

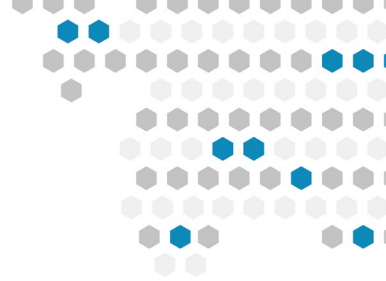


Australian Government
Australian Public Service Commission

Capability Review

Australian Taxation Office





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Australian Public Service Commission

Capability Review of the Australian Taxation Office

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APS Commissioner's foreword

This report is the outcome of the 8th capability review. The Australian Public Service Commission coordinates and supports the delivery of capability reviews of all Commonwealth departments and large agencies.

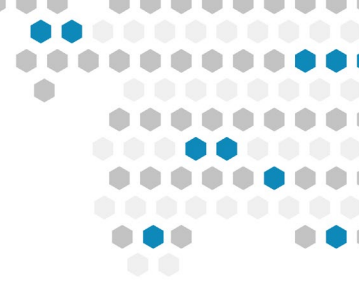
Capability reviews are an independent and forward-looking activity assessing an agency's ability to meet its future objectives and challenges, which are now a statutory function of the Commissioner under the *Public Service Act 1999*. The aim is to facilitate discussions around the agency's desired future state, highlight organisational capability gaps and identify opportunities to address them.

I would like to thank the Australian Taxation Office for participating in the capability review, as well as key staff for their willingness and dedication to ensure a seamless collaborative review process.

I would also like to thank the senior reviewers, Tim Beresford, Julie Birmingham, Rebecca Skinner PSM and Nigel Ray PSM, for their expertise, dedication and leadership undertaking the review, along with their support teams from the APSC and ATO.

Dr Gordon de Brouwer

Australian Public Service Commissioner



Senior review team's foreword

We are pleased to present the capability review of the Australian Taxation Office (ATO).

We thank the Commissioner of Taxation Rob Heferen, Commissioner of the Australian Charities and Not-for-profits Commission, Sue Woodward AM, Chair of the Tax Practitioners Board Peter de Cure AM, and the other members of the leadership team for their time and willingness to engage in the review process. We are grateful for the input we received from staff at all levels as well as stakeholders across government and industry. The range of perspectives and discussions provided valuable insight into the ATO's current capability and its outlook for the future.

The ATO is a high-performing organisation. Globally, it is recognised as a leading tax system administrator, though not as far ahead as in the past as others have caught up. Domestically, there is widespread respect for the deep expertise of ATO staff and their integrity as well as the agency's data capability.

The purpose of this report is to guide the ATO's future capability uplift and to identify opportunities for it to go from good to great. We suggest 4 priority areas for capability development:

1. The leadership working as a team and role modelling the behaviours they would like to see in the organisation.
2. The whole organisation working as 'one ATO' to deliver for the Australian community, including through improved internal collaboration.
3. Viewing the ATO as a national asset that stands ready to take on additional roles as required by government.
4. Addressing the organisational strategy capability gaps identified in this report, including streamlining internal governance and ensuring clear accountabilities, and adapting to a future where a large proportion of staff continue to work from home.

The scope of this report includes the ATO, Tax Practitioners Board (TPB) and Australian Charities and Not-for-profits Commission (ACNC). We have included specific references to the TPB and ACNC where they are warranted, but encourage both entities to consider which areas of the broader report are relevant to them.

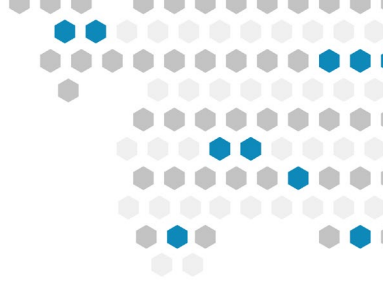
It has been a pleasure to work with the ATO on this review. We thank all staff and stakeholders for their extensive engagement with us. We also thank the Australian Public Service Commission team that supported us during the review. They were excellent.

Tim Beresford

Julie Birmingham

Nigel Ray PSM

Rebecca Skinner PSM



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About the agency

Australian Taxation Office

The ATO is the Australian Government's principal revenue collection agency. Its role is to collect the right amount of tax in accordance with the law in the most efficient way for government and the taxpayer. Its vision is to be a leading tax and superannuation administration, known for its contemporary service, expertise and integrity. In 2023–24, the ATO collected gross tax of \$769.7 billion.

As well as collecting revenue, the ATO administers significant aspects of Australia's superannuation system and a range of programs that provide benefits to the community, including the Australian Business Register.

The ATO is structured into 5 functional groups: Client Engagement; Enterprise Solutions and Technology; Enterprise Strategy and Corporate Operations; Frontline Operations; and Law Design and Practice.

Rob Heferen is the Commissioner of Taxation and Registrar of the Australian Business Register, Australian Business Registry Services and Register of Foreign Ownership of Australian Assets. He provides overall direction and leadership to the ATO. According to the ATO's 2024–25 corporate plan, the ATO is committed to supporting the economic and social wellbeing of the Australian community. Its key focus areas are:

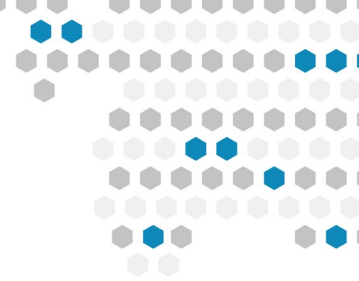
- strengthening debt collection
- enhancing counter fraud measures
- sustaining multinational and large taxpayer performance
- enhancing cyber security
- strengthening the value of data and digital
- designing a digitalised tax experience for small business.

The ATO collaborates with other government agencies to deliver services to the Australian community, and works closely with the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority as co-regulators to support the superannuation system.

The ATO is part of the Treasury portfolio and works with the Department of the Treasury to implement tax revenue policy. The ATO serves 4 Ministers:

- Treasurer, the Hon Dr Jim Chalmers MP
- Minister for Agriculture, Fisheries and Forestry, and Minister for Small Business, the Hon Julie Collins MP
- Assistant Treasurer and Minister for Financial Services, the Hon Stephen Jones MP
- Assistant Minister for Competition, Charities and Treasury and Assistant Minister for Employment, the Hon Dr Andrew Leigh MP.

For the purposes of the *Public Governance, Performance and Accountability Act 2013*, the Commissioner of Taxation is the Accountable Authority for the Australian Taxation Office listed entity, which comprises the ATO,



the TPB and the ACNC, including the ACNC Advisory Board. The TPB, the ACNC and the ACNC Advisory Board maintain substantial operational independence in delivering their functions.

The TPB and ACNC are supported by staff provided by the Commissioner of Taxation and as such, references to ‘ATO staff’ generally refer to all staff under the commissioner’s authority, unless specified otherwise. This report recognises the ATO as a single, collective entity while acknowledging the ATO's, TPB's and ACNC's separate purposes, key activities and independent regulatory decision-making. Observations and findings within the report generally refer to the ATO as a whole, however are intended to be read in the context of accompanying information and may relate to the particular circumstances of one or more of the ATO, TPB or ACNC.

Tax Practitioners Board

The TPB is responsible for the registration and regulation of tax agents and business activity statement agents (collectively referred to as ‘tax practitioners’) and for taking action against entities that are not registered but should be. The role of the TPB is to support public trust and confidence in the integrity of the tax profession and the tax system, and to ensure tax practitioner services are provided to the public in accordance with appropriate standards of professional and ethical conduct.

Australian Charities and Not-for-profits Commission

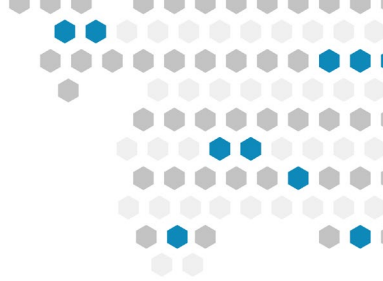
The ACNC’s purpose is to promote public trust and confidence in Australian charities. The ACNC is committed to helping charities understand their obligations and to working across governments to reduce red tape. The statutory functions and regulatory powers of the Commissioner of the ACNC are set out in the *Australian Charities and Not-for-profits Commission Act 2012*, the *Charities Act 2013* and accompanying regulations.

Budget

	2023–24 Actual	2024–25 MYEFO	2025–26 Estimate	2026–27 Estimate	2027–28 Estimate
	(\$ million)	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Departmental operating expenses	4,138.7	4,231.4	4,382.2	4,397.8	4,123.1
Departmental capital	122.7	185.9	222.3	142.5	153.1
Own source revenue	181.8	196.9	197.9	191.0	186.4
Total departmental	4,443.3	4,614.2	4,802.4	4,731.3	4,462.6
Administered expenses	17,763.7	18,058.6	18,814.3	19,382.5	20,738.2
Administered capital	-	-	-	-	-
Total administered	17,763.7	18,058.6	18,814.3	19,382.5	20,738.2
Total Australian Taxation Office	22,207.0	22,672.8	23,616.7	24,113.8	25,200.8

Source: Australian Taxation Office

Numbers are inclusive of Tax Practitioners Board and Australian Charities and Not-for-profits Commission



Staffing profile

The following information is drawn from the Australian Public Service Employment Database (APSED) and is correct as at 30 June 2024, unless specified otherwise. Staffing numbers include the ATO, TPB and ACNC.

Staff numbers

Number of employees (headcount)	21,601
Number of employees (full time equivalent)*	19,913

Staff locations

ACT	NSW	VIC	QLD	SA	WA	TAS	NT	Overseas*
8.3% (1,798)	28.3% (6,112)	25.8% (5,579)	19.1% (4,126)	10.2% (2,195)	5.2% (1,114)	3.1% (677)	(0)	(2)

Distribution of classifications

APS1–3, Trainee and Graduate	APS4	APS5	APS6	EL	SES
21.4%	16.2%	9.9%	20.8%	30.6%	1.1%

Diversity

Characteristic	Percentage of total staff
Women	55.6%
Men	44.1%
First Nations	3.1%
Employees with disability	6.1%
Culturally and Linguistically Diverse (CALD) ¹²	36.1%

*Data provided by the ATO, correct as of 30 June 2024

¹ 'First language not exclusively English' is provided as a measure of CALD for the purposes of benchmarking and tracking progress towards a target for the APS CALD Employment Strategy. This measure is not intended as the singular measure of CALD for wider purposes; agencies should use a broad range of metrics and data sources to identify their CALD workforce.

² CALD proportions are calculated as a percentage of employees who have provided information on their first language. Some employees may choose not to provide this information.



Excellence horizon

The excellence horizon describes how the ATO's operating context may change in the 4 years from now to 2029. It identifies the critical organisational capabilities it is likely to need to successfully deliver outcomes and government priorities in this changed environment. This high-level forecast is informed by the review's assessment plus analysis of other trend data, forecasts and horizon scanning.

The ATO's central task is to collect revenue. Since it began as part of Treasury in 1910, the agency has shifted and grown to meet the needs of a changing Australia. This will continue into the future. In this section, the review looks at the opportunities and challenges the ATO is likely to encounter in the short- to medium- term, and how it may need to adjust to meet them.

Getting the 'debt book' into line

The ATO's priority for the medium-term is to reduce the value of tax debt owed by some businesses to the government – often referred to as the ATO's 'debt book'. Across Organisation for Economic Co-operation and Development (OECD) countries, overall tax debt increased through the COVID-19 pandemic and other international disruptions, as jurisdictions prioritised economic stimulus and maintaining stability. In Australia, much of this debt relates to taxes withheld or collected by some businesses and not remitted to the ATO.

Reducing debt to within an acceptable tolerance will be a significant and complex task. The ATO may need to do more to explain that taxes withheld from individuals and other businesses are the property of the Australian people to be used to fund essential government payments and services, and not a form of business finance.

The ATO will continue its efforts to maximise tax compliance (see more about the tax gap on page 33). Consistent with overseas trends, the ATO envisions a future where tax obligations are paid automatically in a way that is integrated into the systems that people and businesses already use to transact and manage their affairs.

Achieving this will require taxpayer support, amended legislation, transformations to information technology (IT) systems and infrastructure as well as changes to the relationships the ATO has with taxpayers, tax agents and software providers.

A national asset, especially in times of need

The next 4 years are expected to be shaped by heightened geopolitical instability, rapid adoption of new technology, increasingly frequent and severe natural disasters and, in western democracies, further declines in public trust in government. The *2024–25 Budget Outlook* points to the continued impact of conflicts in the Middle East and Ukraine, and challenges in the Chinese economy, which will have flow-on effects globally, including to the Australian economy. In its 10-year outlook (see more on page 9), the CSIRO describes a 'tidal wave of disruption on the way', including a need to adapt to climate change and unprecedented weather events.

In the event of a national crisis, the government may ask the ATO to step in and contribute its considerable human resources and national infrastructure in new ways. This happened during the COVID-19 pandemic, when it



was tasked with administering the JobKeeper payment, which was distributed to roughly 1 million small businesses and supported around 4 million individuals affected by COVID-19. The 2023 *Independent Evaluation of the JobKeeper Payment* found engaging the ATO to lead its implementation enabled the scheme to be stood up at incredible speed and that the program was well managed.

