice in quality improvement and assurance is to be assured annually by organisational self-assessment and/or an independent audit. In particular, continued alignment with the *Business Excellence Framework* and with the relevant international standards for quality management systems (*AS/NZS ISO 9000:2000*) is to be assured. Findings are to be incorporated into corporate reporting.

EXPLANATION

Why the Tax Office continuously improves and assures quality

9. To comply with the tax laws, the community needs to understand them. One way to gain this understanding is through advice provided and decisions made by the Tax Office. We aim to provide actions, advice, decisions and information which meet standards and are continuously improved in terms of: administrative soundness, appropriateness to taxpayers' requirements and circumstances, consistency, correctness, effectiveness, efficiency, integrity, transparency; and timeliness.

10. The IQF is intended to provide an effective, consistent approach to improving and assuring the quality of work in-scope. IQF reporting, analysis and methodology enables timely prioritisation of, and deployment to, continuous improvement activity and assurance.

Work in-scope

11. This practice statement applies to the types of work described at paragraphs 12 to 19 and will apply to types of work that are from time to time added to scope by the Corporate Assurer. This practice statement will be updated accordingly.

Active compliance

12. All Tax Office initiated activity intended to deter and mitigate non-compliance which includes a decision as a result of client interaction. This includes audits, finalised investigations and prosecutions, and some reviews, as detailed in the Active Compliance IQF Operational Guide.

[2] Such as Corporate Outcomes reports and relevant Certificate of Assurance.

Written interpretative decisions

13. All written interpretative decisions in progress and/or finalised such as private rulings, administratively binding advice, Class Rulings, Product Rulings, disputes; and other interpretative advice.

Penalty decisions and interest charges

14. All decisions in progress and/or finalised that are within the scope of the IQF, where penalties should have been considered, including: audits where adjustments have been made, objections against decisions where penalties have been applied, and decisions where Shortfall Interest Charge and the General Interest Charge apply.

15. The inclusion of these decisions gives effect to recommendations outlined in the *Australian National Audit Office Report No. 31 Administration of Tax Penalties*. The Corporate Quality Improvement and Assurance Team is to forward reporting concerning these decisions to the Compliance Penalty and Interest Team for review and follow-up action.

Interpretative opinions

16. Interpretative opinions in progress and/or provided to business lines by members of the Centres of Expertise and Tax Counsel Network to contribute to the resolution of Priority Technical Issues.

Information provided and action taken by Micro Enterprises and Individuals and Small and Medium Enterprise business line Contact Centres and Shopfronts

17. Information provided and action taken in response to applications and in-person, telephone and written enquiries as specified in the relevant *IQF Operational Guides*.

Information provided and action taken by Client Contact Call Centres

18. Information provided and action taken in response to telephone enquiries as specified in the relevant *IQF Operational Guides*.

Debt Collection

19. Decisions made and action taken in relation to debt collection as specified in the relevant *IQF Operational Guides*.

Future work in-scope

20. Work other than that specified at paragraphs 12 to 19 of this practice statement may be added to the scope of this practice statement from time to time by the Corporate Assurer. It is intended to implement the IQF for work including the work specified at paragraphs 21, 22 and 24 of this practice statement.

21. Litigation (primarily, litigation managed by the Law Sub-Plan on behalf of the Tax Office).

22. For Centres of Expertise, all published ATO IDs.

23. In-progress investigations and prosecutions (under consideration).

24. All agreements which have been initiated and/or finalised in accordance with the Code of Settlement Practice, subject to the conditions previously noted in Law Administration Practice Statement PS LA 2001/11.

Corporate assurance and reporting

Monthly reporting

25. The prescribed forms for monthly reporting, as specified at paragraph 5 of this practice statement, are available at the Tax Office intranet site: *Quality Resource Centre*. Procedural guidance is available at the same site.

26. Procedures to be followed for identifying populations and samples for monthly reporting purposes, for each type of work in-scope, are detailed in product-level operational guides.

Biannual reporting

27. The prescribed forms for biannual reporting, as specified at paragraph 6 of this practice statement, are available at the Tax Office intranet site: *Quality Resource Centre*. Procedural guidance is available at the same site.

28. Procedures to be followed for identifying populations and samples for biannual reporting purposes, for each type of work in-scope, are detailed in product-level operational guides.