While it is important the ATO continues to focus on its core responsibilities, it would be prudent for government and the public sector to take a more expansive view of the ATO's role and the capabilities it would need to navigate another crisis on the scale of COVID-19. Embedding these foundations, such as workforce flexibility, integration into whole-of-government decision-making, and delivery at pace, will be critical to the ATO's ongoing success in a disrupted operating environment. As this review describes later, it is important that the ATO is represented in whole-of-government conversations in a way that reflects its scale, importance and potential as a national asset.

The global megatrends that will shape the coming decade

Once every 10 years, Australia's national science agency, the CSIRO, publishes a report forecasting the key challenges and opportunities it thinks will shape the world in the coming decade. Its 2022 report, *Our Future World*, predicts the following 7 'megatrends' will transform the world in the years to 2032.

Adapting to a changing climate: There is a need to adapt systems and national infrastructure in a way that will be resilient to climate change and extreme weather conditions, which are predicted to become a growing reality for many countries.

Leaner, cleaner and greener: A growing population and increasing incomes will place pressure on food, water, mineral and energy resources. This pressure will drive innovation to do more with fewer resources.

The escalating health imperative: Expenditure on healthcare continues to trend upwards, driven by ageing populations and new health challenges such as antimicrobial resistance or future novel diseases. In turn, this creates opportunities in the fields of preventive and precision health interventions.

Geopolitical shifts: The geopolitical environment has been destabilised by conflicts in the Middle East and Ukraine, and persistent tensions in the Asia-Pacific region. These will have long-lasting impacts and drive increased defence spending in advanced economies. They also have the potential to disrupt economies and supply chains on a global scale.

Diving into digital: The rapid adoption of digital and data technologies has transformed many sectors and has already changed the way we consume, work, learn and manage our health. The CSIRO predicts we have only seen the tip of the iceberg and the vast majority of digitisation is yet to occur.

Increasingly autonomous: Most industry sectors and policy spheres have begun to adopt artificial intelligence (AI) technology, as this technology swiftly evolves. This has the potential to unlock new ways to boost productivity and solve some of humanity's greatest challenges, but also to create new and unforeseen risks.

Unlocking the human dimension: Social trends have heightened the influence of human perspectives and experiences on business, technology and policy decisions. Consumers are more informed and empowered and will demand more from organisations and institutions to keep their trust. Income inequality and economic disruptions will make these social considerations all the more important in government and business decision-making.



Each of these megatrends will impact the ATO. For example, as the population ages, there may be a growing proportion of Australians who are not comfortable using emerging technologies and digital services. The ATO will need to consider how to keep its services accessible to all taxpayers.

Keeping up with the digital economy

The ATO is looking to leverage the digitalisation of the Australian economy to move to a system where ‘tax just happens’ – in other words, where tax is collected using the systems Australian people and businesses already use to transact and manage their affairs. This integration would reduce the compliance burden on taxpayers and reduce the risk of new debts accumulating. The ATO has already integrated tax reporting into third party software through the Single Touch Payroll initiative. It is easy to imagine a future where obligations such as GST and pay as you go (PAYG) withholding are paid to the tax office at the point of transaction, rather than through a separate lodgement.

This future state would transform the ecosystem of tax intermediaries the ATO works with. To realise this vision, the ATO will need to continue to work closely with software providers so they can integrate tax payment capabilities into their products and keep up to date with changes. Software providers are critical tax intermediaries in the same way as tax agents. The ATO will need sophisticated engagement capabilities to sustain mutually beneficial partnerships with these intermediaries, many of which are large international companies working across multiple jurisdictions. The ATO will need to make sure it is involved in decisions that could impact how and when tax is collected in Australia. Building these foundations now will ensure Australia remains an active participant in these conversations. It will also need to work with the rest of government, including central agencies and the executive, to develop these reforms.

The digitalisation of the economy also presents new risks to tax and superannuation administration. In a digital environment, tax fraud can be committed at scale, for example the \$2 billion worth of GST refund fraud committed using techniques popularised on social media (see case study page 10). State-sponsored and criminal actors are devising ways to exploit the vulnerabilities of people and systems, making it hard for institutions to keep pace with their defensive systems. As one ATO employee pointed out ‘fraudsters are crafty and innovative; they don’t have to worry about governance and ethics’.

A digital economy is also vulnerable to events such as cyber attacks, sabotage, outages or natural disasters that could undermine digital infrastructure. The ATO will need to build a tax administration capability that is resilient to circumstances where the systems and technology relied on are at least temporarily unavailable. It will need to consider how to cope with imperfect operating conditions when planning for the future of its non-digital capability.

As the custodian of large data sets on Australian taxpayers and the economy, the ATO is likely to be asked more questions about how it can use this data to best serve the national interest. This is a conversation with ethical and security implications and it is important the ATO is ready to engage in a constructive and nuanced way.



Explainer: GST refund fraud perpetuated via Facebook and TikTok

In 2022, the ATO led an investigation into a large-scale GST fraud scheme that was promoted on social media. The investigation, known as Operation Protego, uncovered the largest GST tax fraud scheme in Australian history.

Participants in the fraud would establish a fake business and falsely register for an Australian Business Number (ABN). They would then use this ABN to submit false business activity statements (BAS) claiming to have accrued business expenses that would qualify them for a refund of GST paid. The average amount claimed was \$20,000.

The method was promoted on social media platforms TikTok and Facebook, where influencers would post videos explaining how to conduct the fraud. In some instances, perpetrators would promise to help others obtain money or access 'loans' from the ATO, in exchange for sharing their myGov login details.

The ATO worked in collaboration with the Australian Federal Police and other agencies to investigate the fraud, recover funds and pursue legal action against those involved. The fraud was contained by mid-2023, and the ATO will seek to recover just under \$2 billion, and claims to have prevented an additional \$2.7 billion in suspected fraudulent claims.

The ATO has acted against more than 57,000 alleged offenders. By the end of 2024, 86 people had been convicted. Internally, 150 ATO officials were investigated for participating in the fraud. Formal action had been taken against 12 who were found to have committed fraud. Some were found to have been victims of identity theft.

The Operation Protego Integrity Taskforce supports Commonwealth agencies to investigate and take action against employees suspected of Protego fraud by sharing information.

Shifting expectations in the workplace

In the next 4 years, the ATO will need to continue to adjust to legislative and policy changes that have shifted the nature of work and the skill sets required to lead and manage a modern workforce.

For example, ATO staff have embraced working from home rights enshrined in the *ATO 2024 Enterprise Agreement* (see more in the *Workforce* domain). Staff sentiment captured in surveys, workshops and interviews suggests this will be an important lever allowing the ATO to attract and retain talented staff in the coming years. But, like any change, this has come with risks and complexities – some of which may take time to become clear. As this review explores, managing a remote workforce places new demands on the skills of ATO supervisors, managers and leaders. The ATO will also need to be proactive about maintaining the integrity of its information and processes in an environment where it no longer has full control or visibility of people's workspaces.

Further, people managers will need to keep up with other shifting trends in employee expectations, scrutiny on diversity and inclusion standards, legal obligations towards mental, psychological and physical safety, flexible working arrangements and broader industrial relations reform. They will need to stay well-informed about this changing environment and manage complex issues that arise.



The right toolsets, skill sets and mindsets for the future

The ATO workforce will need to evolve to meet the challenges and opportunities described in this excellence horizon. The agency must prepare its people to continue delivering advice, services and regulation in an imperfect and at times unstable world.

In 2023, the World Economic Forum's *Future of Jobs* report ranked analytical thinking and creative thinking as the most important skills for workers, based on a survey of 803 large companies. Other top ranked 'skills on the rise' included technological literacy, curiosity and lifelong learning, resilience, flexibility and agility. Beyond skills to manage AI and digital tools, the global business community is clearly seeking workers who are adaptable in a dynamic world and can readily shift between different functions and circumstances. The survey also suggests employers increasingly value human cognitive functions that cannot be automated or performed by AI capabilities. While ATO staff broadly recognise the need for the agency to upskill in areas like AI, technology and automation, the agency must ensure it also focuses on developing and sustaining non-technical skills.

The CSIRO has identified social pressures, such as income inequality, economic disruptions, displacement and the uneven impact of natural and other disasters, as a key consideration for the medium- to long-term (see page 9). In Australia, lower-income groups persistently record lower rates of digital inclusion than higher-income groups. An increased reliance on digital services risks further isolating digitally excluded groups. As the ATO increases compliance activities to reduce tax debt, it will have increased contact with taxpayers in vulnerable or challenging circumstances. While technical skills will continue to be important, public sector organisations such as the ATO will need a workforce comfortable with designing and delivering services for people in atypical circumstances, who may be experiencing hardship or vulnerability.

Trust in government

In Australia, a social contract between the community and the government underpins the authority of public institutions such as the ATO. Trust in government creates the reciprocal relationship that persuades Australians to abide by laws and pay their taxes. In 2023, 46% of Australians reported high or moderately high trust in the Australian Government, according to an OECD survey of global trust in public institutions. This was 7 percentage points higher than the OECD average, and 8 percentage points higher than the rate of trust in 2021 – suggesting Australia is on a relatively positive footing.

Still, fluctuations in other developed democracies reveal how fragile public trust can be. From a tax perspective, this trust can quickly erode if people don't believe the system treats everyone fairly or if they think some participants are getting away with non-compliance. The ATO is mindful that effective enforcement is critical to maintaining trust in Australia's tax system. It will need to continue to be considered and clear about its regulatory posture and public messaging into the future. Any decline in confidence in the tax system would harm the revenue that funds community services and would make it hard to rebuild an efficient system of compliance.



Executive summary

This capability review focuses on strengths and development areas for the ATO's capability in the anticipated future operating environment. It includes analysis of the 'excellence horizon' – capabilities the agency needs over the next 4 years; and organisational capability – capability gaps and opportunities across 5 domains of leadership and culture, collaboration, delivery, workforce, and enabling functions.

More details are in **Appendix A**.

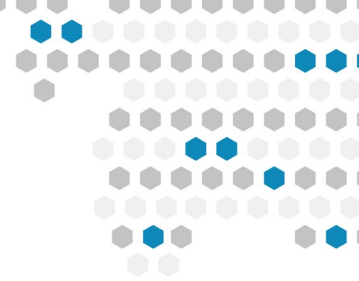
The ATO is a high-performing organisation with a strong reputation for managing Australia's tax and superannuation systems in a modern and reliable way. Its capabilities are good, which is reflected in the relatively high number of 'embedded' ratings in this report, and ATO staff are right to be proud of them. The findings in this report are not judgments on current capability, but rather ways the ATO might evolve to be a 'great' organisation. This capability review has considered how the organisation is placed to manage the shocks, changes or new roles and responsibilities it might encounter in the future. Some of these are described in the *Excellence horizon* above.

'The people I come across are really good, and I'm blown away with capability that comes out of the place.' External stakeholder

Staff at the ATO have a strong sense of purpose and are committed to enabling the delivery of government policy by the public service through the collection of taxes. The review encountered mixed views about whether the ATO should be thought of as mainly a revenue collector, with some other important regulatory roles, or whether it is a national asset and custodian of national datasets and infrastructure that may have wider ranging applications to benefit the Australian community. Global events like the COVID-19 pandemic suggest a contemporary government needs to be flexible and that agencies should expect to evolve to meet new demands.

Many findings in this report describe how cultures and behaviours shape capability. The ATO has technical solutions in place, such as processes, frameworks and guidance. It also has the necessary skills to underpin its capability and make sure its workforce knows what is expected of it. Technical solutions, however, may not always be fit for purpose in a dynamic future. It will be important that the ATO's workforce reflects a culture that enables the agency to develop creative solutions to new problems and re-balance to adjust to changes in its operating environment. One of the agency's strengths is the confidence staff have in the agency's purpose, identity and capability. But this should not get in the way of listening to others or cause it to miss opportunities to learn from experts outside the organisation. Even a high-performing organisation like the ATO cannot achieve its goals in isolation. It will need to harness the expertise of stakeholders and partners. While plans and strategies are important, they rely on people to embed them. Cultural change takes time and persistent effort to sustain.

Perhaps the most important cultural change will be operating as 'one ATO'. The report acknowledges this is an ambitious goal for an organisation as large and geographically dispersed as the ATO. It will be important for the ATO to harness its full capability and act in the interest of the agency as a whole, rather than individual teams or groups, to achieve its vision for the future.



This report includes findings about the ATO's strengths and weaknesses in terms of organisational capability, including areas that should be treated as a priority. It is not the role of capability reviews to recommend a specific course of action to address findings. We believe the ATO is best placed to come up with appropriate ways to respond to the overall intent of this report.

Leadership and culture

Rob Heferen commenced as Commissioner of Taxation on 1 March 2024. The review heard positive feedback about the commissioner and current leadership cohort, but found strong drivers for group leaders to pursue individual outcomes over organisational outcomes. These impede tough conversations about prioritising resources and making trade-offs for the benefit of the agency.

The review observed that the ATO has an extensive governance architecture, but it is not always fit for purpose. Stakeholders said there are too many governance committees and some lack a clear purpose. At times they are treated as forums for consultation and consensus rather than making decisions and negotiating trade-offs. This was a consistent theme throughout the review – staff said the ATO's cultural emphasis on consensus means some committee decisions are not taken seriously and implemented.

Internal and external stakeholders also told the review that the ATO is risk averse. The agency has a comprehensive suite of technical artefacts and processes to guide staff how to handle risk, but stakeholders say it has a cultural tendency to avoid, rather than engage with, risk.

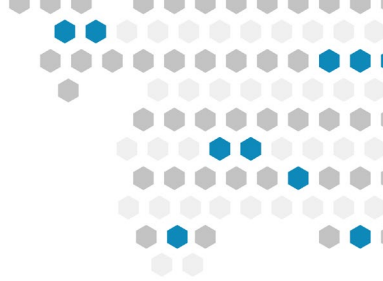
Potential priority areas for capability improvement – leadership and culture

As the ATO continues to work towards its ambition of operating as 'one ATO', its leaders will need to model the behaviours required to work as a coherent agency. These include making trade-offs for the sake of the organisation, having tough conversations about priorities and taking collective accountability for decisions.

There is also an opportunity for leadership to demonstrate that it accepts and rewards measured risk-taking in the interests of innovation, collaboration and achieving better, faster outcomes.

Collaboration

The ATO's engagement with other Commonwealth agencies is important to a strong taxation system and delivering services to the Australian community. It will need the help and expertise of its Australian Public Service (APS) partners to achieve its complex and ambitious goals. The ATO has well-embedded operational and transactional partnerships with its public sector partners. On the other hand, the review heard the ATO is often not included in key whole-of-government conversations, which limits the agency's ability to influence policies and generate buy-in for future reforms. Stakeholders also said that while the ATO is generous in sharing its expertise with its public sector partners, it doesn't often take the opportunity to listen to and learn from the expertise of other agencies.



The review observed the ATO has established consultation and engagement structures with its non-government partners, but these will be tested by future shifts. Particularly, it will need to strengthen its relationships with the small business sector and the digital service provider ecosystem to realise its priority ambitions. It should focus on the quality rather than quantity of external engagements, and engaging stakeholders early enough in the process to genuinely incorporate ideas and feedback.

Internal stakeholders say silos within the ATO make everyday collaboration across the agency difficult. The review recognises the ATO is taking steps to improve internal collaboration, such as encouraging mobility across groups to facilitate a broader understanding of the ATO's work. Cultural change will take time, and it is crucial that senior leadership commits to ongoing efforts to improve the agency's internal collaboration capability.

Potential priority areas for capability improvement – collaboration

There is an opportunity for the ATO to advocate for a greater role in whole-of-government forums to influence strategic discussions that impact its role and objectives, and its ability to achieve them.

The ATO should prioritise the quality of its relationships with the small business sector and digital service providers.

The ATO's senior leadership should consider opportunities to incentivise and nurture working collectively as an agency and valuing diverse viewpoints and experiences.

Delivery

According to its peers, the ATO has long been recognised as one of the more effective tax administrations in the OECD. The agency's effectiveness is reflected in Australia's strong overall tax compliance rate. To go from good to great, the ATO should continue benchmarking itself against global best practices, learning from other countries, and applying lessons from past projects and initiatives. Importantly, it would benefit from a wider frame of reference to best practices across the public and private sectors.

Over the next 4 years, the ATO aims to reduce the amount of tax debt owed by business and individual taxpayers and maximise tax compliance. It wants to take some more steps towards a system where 'tax just happens' to minimise the administrative burden on the taxpayer. The ATO's staff are highly skilled and committed, but the agency lacks an organisation-wide strategic perspective and a shared plan to achieve these goals. Building strategic capability will help the ATO make the internal trade-offs necessary to deliver the agency's priorities. It will also help to inform the ATO's future engagement and collaboration with its tax-system partners, which will be vital to achieving its goals.

To achieve its goals, the ATO must also maintain the trust of the Australian community. The capability review observed the ATO needs to be sympathetic to all the challenges and circumstances people may be facing when engaging with the agency, so the tax system remains efficient, fair and accessible to all. The ATO needs to support those who want to be compliant but face barriers to engaging with the tax system, and ensure vulnerable cohorts are not left behind as a result of a shift to digital service delivery. The ATO has an opportunity to leverage the expertise held by social policy agencies within the APS to strengthen this capability going forward.



Potential priority areas for capability improvement – delivery

The ATO needs to find a way to agree enterprise-wide priorities and establish a shared plan to achieve them. This responsibility should be co-owned by all members of senior leadership.

The ATO must build capability to cater to individual circumstances and vulnerabilities so it can support individuals who want to be compliant but face barriers to engaging with the tax system. This needs to be a priority as compliance activity ramps up.

Workforce

The ATO is good at managing its workforce. It is a high-performing organisation and its staff have deep expertise. Its 2024 Employee Census results show staff are satisfied with their working environment, including the learning and development opportunities, the workplace culture, and the practices in place to support staff health and wellbeing.

ATO staff value the agency's flexible work policies. However, the ATO will need to be prepared to manage new risks as a high proportion of staff take up working from home arrangements.

The ATO has a low rate of staff turnover compared to the APS average. While it is a strength that employees want to stay with the ATO, it can limit the diversity of experiences and perspectives within the agency. The review acknowledges the ATO's efforts to support internal mobility, and encourages the agency to consider how it can support its staff to gain broader experiences.

Overall, the ATO has an effective workforce planning capability, but the review heard recruitment approaches differ across business lines. To mature this capability, the ATO needs to improve consistency and ensure buy-in from the whole executive, not just human resources (HR) functions.

Potential priority areas for capability improvement – workforce

A hybrid work environment, where many staff spend more time working from home will, over time, generate new workforce and integrity risks the ATO will need to manage.

The ATO will need to consider ways to make sure low turnover doesn't limit the networks, empathy and diversity of its workforce.

The ATO's workforce planning capability would be stronger with consistent application and buy-in across the agency.

Enabling functions

The ATO is at the forefront of the APS in terms of data capability, and its data holdings are a key national asset. The review commends the ATO's significant investment in data capability to date. The agency understands the need to maintain focus on capability uplift to make the most of new opportunities and imagine new ways data could be used to ease the compliance burden on taxpayers.



Technology capability will be a key component of realising a future where ‘tax just happens’. While public-facing digital services are trusted, staff describe the ATO’s internal information and communications technology (ICT) systems as outdated, clunky and a barrier to doing their jobs well. The agency needs to find a way to manage growing ICT costs, which could constrain its ability to fund improvements in other business areas.

The ATO has sound financial oversight and processes. But the agency finds it hard to re-balance resources towards priority work. Future resourcing will hinge on the ATO’s ability to build buy-in for its vision for the future of the tax system among government partners. It could also do more to empower managers at lower levels to take responsibility for financial management.

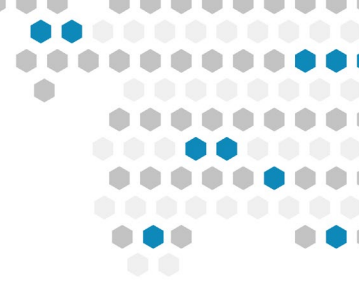
Bespoke corporate functions could also emerge as a risk to cost-effectiveness if left unchecked. The ATO will need to maintain consistent oversight of enabling services to make sure they remain scalable and affordable.

Potential priority areas for capability improvement – enabling functions

There is an opportunity to embed ‘one ATO’ in the design and operation of corporate services.

The ATO will need to contend with its increasing ICT sustainment costs while considering how to upgrade its internal IT systems to increase staff productivity.

The ATO should maintain consistent oversight of bespoke corporate services to make sure they do not grow beyond their current scope, and that they remain scalable and affordable.



Detailed assessment of agency capability

The assessment of agency capability is based on the Capability Review Framework at **Appendix C**.

Maturity rating	Description
Leading	<ul style="list-style-type: none"> • Excellent current capability • Strategic and systematic approach to forecasting future capability challenges and opportunities • Widespread environmental scanning identifies opportunities to learn from others • Continuous improvement is an agency-wide priority • Capability uplift activities are highly likely to equip the agency for challenges identified in the excellence horizon
Embedded	<ul style="list-style-type: none"> • Good current capability • Widespread activity to forecast future capability challenges and opportunities • Some environmental scanning identifies opportunities to learn from others • Widespread evidence of continuous improvement activities • Capability uplift activities are mostly likely to equip the agency for challenges identified in the excellence horizon
Developing	<ul style="list-style-type: none"> • Inconsistent current capability • Limited forecasting of future capability or opportunity gaps • Early stage activities to improve in areas of future and current capability gaps • Limited environmental scanning or evidence of learning from others • Limited focus on continuous improvement • Capability uplift activities are limited and will not fully equip the agency for challenges identified in the excellence horizon
Emerging	<ul style="list-style-type: none"> • Capability does not meet the agency's current needs • Little or no evidence of forecasting future capability or opportunity gaps • Little or no awareness of current capability gaps • Little or no evidence of environmental scanning or learning from others • Little or no evidence of continuous improvement • Agency is unlikely to be ready to meet for challenges identified in the excellence horizon

The review's assessment of the ATO's capability maturity across the 5 domains is outlined below.



Leadership and culture

Element	Maturity rating
Integrity and values	Embedded – Integrity and values Developing – Risk
Leadership and governance	Developing

Collaboration

Element	Maturity rating
Public sector collaboration	Developing
Non-government partnerships and engagement	Developing
Internal collaboration	Emerging

Delivery

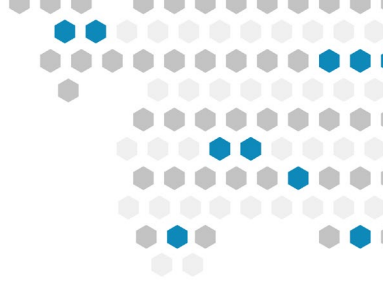
Element	Maturity rating
Ministers and parliament	Developing
User focus	Developing
Strategy	Developing
Implementation	Embedded
Review and evaluation	Developing

Workforce

Element	Maturity rating
Strategic workforce planning	Developing
Staff performance and development	Embedded
Staff culture and inclusion	Embedded
Staff safety and wellbeing	Embedded

Enabling functions

Element	Maturity rating
Financial management	Developing
Technology	Developing
Data	Embedded
Corporate operating model	Developing



Leadership and culture

Element	Description	Maturity rating
Integrity and values	The capability to embed integrity and APS values in the work of the agency. The agency engages with risk appropriately and embodies integrity in everything it does.	Embedded – Integrity and values Developing – Risk
Leadership and governance	The capability to provide cohesive leadership and direction, and to establish organisational structures that are efficient and effective.	Developing

Leaders need to set the standard to achieve ‘one ATO’

The ATO continues to work towards its ambition of operating as a coherent enterprise or ‘one ATO’. Achieving a sustained whole-of-agency approach would have flow-on benefits to many of the other capabilities described in this report. It is a challenging goal for an organisation with an ingrained culture and function-based accountabilities. Success needs to begin with the ATO’s senior leadership modelling the behaviours that would enable the agency to work as one.

The ATO’s Senior Executive Service (SES) Leadership Strategy identifies 4 leadership attributes it wants to see in the organisation’s leaders, in order to achieve ‘one ATO’. They are:

- show up as a leader
- impact at scale
- enrich the work experience
- strengthen the system.

The review heard a sense of optimism about the new commissioner from staff. The ATO plans to refresh its vision and purpose, and develop a new strategic statement. It is proactively investing in leadership capability and the pipeline of future leaders within the agency. Its SES and Executive Level 2 (EL2) talent development programs are highly regarded and popular among ATO and broader APS staff. It has also begun an SES immersion program, which is generating positive feedback (see case study on page 21). Internal and external stakeholders were positive about the skills and capability of the ATO’s current leadership cohort, with one describing them as being ‘of the highest calibre’.

APS Employee Census results suggest staff attitudes towards ATO SES are broadly in line with the rest of the APS. In 2024, 65% of ATO staff agreed ‘my SES manager creates an environment that enables us to deliver at our best’, which matches the APS average. Another 25% neither agreed nor disagreed.

ATO leaders are the crucial starting point for the cultural changes the agency is striving towards. The capability review found opportunities for leadership to make sure it is role modelling the right behaviours. While the capability review found relationships among senior leaders are cordial, leaders appear to operate as individuals



rather than as a team that collectively owns and pursues ATO goals. Staff see leaders as prioritising their group outcomes over organisational outcomes. They are also seen to have less of an appetite for tough conversations about how to resource priorities or make trade-offs for the benefit of the whole organisation – especially when these require sacrifices in their own function or area.

‘We don’t measure effectiveness of the whole. Because our metrics are very function-based, we operate in a function-based way.’ Internal stakeholder

In the 2024 APS Employee Census, 56% of ATO staff agreed the SES work as a team, while 31% did not have a view.

The capability review has rated the maturity of the ATO’s leadership and governance capability as developing, reflecting that ATO leadership needs to do more to develop 2 of its 4 desired leadership attributes – show up as a leader and strengthen the system – to fully harness the capability of the agency. As the Leadership Strategy describes, this will require leaders to ‘accept and demonstrate collective responsibility for the success of the organisation’.