Conformance with and application of the IQF

29. As specified at paragraph 7 of this practice statement, each business line conducting work in-scope is audited annually to assure conformance and application; and to enable continuous improvement of quality management processes.

30. The outcomes of these audits form part of biannual and annual corporate reporting, including relevant certificates of assurance.

31. Audits are led by people holding relevant formal business excellence and/or quality auditing qualifications. Those people are members of the Corporate Quality Improvement and Assurance Team, or their delegates. Audit teams include relevant business line quality managers and quality practitioners.

32. Audits are conducted as a rolling program of work. The annual schedule is proposed by the Corporate Assurer by 31 May of each year. The schedule is agreed between the Corporate Assurer and business lines by 30 June of each year and is incorporated into relevant business plans.

33. The primary focus of these audits is to assess the extent to which business line processes for improving and ensuring quality are aligned with IQF processes as detailed in the *IQF Blueprint*. The primary focus of audit findings is to identify the extent of effectiveness of existing processes and opportunities for improvement. Consistent with paragraphs 60 to 63 of this practice statement, certificates of conformance and application are either issued, qualified or withheld as a consequence of these audits.

34. Detailed procedures for conducting conformance and application audits are available at the Tax Office intranet site: *Quality Resource Centre*.

Alignment of the IQF with current best practice in quality improvement and assurance

35. As specified at paragraph 8 of this practice statement, continued alignment of the IQF with current best practice in quality improvement and assurance is assured annually by organisational self-assessment and/or an independent audit. These activities are coordinated by the corporate Quality Improvement and Assurance Team.

36. The outcomes of these organisational self-assessments and audits form part of annual corporate reporting; including relevant certificates of assurance.

37. Organisational self-assessments are led by people holding relevant formal business excellence and/or quality auditing qualifications. Those people are members of the Corporate Quality Improvement and Assurance Team, or their delegates. Audit teams include relevant business line quality managers and quality practitioners.

38. Independent audits are conducted by contracted people holding relevant formal business excellence and/or quality auditing qualifications, who are not Tax Office staff. An independent audit is conducted in each third year.

39. The primary focus of these organisational self-assessments and audits is to assess the extent to which the IQF is aligned with the principles and practices of business excellence as detailed in the *Business Excellence Framework*; and with the standards for quality management systems as detailed in *AS/NZS ISO 9000:2000*. The primary focus of organisational self-assessments and audit findings is to identify the extent of effectiveness of the IQF and opportunities for improvement.

40. Detailed procedures for conducting best practice alignment organisational self-assessments and audits are available at the Tax Office intranet site: *Quality Resource Centre*.

Processes for improving and assuring quality

41. Processes for improving and assuring quality consist of six interrelated processes (described in paragraphs 41 to 59 of this practice statement) that collectively form the IQF. For a business line to be certified as having implemented and applied the IQF, all six processes must be in effective operation. Each process consists of a number of sub-processes.

42. Detailed rationales and descriptions of IQF processes are available in the *IQF Blueprint*; and, as they further apply in detail to particular corporate management items and to business lines, in the relevant *IQF Operational Guides*.

Management of quality

43. Processes for management of quality are those through which direction, coordination and outcomes are integrated. The process for management of quality has distinct corporate and business line components.

44. The corporate Quality Improvement and Assurance team, reporting to the Corporate Assurer, is primarily accountable for corporate management of the IQF.

45. Business line quality managers are primarily accountable for management of the IQF within business lines. Business line quality managers form the core membership of an IQF Network. The functions of the IQF Network include: participation in design, implementation, management and continuous improvement of the IQF and coordination of consultation within and across business lines and Capabilities.

46. For the corporate management of quality process to be effectively in place, the following corporate sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Corporate Operational Guides*:

- Process and product scoping
- Design
- Metrics and methodologies
- Operational management
- Planning
- Review
- Communication
- Change management
- Benchmarking
- Risk management
- Integration
- Relationship management
- Infrastructure
- 360 degree feedback.

47. In business lines, the processes listed at paragraph 4 of this practice statement are to exist and be actively managed in conformance with the detail provided in the relevant *IQF Product Operational Guides*.

Individual capability management

48. Processes for individual capability management with regard to quality are those by which application of the IQF contributes to influencing and assuring that people are enabled and supported to do their jobs well.