Case study: ATO’s SES Immersion Program

The ATO’s SES Immersion Program began in late 2023 and was rolled out in full in 2024. The program involves shadowing frontline service delivery staff. It seeks to give participants a first-hand understanding of the services the ATO delivers, the experiences of clients and the challenges encountered by frontline staff.

The program delivers on commitments of the ATO’s SES Leadership Strategy, 2023 APS Employee Census Action Plan, and recommendations from the Robodebt Royal Commission.

The program brings SES leaders and employees together to discuss challenges, raise issues and identify opportunities for improvement. The program facilitates open conversations, making connections between business areas, and giving SES leaders insight into the impact of their decisions.

As at 28 January 2025, 241 ATO SES leaders have participated in the immersion program. This is 95% of the eligible SES cohort, with an additional 5 SES from Treasury also participating. Feedback on the program has been positive, with both SES and frontline participants highlighting the value of the experience.

Committees must enable decision-making and accountability

The ATO has an extensive governance architecture. There are 130 committees in total, across 3 tiers of authority. The ATO Committee Management Framework sets out the charter, terms of reference, responsibilities, governance arrangements and membership of each committee.

The review heard that the ATO could lift the effectiveness of its leadership capability by improving these governance structures and making sure they are fit for purpose. Some internal stakeholders said there are too many governance committees. Others said committees are treated as forums for consultation and consensus



rather than making decisions. 'I think people think they are there as an adviser rather than actually scrutinising and holding people to account,' said one internal stakeholder.

'There are too many committees and too much emphasis on a consensus decision.' Internal stakeholder

The review heard examples of committees being bypassed in times of crisis or urgency. A consistent theme from staff was that the cultural emphasis on consensus rather than buy-in, ownership and accountability, means some committee decisions are not taken seriously and implemented.

ATO leadership has plans to conduct a review of its enterprise governance framework. Such a review would provide a good opportunity to streamline the committee structure, consider ways to leverage these forums to facilitate agency-wide prioritisation, and ensure accountabilities are appropriately allocated and not diluted by committees.

Keeping integrity strong to withstand future shocks

To administer the Australian taxation system, the ATO relies on the trust and confidence of taxpayers. As described in the *Excellence horizon*, public trust is fragile in a global context. The ATO understands that it plays an important role in reassuring the public that Australia's tax system is fair, robust and enforced equally for all participants. It does so in the face of challenges like sophisticated fraud and a historically large volume of accumulated tax debt in the community.

The capability review found ATO staff are passionate about the role they play protecting the integrity of the tax system and maintaining a culture that values integrity internally. In the 2024 APS Employee Census, 84% of ATO staff agreed the culture in their agency supports people to act with integrity, 7 percentage points higher than the APS average. Staff from the TPB and ACNC agreed at similarly high rates. In a staff survey run for this capability review, 90% of respondents agreed people in their workgroup uphold APS values. The agency's expectations of staff are clearly set out in the ATO's integrity framework.

The ATO has been proactive in taking action, and being seen to take action, against the small number of ATO officers who have done the wrong thing. The Operation Protego investigation into tax fraud resulted in termination or criminal proceedings against 12 tax office officials associated with the scheme. Recognising the privileged authority and information access needed for many ATO jobs, the agency has embedded extra controls for higher-risk positions, such as regular rotations, additional character and conduct checks, and scrutiny of private interests.

A resilient integrity culture must reflect more than just the absence of corruption or misconduct. The review has rated the integrity capability of the ATO as embedded, reflecting culture and processes in place now. To strengthen this capability even further, and to be resilient against future shocks, the ATO is encouraged to foster an environment where staff are comfortable and willing to speak openly about accountability, matters that



concern them, and the intent of internal processes. The review has observed a tendency to avoid these important and sometimes difficult conversations.

The capability review has made a discrete finding on the maturity of the ATO's risk capability, which is developing. While the ATO has a comprehensive suite of technical artefacts and processes to guide staff on how to handle risk, the ATO is seen as more likely to avoid, instead of engage with, risk. Some stakeholders said this manifests in a lack of decisiveness and a tendency to rely on lengthy consultation processes and committees as a way of avoiding personal accountability. ATO leadership has an opportunity to demonstrate that it accepts and rewards people who are willing to take measured risks and deal with the consequences, in the interests of innovation, collaboration, accountability and achieving better, faster outcomes.



Collaboration

Element	Description	Maturity rating
Public sector collaboration	The capability to establish enduring and collaborative relationships with other public sector agencies that support agency and government priorities.	Developing
Non-government partnerships and engagement	The capability to establish successful collaborative relationships with non-government entities to support agency and government priorities.	Developing
Internal collaboration	The capability to engage and establish effective and collaborative internal partnerships, ensuring the agency can make best use of its collective capabilities.	Emerging

Harnessing the help of the APS

The ATO's engagement with other Commonwealth agencies is important to support a strong taxation system and deliver services to the Australian community. For example, the agency works with 13 Commonwealth departments and agencies on joint programs according to 2024-25 Portfolio Budget Statements (see **Appendix D**) and partners extensively with Services Australia on digital service delivery and sharing data to support government payments. These transactional partnerships are well-embedded.

The review heard the ATO has good relations with, and is trusted by, its public sector partners. It has a particularly positive relationship with the lead agency in the portfolio, the Department of the Treasury. One stakeholder highlighted the ATO's effective collaboration with the Australian Border Force when collecting GST for low value imported goods, saying 'it's a good example of what the ATO is able to do. It's innovative in the world among tax regulators, and other countries are adopting it'. Others praised ATO's responsive, 'can-do' attitude and openness throughout the COVID-19 pandemic, particularly the development and implementation of the JobKeeper program.

'We have a hugely important relationship with the ATO[...] They've facilitated the flow of other data sets which have been very valuable – for example, facilitating our access to Single Touch Payroll data early in the pandemic.' External stakeholder



Case study: Cooperating with international partners

The OECD Forum on Tax Administration brings together tax commissioners and tax administration officials from over 50 countries to share knowledge, undertake research and develop new ideas to enhance tax administration around the world.

The ATO is an active member of the forum. It supports the OECD's Tax Administration 3.0 vision (also known as 'tax just happens' to Australian audiences) and co-authored the OECD's 2020 report on the digital transformation of tax administration. It is a member of the working group responsible for the Tax Administration 3.0 program, identifying and scoping the next set of priority international collaboration projects to accelerate digital transformation.

The ATO also has a leadership role in the fight against international tax crime and money laundering, as chair of the OECD Taskforce on Tax Crimes and Other Crimes, the Joint International Taskforce on Shared Intelligence and Collaboration, and the Joint Chiefs of Global Tax Enforcement.

There remains some aspects of this capability that could be improved. For example, there is a sense among stakeholders that the ATO can tend to turn its focus inwards when not responding to a crisis. Stakeholders described the agency as self-contained, and said it does not always think about how it fits into the broader system of government. These stakeholders noted that the ATO could benefit from listening more and participating in whole-of-government discussions. One stakeholder suggested the ATO's public sector engagements are inconsistent owing to some uncertainty around its role and place in the APS.

As flagged in the *Excellence horizon*, future governments may rely on the ATO to take on an expanded role in times of crisis or to support whole-of-government priorities, as it did during COVID-19 (page 8-9). There is a risk that without a stronger strategic connection to its public sector partners, the agency's work could become misaligned with government priorities and decisions. The review heard the ATO is 'not dealt into whole-of-government discussions' and is 'forgotten in key conversations'. This limits ATO's ability to influence policies it may be tasked with implementing, and to generate buy-in for the changes it would like to see to tax administration in the future. Influencing APS partners, including central agencies, will help the ATO generate awareness and support for major reforms. There is an opportunity for the ATO to advocate for a greater role in whole-of-government forums and participate in conversations that impact its role and objectives, and, ultimately, its ability to achieve them.

'In COVID they absolutely saw themselves as part of the service, but most of the time, they don't.' External stakeholder

The ATO has a lot to offer the APS and is generous with its expertise. It leads the APS HR Professional Stream, multiple cross-agency communities of practice and compliance and enforcement taskforces, and is an active participant in various operational groups led by other agencies. The agency recognises the value of the data it holds and acknowledges this data could be better leveraged to offer deeper insights into the operation of government and the broader economy. The review agrees the ATO could play a more prominent role in proactively identifying opportunities for its data to inform other agencies' work.



The review also heard the ATO would benefit from listening and learning more from other public sector organisations, including auditors and regulators, who have valuable data and insights to offer. Some stakeholders said the ATO's confidence in its capabilities has created a culture where staff are not always open to external feedback on how the agency can improve. For example, one external stakeholder said 'if we put a matter to the ATO, the walls come up really quickly.'

As a historically relatively well-funded agency, the ATO has been able to develop solutions to problems without help. One stakeholder said, 'They have their own ways that are much better. That is their attitude ... if they don't invent it, it won't happen'. As described in the *Excellence horizon*, the ATO is working towards an ambitious vision for the future. To realise this vision, it will need to harness the help, ideas and expertise of its APS partners in addition to its own capability. It will benefit from fostering a culture of proactive participation and listening to partners across the public sector.

Strengthening relations with priority cohorts

The ATO's non-government stakeholders are many and diverse, because the ATO touches every business in Australia. These stakeholders have varied interests and perspectives on how the ATO collaborates, what it will need to focus on in the future and the capabilities it needs to improve.

The agency has structures and processes in place to engage with its non-government partners. These include:

- 38 formal stakeholder, stewardship and working groups, comprising members from over 820 organisations.
- Over 500 digital service providers delivering services that enable stakeholders to interact with the ATO third party data providers (such as banks, employers, online platforms, financial technology companies and share registries) to collect information that supports registration, reporting and compliance, and to identify fraud and recover debt.
- Banks, remittance service providers, gambling operators and law enforcement agencies to combat tax crime.
- Accounting firms to improve the ATO's and its clients' understanding of the agency's expectations, supporting better tax compliance.

The ATO communicates extensively with stakeholders through multiple channels. It also runs education activities and conducts research to monitor how the Australian tax system works in practice.

Non-government stakeholders appreciate the technical structure and large volume of the engagement. But feedback on the substance of the engagement was mixed, and suggests there is still room for the ATO to get better. One stakeholder said 'I think the ATO do their external engagement quite well and they do focus on that'. Another said 'the ATO did a great job on Single Touch Payroll because they took extra time to liaise with business and get them onside'. On the other hand, some stakeholders said the ATO's consultation is not always genuine. Some said the ATO has a tendency to bring already formed ideas forward for consultation, rather than engaging with external stakeholders when designing how to implement a policy or an administrative initiative. They see this as limiting the opportunity for external voices to shape outcomes. This does not necessarily signal that the



ATO needs to participate in more engagement, but rather that it would benefit from focusing on how to improve existing engagements so stakeholders feel the consultation is genuine and that their feedback is heard and valued. Engaging stakeholders earlier in a project's development and being clear about the purpose of each engagement and the degree of change possible, could help to manage stakeholder expectations.

'It feels like an [annual general meeting] instead of true consultation. If you genuinely want input to influence something that you are going to do anyway, it needs to be a different setup. You need to listen more to what's being said.' External stakeholder

The review has assessed the maturity of this capability as developing. The ATO does not yet have the relationships, particularly with small business and the digital service provider ecosystem, that it will need to achieve its ambitions for the future.

Successfully reducing the 'debt book' will depend on a trusted relationship with the small business community, which holds the bulk of the \$52.8 billion collectable tax debt. The review acknowledges the diversity of the small business sector, which is made up of 4.2 million entities, makes this challenging for the ATO in terms of engagement. But stakeholders said the ATO can be slow to respond to businesses and does not always fully consider their needs, making some processes unnecessarily complex.

ATO staff recognise that most small businesses want to comply with the tax law, and 85% of small businesses are compliant. But on occasion, high level messages and actions from the ATO can give a different impression to stakeholders. For example, one stakeholder said that recent messaging about small business debt was 'designed to frighten people' into compliance and is 'corrosive' to the relationship.

'Debt in the small business sector is not an honesty problem - it's the difficulty in payment.' Internal stakeholder

The ATO needs to build trust with the small business sector to encourage better tax compliance and confidence to participate in an integrated, streamlined tax system. This includes demonstrating it is willing to work with small business owners, such as by adopting a more nuanced approach to dealing with those who are experiencing hardship and making sure its actions – including at the frontline – are consistent with the message it wants to send to this cohort.

The ATO's relationship with digital service providers is central to contemporary tax administration. Some stakeholders do not believe the agency has the skills it needs to manage the complex relations required to collaborate with and influence multinational software companies. For example, one stakeholder explained that the ATO organises itself 'by ATO plumbing, not user outcomes. It's not fit for purpose for external service providers'. Looking further ahead, digital service providers say the ATO needs to engage in more honest and open conversations about the technical requirements, capabilities and legislative barriers to making 'tax just happens' possible.



Multiple stakeholders said there is also an opportunity for the ATO to better educate and leverage tax intermediaries to increase tax compliance and marshal support for a more integrated model of tax administration. The review heard that the ATO's relationship with tax intermediaries had eroded in recent years, yet stakeholders are hopeful for the future.