49. For this process to be effectively in place in business lines, the following sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Product Operational Guides*:

- Influencing workforce planning
- Guiding individual capability development
- Monitoring and evaluating individual capability management solutions.

Assessment of quality

50. Processes for assessment of quality are those which enable the quality of processes, products, advice and decisions to be effectively risk-assessed, reviewed (including incorporation of community involvement) and measured.

51. For this process to be effectively in place in business lines, the following sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Product Operational Guides*:

- Reviews
- Risk-based assessment of quality
- Community involvement
- Quality measures.

52. Detail concerning these sub-processes is available as indicated at paragraph 51 of this practice statement. The following key principles, however, are imperative and are to be observed:

- Quality is to be assessed in real-time as nearly as is feasible, to reduce error and prevent compound error.
- The following quality elements must be used to assess the quality of work in-scope and of related processes: administrative soundness, appropriateness to taxpayers' requirements and circumstances, consistency, correctness, effectiveness, efficiency, integrity, transparency; and timeliness.
- Gradings and related colour codes to be used in respect of each quality element listed above are: Not aligned (red), Aligned (amber), Meets Standards (green), High (silver); and Very High (gold). The differentiation provided by these gradings is primarily to enable a continuous improvement philosophy and approach.

53. Quality assessments of work in-scope are to be recorded in the IQF database at the time of assessment. Procedural detail is contained in the relevant *IQF Product Operational Guides* and in guidance materials available at the *Quality Resource Centre*.

Integrated quality reporting

54. Processes for integrated quality reporting are those which enable the timely operational and strategic analysis of quality; and prioritisation of and deployment to opportunities for improvement. These processes also enable the production of the mandatory reporting detailed at paragraphs 5 to 6 of this practice statement.

55. For this process to be effectively in place in business lines, the following sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Product Operational Guides:*

- Data collection and storage
- Data analysis
- Report production.

Continuous improvement

56. Processes for continuous improvement are those which enable the identification and prioritisation of opportunities for improvement, an effective approach to making sustainable improvements; and identification and extension of best practice.

57. For these processes to be effectively in place in business lines, the following sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Product Operational Guides:*

- Use of a continuous improvement model
- Management of improvement activity
- Identification of opportunities for improvement and best practice
- Development of improvement strategies or best practice initiatives
- Evaluation of improvements
- Sharing and applying knowledge.

Culture

58. Processes for culture are those which enable awareness and valuing of quality.

59. For these processes to be effectively in place in business lines, the following sub-processes are to exist and be actively managed in conformance with the detail provided in the *IQF Blueprint* and in the relevant *IQF Product Operational Guides:*

- Cultural knowledge and change
- Valuing quality.

Integrity of the IQF

60. The IQF is the Tax Office's principal vehicle for assurance of the quality of work in-scope, so it is important that its integrity is maintained. For that reason, written certification by the Corporate Assurer is to be obtained before any representation is made to the effect that the IQF is being applied to a particular type of work. Extent and currency of certification is included in corporate reporting.

61. Certification is provided for only those types of work that are in-scope for the IQF.

62. Certification is initially provided and reviewed annually through the auditing process described at paragraphs 29 to 34 of this practice statement.

63. Certification is dependent upon the recommendation of the Corporate Quality Improvement and Assurance team, following an assessment to ensure that alignment with the principles and practices of the IQF has been achieved.

Amendment history

Date of amendment	Part	Comment
27 March 2014	Contact details	Updated.

Subject references	corporate assurance quality assurance quality improvement technical quality
Related practice statements	PS LA 1998/1 PS LA 2001/11
Other references	Australian National Audit Office Report No. 31 Administration of Tax Penalties AS/NZS ISO 9000:2000 – Quality management systems – Fundamentals and vocabulary Code of Settlement Practice IQF Blueprint (link available internally only) IQF Corporate Operational Guides (link available internally only) IQF Network role and functions (link available internally only) IQF Product Operational Guides (link available internally only) Quality Resource Centre (link available internally only) The Business Excellence Framework
File references	1-1OR7RYI
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Other Business Lines, areas and Capabilities consulted	Active Compliance, ATP, Client Contact, Debt, Excise, GST, Interpretative Assistance, L&P, LB&I, MEI, Operations, S&ME, SNC, SPR, Taxpayers' Charter, TPALS.