'Imagine if we can educate the tax agents of the world to fix 99% of those problems [that regularly come up for taxpayers]. The ATO would have so much more time to do the hard stuff, the multinational stuff and the systemic stuff.' External stakeholder

The ATO has well-embedded consultation and engagement structures with non-government partners but needs more sophisticated engagement with priority sectors to reach its goals. It should consider how to tailor its engagement with sectors that will be most critical to realising its ambitions, even if they are complex, diverse and challenging.

Silos stand in the way of harnessing all of the ATO's capabilities

The ATO acknowledges that its internal collaboration capability requires improvement. The agency has previously conducted whole-of-system strategic exercises to address barriers to internal collaboration, but has struggled to embed enduring solutions. It needs to maintain vigilance and focus on this capability, as change will take time.

Both internal and external stakeholders say the ATO collaborated well during the COVID-19 pandemic, with teams working together and making decisions quickly. This does not seem to have translated into normal operations. A key challenge for the ATO will be how to genuinely and consistently collaborate in a 'business as usual' environment.

'We are an organisation that works well together when we need to, then retreats back into corners when the pressure is off.' Internal stakeholder

The agency has a nationally dispersed workforce and a large proportion of staff access work from home flexibility, both of which make maintaining connectivity and internal collaboration more challenging. At 30 June 2024, 92% of ATO's workforce was located outside Canberra, including 28% in New South Wales and 26% in Victoria. In the 2024 APS Employee Census, 81% of staff said they access working from home flexibility, which is 20 percentage points higher than the APS average, and 29 percentage points higher than the average for extra large agencies. As one staff member said, 'in my team, everyone sits in a different office building and I think a lot of our communication issues stem from that'.

Staff overwhelmingly described their colleagues as collegiate and supportive, but these traits are not necessarily enough to ensure productive engagement and collaboration across levels, groups and business lines within the ATO. In interviews and workshops, staff said silos – both vertical and horizontal – are a major barrier to doing their job well. Some staff said there are barriers between SES and EL level staff, resulting in a lack of clear direction and staff feeling disempowered to do their job properly. Others described the ATO as having an



‘introverted’ culture, where people do not instinctively reach out to others within the agency. This was also recognised by external stakeholders as a concern, with some sharing instances where they had to link up areas within the ATO themselves to get a coordinated response.

‘Communication between different areas is done through personal networks. It’s very situational and depends on the skills and motivation of the individuals.’ Internal stakeholder

The review heard the agency’s funding model may contribute to its partitioned operating style. Many areas in the ATO are funded to deliver specific government commitments and have narrow performance measures that do not account for broader organisational priorities. As mentioned in the *Enabling functions* domain (page 49), bespoke programs and services have sprung up in some groups. The vertical structure of the agency encourages staff to focus solely on their work area instead of identifying how they can leverage the collective capabilities of their peers. One staff member said, ‘we keep our heads down rather than looking up, frequently duplicating work in other areas’. Staff also feel there is a hierarchy of groups within the agency. Groups who believe they are at the bottom of the hierarchy feel they are not heard by other areas of the agency, which has potential to foster resentment and discourage future collaboration.

The review recognises that the ATO is taking steps to improve internal collaboration. The *ATO Culture Strategy* (refreshed in 2022) commits to creating a united and connected ATO where forging connections, sharing information and collaborating are the norm. The ATO’s One Habit at a Time program encourages participants to be ‘united and connected’ by completing tasks to help them gain a ‘panoramic view’ of the organisation. Tasks include sharing team descriptions with other teams, inviting someone from another area to peer review work and mapping out how a team’s decision may impact others.

The ATO is also exploring ways to foster greater mobility between groups, and between the ATO, TPB and ACNC, to facilitate a broader understanding of work across the agency. This has started with some SES officers undertaking short- to medium-term roles in other groups. Staff are encouraged to take up internal mobility opportunities through the agency’s mobility initiatives (discussed further on page 38-39).

Cultural change will take time and sustained leadership effort. As suggested in the *Leadership and culture* domain (page 20-21), it is crucial that ATO’s senior leadership commits to fostering internal collaboration, is visibly making trade-offs and models behaviours to signal the importance of working collectively as an agency. The ATO has plans for a senior leadership plenary in 2025 to connect its leaders with performance measures and challenges across the agency. This is an important step towards driving increased collaboration and understanding between leaders, which will hopefully lead to flow-on improvements to collaboration between staff.



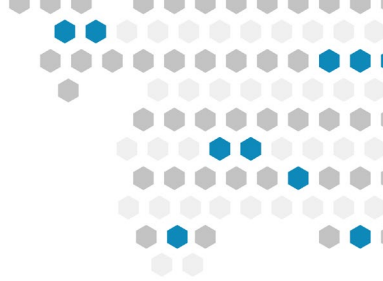
Delivery

Element	Description	Maturity rating
Ministers and parliament	The capability to meet the needs of ministers and the parliament.	Developing
User focus	The capability to use an understanding of the people and organisations affected by the agency to deliver effective and fit-for-purpose outcomes for them.	Developing
Strategy	The capability to understand the system/s the agency operates in, the government's agenda, and to develop high quality advice to deliver outcomes for Australians.	Developing
Implementation	The capability to deliver efficient and effective services, programs and other initiatives.	Embedded
Review and evaluation	The capability to use review and evaluation activities to maintain performance and drive improvement.	Developing

The ATO is trusted to deliver its commitments

The ATO is a trusted and reliable tax administrator. Stakeholders were positive about the ATO's capability to deliver on its core remit. In 2023–24, the ATO collected \$769.7 billion in gross tax revenue. The tax gap research program is an example where the ATO is modelling best practice. It uses assured data to estimate the difference between the tax revenue the ATO expects to collect and the amount that would have been collected if all taxpayers were fully compliant. Tax gap estimates indicate that the ATO collects approximately 93% of the estimated legally owed tax revenue, reflecting a strong overall compliance rate. These measurements enable the ATO to identify priority risks, understand their drivers, and develop targeted strategies to improve compliance.

In workshops, staff said delivering the ATO's core responsibilities is one of the agency's strengths. When asked what the ATO does well, one participant said 'understanding its role in the tax and super system and executing its responsibilities'. ATO staff are committed to delivering high quality outcomes.



'We – at the ATO – have a strong aim to improve the tax and super system. When you work at the ATO you know your purpose is to improve the lives of Australians.' Internal stakeholder

The ATO is subject to regular reviews by external oversight bodies including the Australian National Audit Office (ANAO). Between 2019–20 and 2023–24, the ANAO conducted 15 performance audits involving the ATO. These produced one unqualified, 10 qualified (largely positive), 3 qualified (partly positive) and one adverse conclusion. According to the ANAO website, these results compare favourably with other agencies during the same period.

The ATO is trusted by government to deliver its commitments and has a sound record of implementing large-scale programs. Over the next 3 years, 25% to 30% of the ATO's budget will be targeted to deliver major compliance program commitments including the Tax Avoidance Taskforce, the Serious Financial Crime Taskforce and the Shadow Economy Taskforce. It successfully administered COVID-19 stimulus measures such as JobKeeper, Early Release of Superannuation, and Boosting Cash Flow for Employers.

While there are many examples of the ATO's successful implementation of programs, there are also examples that were less successful. For example, the Modernising Business Registers program was closed ahead of its completion. Throughout the program, shifting assumptions, expanded scope and evolving expectations introduced significantly more legal, operational and technological complexity than the ATO and other participating agencies initially anticipated. The Review of the Modernising Business Registers program conducted by Damon Rees found that 'while the ATO has a history of successful IT delivery, the complexity and scale of the Modernising Business Registers program differs from its past IT transformations'. The program was stopped on 28 August 2023 following \$492 million in expenditure by the ATO and other participating agencies.

The capability review has rated the ATO's implementation capability as embedded. To take this capability from good to great, the ATO should continue benchmarking itself against global best practices, learning from other countries, and applying lessons from past projects and initiatives. This capability will be tested by the rollout of new functionality to support the Payday Superannuation reforms, and the ATO will have an opportunity to apply lessons learned from the Modernising Business Registers program. Refining its implementation approach would ensure Australia's tax administration remains world-class.

Strategic capability is held back by isolated thinking

In this capability review, strategy capability refers to how an agency uses its understanding of the systems and context it operates in, including the government's agenda, to deliver the best outcomes for Australians. This includes consideration of emerging trends and changes, and an understanding of all the levers the ATO has at its disposal to deliver an enduring, fit-for-purpose tax system.

As mentioned, the ATO has clear priorities for the future – particularly reducing the 'debt book'. These priorities have system-wide implications and will require the ATO to operate as one organisation with productive engagement with all its stakeholders. For example, the review heard from internal stakeholders that debt collection is the responsibility of the ATO's Frontline Operations Group. But successfully delivering a reduction in accumulated debt requires input from legal, client engagement and corporate areas. The ATO's litigation volume



nearly tripled in 2023–24 owing to increased compliance activity, and comparison to pre-COVID rates suggest it could increase further. The Client Engagement Group has expertise on the small business cohort (which holds the bulk of the debt), and corporate functions are needed to support staff navigating the challenges of compliance activity and working with empathy for people in vulnerable circumstances (see more in *User focus – understanding all kinds of users will keep the tax system fair and accessible* on page 33-35).

Litigation load 2021–22 to 2023–24

	2021–22	2022–23	2023–24
ATO	485	418	1,224
TPB	1	6	5
ACNC	0	0	1
TOTAL	486	424	1,230

Source: Australian Taxation Office

The ATO has a sound approach to setting priorities and making them clear across its large workforce. Key focus areas in its 2024–25 Corporate Plan are:

- strengthening debt collection
- enhancing counter fraud measures
- sustaining multinational and large taxpayer performance
- enhancing cyber security
- strengthening the value of data and digital
- designing a digitalised tax experience for small business

The agency has plans and strategies to achieve these enterprise goals. It is developing a new strategic statement and corresponding enterprise strategies, and is consulting with staff on the detail. This work is led by the Enterprise Strategy and Design division, which has functional responsibility for embedding the ATO’s strategic direction into day-to-day activities.

The capability review found that the ATO has the necessary skills and approach to identifying enterprise priorities but is missing a shared plan to achieve them. Both the \$52.8 billion ‘debt book’ and ‘tax just happens’ are ambitious goals that cannot be achieved by a single division or group acting in isolation. The ATO’s stocktake of its strategies, conducted in 2023, found more than 20 different enterprise strategies that it said lacked clear connection to organisational objectives. Success will depend on the ATO ensuring all internal activity is aligned with its organisational objectives and that the executive is working with a shared purpose and collaborating inclusively with the agency’s tax-system partners. As described earlier, ATO leadership needs to be seen to collectively own enterprise goals and to be making the trade-offs necessary to deliver on organisational priorities. This would include re-deploying staff and resources. An embedded strategic capability would be underpinned by a strong sense of operating as ‘one ATO’, maximising the capability of the organisation and working as an integrated part of the system.



The ATO needs to learn from past shortcomings and successes

Review and evaluation capability refers to the processes and mindset staff use to reflect on the design, implementation and outcomes of projects or policies, and learn what could be done better next time. These practices are essential to driving a culture of continuous improvement. The capability review found that the ATO has the skills, relationships, frameworks and structures to support review and evaluation processes. However, reflecting the opportunities for improvement, the capability review has rated the maturity of the ATO's review and evaluation capability as developing.

In the 2024 APS Employee Census, 86% of staff agreed their supervisor encourages their team to regularly review and improve their work, which is 4 percentage points above the APS average. In a survey conducted for the capability review, 75% of respondents agreed with the statement 'my workgroup regularly reviews our work to make improvements', and 78% agreed that 'my workgroup uses feedback to enhance our work'.

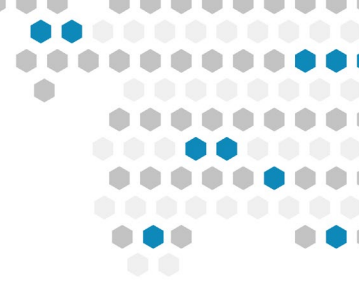
The ATO is working to embed review and evaluation practices, including through:

- an ATO portfolio and value management function, which helps business areas to manage programs and projects end-to-end
- the Client Engagement Group evaluation hub, which offers expertise and advice – the hub focuses on creating a culture of evaluation, building capacity and improving practices
- a new policy framework and operating model, which encourages enhanced review and evaluation at every stage of the policy cycle.

The capability review recognises these frameworks and structures but considers review and evaluation capability could be further embedded in culture and practice. As referenced in the *Leadership and culture* domain, it is important to foster a culture where staff are comfortable and willing to speak openly about risks and practices that aren't working, even when these may be difficult conversations. It is also important for ATO leaders to accept personal accountability for acting on lessons learned and recommended changes. Risk practitioners and decision makers should also consider what structures and behaviours would have identified risks earlier in the case of the Modernising Business Registers program, or the cumulative growth of the 'debt book'. The ATO should encourage staff to think beyond a literal application of review and audit findings, and consider how they might apply in different teams and circumstances. The agency will have an opportunity to demonstrate it has learned the lessons from the Modernising Business Registers program by incorporating these into the rollout of new data matching capabilities to support Payday Superannuation.

User focus – understanding users will keep the tax system fair and accessible

As highlighted in the *Excellence horizon*, one of the ATO's priorities for the next 4 years is to reduce the value of tax debt owed by businesses and individuals. Paired with an increased focus on fraud risk, this priority will add pressure to the ATO's relations with its users. To achieve its objectives, the agency needs to have a more nuanced understanding of the circumstances of all users, including those whose lived reality is very different to most, and design a system that better caters for the diversity of taxpayer situations. This will be critical to ensure the tax system remains efficient, fair and accessible to all.



ATO staff strive to deliver the best possible services to Australian taxpayers. In the 2024 APS Employee Census, 86% of employees said that people in their work area are client focused and put clients, external and internal, at the centre of everything they do. In a survey conducted for the capability review, 72% of respondents identified being able to serve the Australian community as something that made the ATO a good place to work. The ATO has structures and programs in place to help it to understand the many users of the tax system. Examples include:

- a new insights network and reporting to provide real-time insights on changes to the taxpayer experience
- use of feedback to inform design as well as tailor and target communications
- co-design centres at 3 ATO offices to engage directly with the community
- an 'ATO Village', which supports staff to develop their design capability through promoting understanding of user experience.

In addition, the ATO is developing a Vulnerability Framework and building a new vulnerability program team. These steps will help it develop consistent principles for supporting people experiencing vulnerability and embed the appropriate culture and mindset in ATO teams.

The ATO had success tailoring its offerings to specific communities through a recent in-language advertising campaign on social media, which supported multicultural communities to understand their tax and superannuation rights and obligations. The campaign significantly increased engagement and awareness among multicultural communities, driving website traffic and positive social media sentiment.

As the ATO tightens its approach to debt recovery, it needs to do more to consider vulnerable people and cohorts to counter the risk of an inappropriate adversarial relationship developing between the agency's compliance staff and taxpayers. It requires sophisticated capability to consider individual circumstances and vulnerabilities in applying tax law. It needs to support those who want to comply but face barriers to engaging with a tax system that can be complex and overwhelming, including small business owners (see page 27). In this area, the ATO has an opportunity to leverage the expertise held by social policy agencies within the APS to strengthen this capability.

'The ATO's systemic approach to tax repayment doesn't work for everyone.' External stakeholder

While the ATO has a highly skilled technical workforce, technical skills may not always be enough to effectively engage with taxpayers. Strong systems, processes and legislation are in place, but applying them too rigidly can undermine productive relationships and inhibit compliance. By taking a more flexible and nuanced approach, the ATO can improve services, strengthen trust and drive better compliance overall.

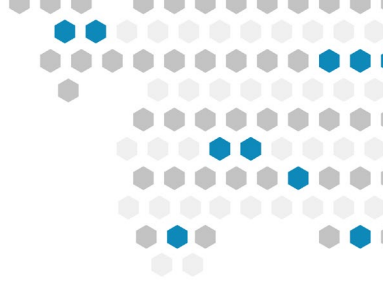
Relationships with ministers and parliament are improving

A strong relationship between the ATO, its ministers and their offices is essential to understand and deliver government's priorities. As a portfolio agency, the ATO is not expected to have the same working relationship with its ministers as a department of state. But this relationship still needs to reflect the ATO's position as an



important part of the nation's service delivery infrastructure. The review heard the relationship has improved and, while it is a work in progress, it is on a positive trajectory. One stakeholder said, 'dialogue has improved significantly.'

Many of the same capability improvements described elsewhere in this report would benefit the ATO's relationship with its ministers and the parliament. For example, a more mature risk capability would support innovative and solutions-focused advice. Strategic engagement with APS partners would build a broader understanding of the political and strategic environment the ATO operates in, and the implications of its actions on other parts of the system. Stronger political awareness would enable the ATO to better align its actions with the evolving priorities of ministers and the broader government.



Workforce

Element	Description	Maturity rating
Strategic workforce planning	The capability to understand and act on current and future operating and workforce requirements, including critical job roles, succession management and recruitment/retention strategies to prepare for future needs.	Developing
Staff performance and development	The capability to develop staff in ways aligned to the future needs of the APS, and to improve the performance of individuals and teams.	Embedded
Staff culture and inclusion	The capability to develop and maintain an inclusive working environment that gives staff a sense they belong and are valued.	Embedded
Staff safety and wellbeing	The capability to maintain a physically and psychologically safe working environment for staff.	Embedded

The ATO has good capability across all elements of the workforce domain. The ATO's Chief Operating Officer is the Head of the APS HR Professional Stream and plays a key role championing strategic HR capability and supporting collaboration across the APS. As outlined in the *Excellence horizon*, the nature of work and the skill sets required to lead and manage a modern workforce are shifting. The challenge of managing a workforce with a high uptake of remote work arrangements is significant, not just for the ATO, but for organisations more broadly. While identifying some areas for improvement and/or continued focus, this review acknowledges the ATO already has a high level of workforce capability. The findings below focus on galvanising this capability for the future rather than present performance.

Diversity is an asset

The capability review has rated the ATO's staff culture and inclusion capability as embedded. The ATO recognises that a diverse and inclusive workforce improves productivity, innovation and interactions with clients. It has been successful in attracting and sustaining a diverse and inclusive workforce and building a collegiate culture. The review has identified some opportunities for improvement that would leverage this strong foundation and take this capability from good to great.

In workshops, staff said the ATO's workplace culture is a strength. While staff said the culture varies between teams and locations, many described the culture as friendly, supportive and respectful.



'The culture at the ATO is great. We respect each other and aim to provide a great service to the community.' Internal stakeholder

In the 2024 APS Employee Census, 86% of staff agreed their agency supports and actively promotes an inclusive workplace culture (5 percentage points above the APS average). The 2024 APS Employee Census results also show the ATO has high staff engagement. For example, 82% of staff agreed they would recommend their agency as a good place to work (11 percentage points above the APS average) and 67% of staff agreed they feel a strong personal attachment to their agency (5 percentage points above the APS average).

ATO structures to support a diverse and inclusive workforce include a Diversity and Inclusion Strategy, supporting action plans, SES Diversity Champions, 8 diversity networks and an ATO Culture Strategy. Its expansive geographical footprint also supports the ATO to attract diverse talent.

The ATO's workforce statistics compare favourably to the rest of the APS. It has one of the highest representations of multicultural communities in the APS, at 36.1%.

ATO workforce diversity compared with the APS

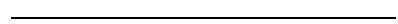
Diversity group	ATO	APS
Culturally and Linguistically Diverse (CALD) people ³⁴	36.1%	25.7%
First Nations people	3.1%	3.4%
People with a disability	6.1%	5.4%

Source: APSED data release, 30 June 2024

The ATO has recently:

- obtained Disability Confident Recruiter accreditation
- achieved Platinum status in the ACON Pride in Diversity Australian Workplace Equality Index for LGBTI+ inclusion
- ranked 4th in the 2023 Australian Disability Network Access and Inclusion Index (the highest ranking of participating APS agencies).

While the review heard many positive comments about the ATO's culture, in workshops staff did suggest some opportunities for improvement. For example, some staff described the ATO's culture as Canberra-centric and city-centric. Some talked about a tendency within the ATO to suppress workplace issues and risks. They would like to see people being braver when confronting issues (see the *Leadership and culture* domain for more). Other staff



³ 'First language not exclusively English' is provided as a measure of CALD for the purposes of benchmarking and tracking progress towards a target for the APS CALD Employment Strategy. This measure is not intended as the singular measure of CALD for wider purposes; agencies should use a broad range of metrics and data sources to identify their CALD workforce.

⁴ CALD proportions are calculated as a percentage of employees who have provided information on their first language. Some employees may choose not to provide this information.



said they raise issues, ideas and feedback, but feel like these ‘gather dust’ and they don’t receive feedback on why they are not progressed.

‘Challenging the status quo can be tough. Implementing meaningful change often meets resistance when it means a variation in processes or “how things are done”.’

Internal stakeholder

Creating a positive culture requires constant vigilance from senior leaders. The shift towards remote and hybrid work will likely make it more challenging to maintain an inclusive culture where staff feel connected. In a survey conducted for the capability review, APS and EL1 respondents identified ‘ensuring all staff feel included in the workplace’ as one of the top 5 things the ATO needs to improve in the future.

To go from good to great, the ATO could consider ways to broaden the diversity of its workforce in terms of professional background and experience, such as greater mobility.

Encouraging mobility could strengthen diversity further

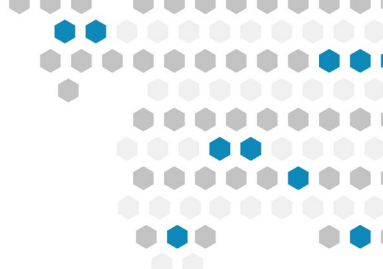
The ATO has a low rate of staff turnover compared with other APS agencies. Its exit rate as at 30 June 2024 was 7.2%, well below the APS average of 12.4%, according to the APSED. This retention is a credit to the culture and working conditions in the ATO, and enables it to develop deep expertise. However, it also means the ATO will need to look beyond recruitment for ways to inject new skills, ideas and diverse experiences into the organisation.

ATO employees have a much higher median length of service than the APS average. The review heard there is a tendency to fill vacancies internally and, according to the APSED, 84% of ongoing ATO staff have worked in only one agency, compared with an APS average of 68.3%. While this data doesn’t capture private, state and other non-government experience, it does point to low mobility. Those who do move are much more likely to do so within the organisation. In the 2024 APS Employee Census, of the ATO staff who indicated they intend to leave their current position, 63% planned to pursue another position within their agency (20 percentage points higher than the APS average) and 10% planned to pursue a position in another agency (16 percentage points lower than the APS average).

‘You can read it in a book, but unless you actually do it, you don’t really get what it is like.’

External stakeholder

According to the APS Mobility Framework, mobility can help bring fresh ideas, innovation and greater contestability of thought to an organisation. While it is a strength that ATO employees want to stay with the agency, temporary placements in other agencies could give staff greater breadth of experience and improve relationships between the ATO and the rest of the public sector. ATO staff have much to offer the rest of the public service and vice versa.



'There are lots of benefits to spending a bit of time outside the organisation ... because you get to know how the rest of the system works.' External stakeholder

Encouraging staff to gain experience in the broader public sector would promote greater mutual understanding, increase connectivity and develop the ATO's public sector collaboration capability. As noted earlier, this capability will be critical if the agency is asked to take on a broader role to support the Australian community. To improve mobility, the ATO needs to provide clear signals that it values and rewards both deep expertise and breadth of experience.

The review also heard the ATO would benefit from more internal mobility between groups, particularly to foster greater internal collaboration. It is possible for staff at the ATO to enjoy a whole career within one part of the large organisation, which may reduce their motivation to understand and appreciate the challenges faced by other areas, and reinforce a tendency to operate in silos (see *Collaboration* domain on page 28-29 for more).

'There is a real cultural resistance to moving people around the organisation. It needs support from the executive.' Internal stakeholder

ATO programs to support internal mobility include a corporate mobility register, an expression of interest process (including SES) and a recently introduced assignment model. Again, it will be important for leadership to signal support for these mechanisms and to reward staff who are more mobile with further development opportunities and promotion. The SES can also signal their support for mobility by taking temporary opportunities themselves and releasing other SES within their reporting lines for secondments. Managers should consider the long-term benefits to the organisation of releasing staff temporarily and be rewarded for doing so. Their rights to veto such opportunities should be limited.

Staff value support for their wellbeing

The ATO is committed to providing a safe workplace for its employees. The ATO's Work Health and Safety Management System helps ensure, as far as reasonably practicable, the health and safety of its people and that the agency meets its responsibilities under the *Work Health and Safety Act 2011*.

The ATO has a range of programs to support staff safety and wellbeing. For example:

- The ATO's mental health strategy, *Thriving Minds 2021–24*, and supporting initiatives are building mental health awareness and expanding the resources available for managers and staff to look after their own and others' mental health. Some of the initiatives under the strategy include a portal of resources, a toolkit, in-house psychologists, targeted support for frontline staff, and ATO-wide celebration of key events such as RUOK Day and Mental Health Week.
- The Work Health and Safety Consultation Framework helps facilitate effective consultation with staff.
- A National Health and Safety Committee and Site Health and Safety Committees at each ATO location meet quarterly to oversee and discuss health and safety matters.



- A network of Health and Safety Representatives, First Aid Officers, Harassment Contact Officers and Mental Health First Aid Officers have certifications and training to support the health and wellbeing of staff.

The review has rated the ATO's staff safety and wellbeing capability as embedded. Several metrics point to the agency's success in this area. For example, in the 2024 APS Employee Census, 76% of staff agreed they are satisfied with the policies/practices in place to help them manage their health and wellbeing (8 percentage points above the APS average) and 75% of staff agreed their agency does a good job of promoting health and wellbeing (9 percentage points above the APS average). These results have improved since the 2023 APS Employee Census. The ATO's Comcare claims for the past 3 years have consistently been low compared with other large agencies.

Case study: supporting staff wellbeing and mental health through Thrive@Work

As part of its *Thriving Minds* mental health strategy, the ATO delivered a series of Thrive@Work pilot modules, which focused on establishing small, practical work habits to build manager and staff capability, improve ways of working and promote employee wellbeing.

Around 4,000 employees across 12 business areas took part in the pilot. Participants had access to education workshops, toolkits and manager coaching sessions to embed the work habits, such as dedicated time for deep work, meeting manners and email etiquette.

Throughout the pilot, participants said their wellbeing and productivity increased, and most wanted to continue incorporating strategies into their daily work routines. Staff spoke positively about the initiative in capability review workshops.

The Thrive@Work modules are now a permanent service offering at the ATO. Evaluation survey results show the program is having a positive impact on staff wellbeing. The success of this program was one of the reasons the ATO won the Australian HR Institute's Best Health and Wellbeing Strategy Award in 2023.

The ATO has well-embedded programs in place and continues to focus on staff safety and wellbeing. It is reviewing its Managing Inappropriate Client Behaviour Framework. It is also about to start staff consultation on an updated *Thriving Minds* mental health strategy for 2025. The updated strategy, developed with input from staff and subject matter experts, aims to mature the ATO's mental health approach and simplify expectations for staff.

While the ATO has an embedded capability in this area, it is important that it is also prepared for shocks or disruptions that could test its resilience in the future. The agency has enjoyed a period of relative stability in structural and resourcing terms, which has helped to foster a happy, comfortable and engaged workforce. It is important the ATO has support mechanisms in place that would also be effective in more disrupted circumstances. It should also be mindful of the significant shift to working from home and any emerging implications of this change that could pose new risks to interpersonal connections and supervisors' awareness of the mental wellbeing of staff.

In capability review workshops, some TPB and ACNC staff said that resourcing and time constraints are a barrier to doing their job well. Staff comments suggest the TPB and ACNC need to be proactive to prevent burnout



among their workforces. The ATO is also looking at this issue. In the 2024 APS Employee Census, 27% of ATO staff agreed they feel burned out by their work (2 percentage points below the APS average).

‘When new laws and policies are brought in, we can’t scale up to match the workload. It puts a lot of pressure on the team.’ Internal stakeholder

ATO staff are respected for their deep expertise

The ATO is a high-performing organisation largely because of the deep expertise of its staff and its investment in supporting individuals to perform well in their roles, including through structured development opportunities. Many see this as something the ATO does well. In capability review workshops, staff said the ATO offers good training and a variety of work and career development opportunities. The review heard ‘the ATO has great resources and opportunities for learning and development’ and ‘the ATO offers excellent mentorship programs that develop leadership capabilities’.

Recent survey results show staff are broadly satisfied with their learning and development opportunities and the support they receive from their immediate supervisors. In the 2024 APS Employee Census, 81% of ATO staff agreed their supervisor is invested in their development (3 percentage points above the APS average) and 83% of ATO staff agreed their supervisor provides them with helpful feedback to improve their performance (5 percentage points above the APS average). In a survey conducted for the capability review, 70% of staff agreed they are satisfied with their learning and development opportunities.

‘What [the] ATO does well is deliver excellent training to our staff. We hear this from internal staff and external agencies that we deliver the best training, and we care about the training of our staff.’ Internal stakeholder

The ATO has developed a capability framework to guide and support personal and career development. The capability framework gives staff information about the capabilities required for different jobs and how the ATO identifies, measures and builds staff capability.

The ATO has many development programs and tools available, including:

- entry level programs
- the University Partnership Internship Program
- leadership and management programs, such as the SES Immersion Program, EL2 Leadership Program, EL1 Leadership Program and New and Aspiring Leadership Program
- SES and EL2 Talent Development Programs
- targeted learning and development programs within ATO’s professional streams, such as data and analytics



- the APS 9-box talent management tool to assess SES and EL2 potential.

As outlined in the *Excellence horizon* (see page 11), people management is becoming increasingly complex and many organisations are grappling with how best to support hybrid and remote teams.

Achieving a 70-20-10 model of learning and development (based on the principle that 70% of learning comes from on-the-job experience, 20% from working with others, and 10% from formal learning) will be challenging in a remote work context. Hybrid teams have fewer opportunities to learn through close engagement with their peers and supervisors, or by being exposed to experiences that are adjacent to their day-to-day responsibilities.

The *Excellence horizon* describes a future that is likely to require more skills other than tax-technical capacity. The ATO needs to ensure it has the right tools, resources and skills to make the most of the benefits of flexible work, but also to minimise the associated risks, which threaten to erode capability over time.

'It isn't a lack of investment in people. There is increasing complexity for people across the whole APS. We need to tackle it.' Internal stakeholder

Managing underperformance is another challenge for the ATO, as it is for the wider public service. While the ATO has processes in place, it recognises there is more to do to embed a culture of proactive performance management. In workshops, some staff raised managing underperformance as an area for improvement. The review recognises the ATO is piloting some new practices at the SES level to build capability in this area.

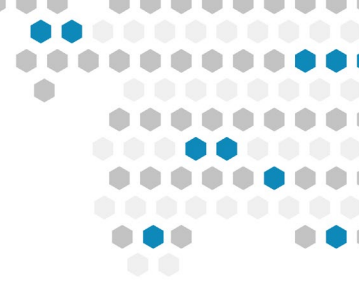
The ATO has a mature workforce capability. It has several streams of work in train but, given the operating context, it will need to continue to focus on staff performance and development. Many smaller agencies will look to the ATO, as a large APS agency, to see how it is supporting managers to manage flexible work arrangements and developing the capabilities needed for the future.

Strategic workforce planning is not yet consistent across the agency

The ATO has been developing its workforce planning capability for several years. It has good frameworks and strategies in place, for example:

- The ATO is implementing its enterprise-wide 2024 Workforce Strategy. Under the strategy, each group will implement its own operational workforce plan. Learning and development investments are aligned to workforce plans and APS priorities.
- The *ATO Capability Framework* outlines the skills, knowledge and attributes staff need to confidently and competently deliver now and into the future. The framework is supported by the ATO's job design, job family and profiling work.
- The ATO has implemented ATO Recruitment Principles, which are designed to support a holistic and consistent approach to workforce planning and recruitment practices across the organisation.

The ATO's workforce strategies are not static. It is currently renewing its *2024 Workforce Strategy*. As part of this process, the agency is looking at ways to integrate its key workforce strategies into a single strategy, including the



Workforce Strategy, Culture Strategy, *Thriving Minds* mental health strategy, Diversity and Inclusion Strategy and SES Leadership Strategy. It is also working to more closely align workforce planning, business prioritisation and funding allocation processes. While this work is underway, the ATO is developing an interim workforce plan, focused on affordability, mobility and capability.

As outlined in the *Enabling functions* domain's data element (see page 47), the ATO has strong data capability and data holdings, and actively measures organisational performance in this area, including workforce data. The ATO undertakes regular pulse surveys to understand employee attitudes towards particular issues such as manager support, ICT tools and resources, and working in the office. The ATO uses workforce heat maps and dashboards to provide oversight, inform decision-making and as a prompt for leadership to talk to areas where there may be concerns.

The ATO is considering the skills it will need for the future and is focused on ensuring it has the tax-technical, digital/technology, data and cyber security capabilities it needs. In capability review workshops, staff discussed these capabilities, but also the need for better communication, people management skills and adaptability.

'As more of our analytical work is automated, we will be required to do more with people, and need to actually communicate effectively with people.' Internal stakeholder

As one staff member said, 'we're increasingly in need of unicorns, people with a mixture of skills'.

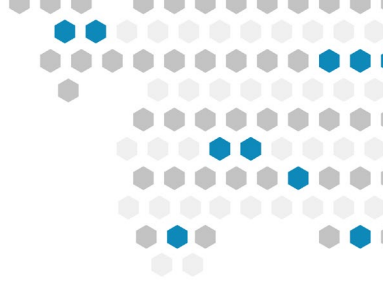
While the ATO has an effective workforce planning capability, it is not being used to its full potential. For this reason, the review has rated this capability as developing. There are differing approaches to workforce planning capability across business lines. To mature this capability, the ATO would need to improve consistency and ensure buy-in from the whole executive, not just HR functions.

As mentioned earlier, the ATO has a high uptake of work from home arrangements. While this approach has many benefits, there are also new challenges the agency will have to navigate. A mature workforce planning capability will need to take a pre-emptive approach to get ahead of these risks.

In discussions with staff, recruitment consistently came up as something the ATO could improve. Staff said recruitment processes can be slow, do not always provide constructive feedback to unsuccessful candidates and can be a barrier to hiring the right people. There may be more work to do to improve the timeliness of recruitment, particularly in a competitive labour market.

'They advertise a job and it can be 9 or 10 months later before there is a person on a seat. Good people aren't waiting around.' Internal stakeholder

The ATO has played an active role supporting the implementation of the APS Strategic Commissioning Framework. However, rebalancing a workforce to ensure core work is done by APS employees (rather than contractors) is challenging, particularly in terms of skills shortages and cost. These challenges will continue to require good workforce planning capability to navigate.



Enabling functions

Element	Description	Maturity rating
Financial management	The capability to deliver financial plans that support the agency's strategic objectives, and to ensure the use of public funds is transparent, accountable and fit for purpose.	Developing
Technology	The capability to make efficient, effective and forward looking use of technology to support the work of the agency.	Developing
Data	The capability to make efficient, effective and forward looking use of strategic data assets to support the work of the agency.	Embedded
Corporate operating model	The capability to effectively identify, design, resource and deliver whole-of-agency shared functions to internal customers that are most important to the agency and its work.	Developing

Resourcing should be aligned to agency priorities

The review has assessed the ATO's financial management capability as developing. While the ATO has good governance frameworks, some internal stakeholders believe the way the agency is funded limits its ability to rebalance resources towards priority work. There may be scope for the ATO to challenge some assumptions and practices. It could also do more to empower managers at lower levels to take more responsibility for financial management.

The ATO's Finance Committee, chaired by the Chief Operating Officer, governs the allocation of resources, investment and program delivery, including monitoring financial risk. Group budget allocations are decided by the ATO Executive Committee. The agency implemented a rolling 5-year budget methodology in 2018, which gives it visibility of future funding and resources. This is used to inform decisions on resource allocation and help groups in the ATO mitigate significant variations in funding. The methodology was independently reviewed by KPMG in 2022 with no adverse findings. The ATO also has a financial policy framework that ensures it meets its obligations under the *Public Governance, Performance and Accountability Act 2013*. For the past 5 years, the ATO has received clean audit opinions on its financial statements from the ANAO.



In interviews and workshops, staff said more work needs to be done to align budgets and resourcing with the ATO's priorities. As discussed in the *Delivery* domain, some staff said the lack of an agency-wide strategy makes it difficult to prioritise work and operate as 'one ATO'. Others said there is a reluctance to stop work and redirect resources. The review heard that even when financial decisions are agreed by the ATO Executive Committee, there can be a lack of discipline in applying them.

'There's an appetite to do too much in too many different directions. True prioritisation as a reductive, not additive, process is a challenge for us.' Internal stakeholder

While the ATO has historically been well resourced, its funding is increasingly tied to specific deliverables. The review heard most of the agency's limited discretionary funding goes towards maintaining IT systems, for which sustainment costs grow each year. Over the past 4 years, the ATO's Enterprise Solutions and Technology Group has exceeded its budget by \$20 million. A review of the group's expenditure is underway, led by the ATO's Chief Finance Officer. The ATO may need to overcome its challenges with IT sustainment before it can achieve a more flexible approach to funding agency priorities.

The review also heard budgets have historically been controlled at a high level in the ATO, and this is still the case in some areas. This has meant individual managers are not always held accountable for spending in line with their budgets and has produced variable budget management capability across the agency. The ATO has taken steps to devolve financial responsibility and empower team managers to take charge of their team's budget, but it will take time to build this capability.

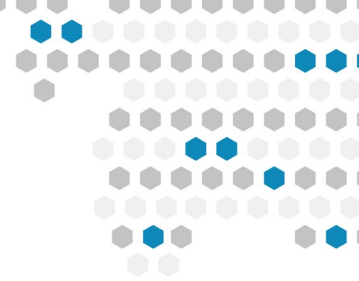
'If you don't deliver or overspend in your budget, there really isn't a consequence for it.'
Internal stakeholder

In the capability review workshops, staff from the TPB said they feel under-resourced. One staff member said 'there is a disconnect between what our Board and SES understands is involved in a project and what is required'. The review heard this has resulted in a culture of overwork to achieve outcomes in the TPB. The TPB has recently transitioned from being funded directly from an allocation from the ATO's departmental expenses to its own special account, which has the potential to introduce new risks and management overheads.

Technology needs to keep up with staff and business needs

The ATO, TPB and ACNC are digital service enterprises. Many individuals and organisations rely on their services, for example:

- Approximately 14.2 million individual users accessed ATO Online in 2023-24.
- Individuals lodged 5.8 million tax returns using myTax in 2023-24.



- The ATO delivered the whole-of-government digital identity platform, myID (previously called myGovID), which supports 12.9 million identities and is used by 56 government agencies for 150 government services.
- The ATO established the Relationship Authorisation Manager (RAM), the authorisation service for government. The RAM is used by 65 state, territory and Commonwealth services.
- The ATO provides a range of application programming interfaces (APIs), which digital service providers use to integrate tax reporting into the software products used by business and tax professionals.
- The ATO processes on average 130 million transactions a month that are enabled APIs.
- The ACNC is a digital-by-default regulator, and 99% of charities meet their obligations online using the ACNC Charity Portal.

While the ATO's technology is mostly delivering well for external users, internal stakeholders spoke of challenges and risks that may test the ATO's ability to deliver large ICT projects over the next few years, including Payday Superannuation. For this reason, the review has rated this capability as developing.

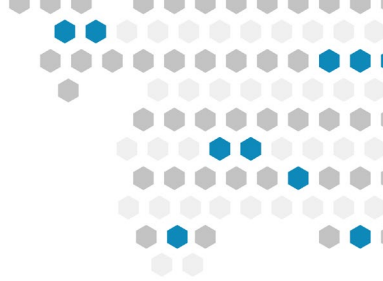
During interviews, staff said they are concerned about the growing cost of ICT. There has been significant growth in ICT sustainment costs over recent years. The ATO says the cost of online transactions by individuals has increased by 19% in 5 years. The ATO has a number of legacy systems and would like to consolidate capabilities onto modern platforms. One internal stakeholder said 'we have 9 critical systems coming to end of life or out of support, we are having to make trade-offs to keep some on their last legs and invest in others'. The review heard ballooning ICT costs are affecting the ATO's ability to prioritise other work. As mentioned on page 45, the ATO is reviewing its ICT infrastructure, contracts and budget. This will continue to be a major risk to the organisation into the future.

Staff described the ATO's technology as outdated, clunky and slow and said it is affecting productivity. Staff, particularly at the APS1 to APS6 level, said technology gets in the way of doing their job well. For example, one staff member described how they need to use 14 different systems just to process one case. In a survey conducted for the capability review, 66% of staff identified IT systems as something the ATO needs to improve in the future.

'Better technology makes the job a lot easier. The tools are a bit old for the job we are trying to do in this modern age.' Internal stakeholder

The ATO faces the following other risks related to technology:

- Fraud is becoming increasingly sophisticated and complex, and the review heard the ATO needs new tools, technologies and skills to keep up.
- Digital service providers are now an embedded part of the tax ecosystem, but they are not recognised under tax law. This means they have no legal requirements or obligations to the tax system and can decide to withdraw support or make business decisions that do not align with ATO's vision for future tax administration.



- The digital economy is vulnerable to events such as cyber attacks, sabotage, outages or natural disasters that could cause systems and technology to be temporarily unavailable. The ATO will need to build resilient systems and but also consider how it will cope with potential outages when planning the future of its non-digital capability.
- Cyber security is a major concern. Any breach has the potential to affect community trust. The ATO does not only depend on the security of its own system, but also the security of third party systems used by taxpayers. It is continuing to invest to identify, manage and monitor cyber security risks so it can provide secure systems.
- The labour market for ICT and cyber skills is competitive and will likely continue to be so over the excellence horizon.

A key challenge for the ATO will be balancing its budget and risk tolerance. It will need to ensure it delivers its outcomes and that its systems are reliable, resilient and secure, while also juggling increasing costs.

Investment in data capability is paying off

The ATO's data is a key asset for administering Australia's tax and superannuation systems. Since the early 1990s, the ATO has used data matching to help Australians pay and lodge their taxes, including through prefilled individual tax returns. In 2023–24, the ATO prefilled over 104.4 million pieces of data, with 98.6% of prefilled items accepted without change. Improved data matching capabilities allow the ATO to take a more proactive approach to compliance. For example, it can match Single Touch Payroll data (reported by employers) with data from superannuation funds to identify employers who are not passing on the right amount of superannuation to their employees. The ATO has ambitions to use its data holdings to reimagine tax, superannuation and registry administration. This will require ongoing effort and investment into data capability to keep pace with the speed of change in technology and toolsets.

Stakeholders say the ATO is at the forefront of the APS in terms of data capability. One described the ATO as being 'really strong in data analytics, especially market segmentation and analysis of risks' and another said its 'measurement of the tax gap is excellent'. The agency has a centralised data and analytics capability in its Smarter Data business line, which offers its expertise to other areas of the agency. The review observed the ATO has well-developed practices and policies to govern the way it collects, manages, uses and shares data, as well as robust governance frameworks to ensure responsible and ethical use.

'On data, the ATO is much more advanced than other Commonwealth agencies.'

External stakeholder

The ATO's data holdings are a national asset. The agency shares data with over 30 Commonwealth, state and local government entities to enable them to administer laws and programs, deliver services to the community and assist with research and policy development. For example, the ATO's Single Touch Payroll data helps the Australian Bureau of Statistics to produce insights about the Australian economy, such as changes to the kinds of jobs Australians have and shifts in earnings. This data sharing replaces the need for businesses report separately.



The review recognises the work the ATO does to continuously improve data capability. The agency employs a cohort of data graduates each year, including over 120 in 2024, and is building its data and automation capability through targeted programs such as its Data Exchange initiative (see case study below). The ATO plays an active role across whole-of-government data initiatives, including through the APS Data Profession and supporting secondments of its data scientists across the APS. The Commissioner of Taxation co-chairs the Secretaries Digital and Data Committee, which provides strategic leadership on issues of digital and data capability across government. The ATO supports international capability development by hosting study visits from overseas tax authorities and sharing knowledge and experiences through international forums and bilateral discussions.

Data is an embedded capability in the ATO and the agency has a good grasp of what it takes to keep up in a world where data technology is advancing at pace. The review commends the ATO's significant investment to date, as well as its efforts to uplift capability across the agency, the APS and internationally. Technology is expected to continue evolving and all agencies will need to maintain a steady focus on capability uplift to make the most of new opportunities. At the ATO, these opportunities may involve further enhancing the reliability and usability of Single Touch Payroll data, and imagining new ways this capability could be used to ease the compliance burden on taxpayers, or even to make it easier for Australians to engage with government in other settings.

Tax confidentiality provisions will continue to limit some of the ways the ATO can use its data. While most stakeholders said positive things about the ATO's approach to sharing data, a few expressed frustration at what they see as a conservative approach to what it can legally share with others. An internal stakeholder reflected that although the agency cannot change the confidentiality provisions it is bound by, it could 'get better at educating [others] on what is involved in data sharing'.

The ATO has initiatives underway to grow its capability in data usage, analytics, ethics and governance. While many of those initiatives are yet to come to fruition, the review considers the agency is very much on track to achieve a leading data capability in the future.

Case study: Improving data and analytics capability through ATO's Data Exchange initiative

The Data Exchange initiative is one of several pilot programs run by the ATO's Smarter Data business line to uplift the agency's data and analytics capability. It provides opportunities for APS 5 and APS 6 staff across the agency to improve their data and analytics capabilities – including data visualisation, analysis and exploration – by working in Smarter Data for 12 weeks.

Opportunities for the Data Exchange initiative are advertised on the ATO intranet. Staff applying for the opportunity must be nominated by their manager and are asked to undertake a short assessment. Participants are selected for the program based on their critical thinking, problem-solving and communication skills, their willingness to learn, and the potential benefits of their participation to their business area and team.

Data Exchange participants complete an intensive learning and development program with tailored resources, on-the-job training and a dedicated technical mentor. After completing the program, they can share and apply the capabilities they have built to support their substantive role and team.

Staff who participated in the initiative between April and June 2024 said their data skills had increased to an 'intermediate' level, and most were likely to recommend the program to others.



'[The initiative] was an excellent opportunity for me to develop skills and knowledge in data. The flexibility of tailored training to be able to focus on learning what skills I wanted to develop and take back to my substantive team suited both me and the team's needs.' Participant

'[The initiative] was great, both as a development opportunity for my participating staff member, and to broaden our team's skillset. We're planning several sessions in the new year for sharing elements of what he learned with the broader team.' Manager

Enabling services must continue to be fair and affordable

The capability review has assessed the ATO's corporate operating model as developing. This element of capability looks at how the agency's enabling functions are designed, and if they achieve an effective balance between centralised and distributed delivery. The ATO has 2 groups delivering corporate and enabling services to other parts of the organisation: Enterprise Strategy and Corporate Operations; and Enterprise Solutions and Technology. Its data capability, the Smarter Data branch, sits within the Client Engagement Group. The review heard that over the past decade the ATO has been consolidating and centralising delivery of corporate services, but some bespoke services remain. In 2023, the ATO's then Chief Financial Officer conducted an audit of shared corporate services within the ATO. Following this review, some bespoke corporate services were rationalised while others were judged to be operating appropriately.

Throughout the review, internal and external stakeholders said the ATO has historically had stable and comfortable resourcing, and struggles internally to shut down initiatives or new bespoke programs. The agency acknowledges its people have a tendency to want to tailor capabilities to unique audiences.

'I think we're still learning to give and take for the benefit of the enterprise.'

Internal stakeholder

The emergence of bespoke and specialist enabling services within ATO groups puts the organisation at risk of duplicating work. The ATO's priority must be delivering a core set of enabling services that are strong and reliable. The onus is on business lines to accept and adopt these standard services in keeping with a 'one ATO' mindset, and to always direct any remaining resources towards the organisation's priorities. It may require vigilance on the part of senior leaders to ensure any specialist enabling services are warranted and represent value for money to achieve organisational goals. The ATO may also reflect on whether enabling services are structured in a way that supports central governance and oversight. For example, should functions such as Smarter Data and ICT procurement and contract management sit alongside other enabling services at the centre of the organisation?

Going forward, it will be important for the ATO to make sure bespoke corporate services do not grow further, and that they remain scalable and affordable.



The agency's response

I thank you on behalf of, and as Accountable Authority for, the Australian Taxation Office (ATO), Tax Practitioners Board (TPB) and Australian Charities and Not-for-profits Commission (ACNC) for the opportunity to participate in the Australian Public Service Commission (APSC) Capability Review Program (the review).

I thank the Senior Review Team – Tim Beresford, Julie Birmingham, Nigel Ray PSM and Rebecca Skinner PSM – for their objective assessment of our organisational capability, taking into consideration the complexities of a large and diverse agency.

I am grateful to our external partners, stakeholders and staff who participated in the review. Your willing participation and open and constructive feedback are integral to our continuous improvement. I also give a special thank you to the ATO Capability Review team who worked closely with the APSC, Senior Review Team, and their colleagues.

The ATO has a long history of efficient and effective tax and superannuation administration, and the review recognised our strength as a world-leading tax administration, and the dedication and expertise of our entire workforce in serving the government and Australian community, as well as supporting the broader Australian Public Service. The outcomes of the review are particularly timely as we refresh our vision and purpose, and will assist us in considering the impact of future challenges and opportunities on our capability needs. Importantly, the review also gives valuable insight into the capability areas we will need to prioritise and focus on into the future.

The ATO senior leadership team, TPB Chair, ACNC Commissioner and I will reflect on the assessment and priority areas and ensure we make appropriate changes that will take our high-performing organisations from strength to strength for our staff and stakeholders. Our subsequent Action Plan will address the review's assessment and ensure we continue to build on our long and proud history of serving the Australian community.

Thank you again for this opportunity.

Rob Heferen

Commissioner of Taxation

Registrar of the Australian Business Register, Australian Business Registry Services, and Register of Foreign Ownership of Australian Assets



Appendix A: About the review

The pilot Capability Review program is an investment in longer-term capability and an opportunity to focus on strengths and development areas in the context of the anticipated future operating environment. The aim of the program is to:

- help embed a culture of continuous improvement across the APS
- ensure that APS agencies are better able to deliver government priorities and outcomes for Australians.

This is the 8th review undertaken during the pilot program.

The Capability Review Framework is made up of 2 parts:

- an excellence horizon, which establishes what capabilities the agency needs now and in 4 years
- an analysis of organisational capability, which is used to identify capability gaps and opportunities across 5 domains – leadership and culture, collaboration, delivery, workforce and enabling functions.

The review assesses the ATO's current capabilities and preparedness to deliver critical capabilities in the medium-term. It gives the agency a maturity rating against 18 capability elements, grouped under the 5 domains, to indicate the most important areas for growth and improvement.

Appendix C has more information on the domains and associated elements.

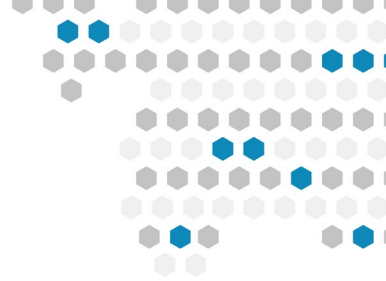
Reviews are conducted in partnership with agencies, complement existing initiatives within agencies, and provide an evidence-based independent assessment of actions required to deliver on current and future requirements.

As part of the review process, the ATO completed a self-assessment of its maturity against the elements, to indicate its own understanding of its capability strengths and opportunities for improvement.

To further inform the evidence base, the review spoke to ATO staff at all levels as well as external stakeholders, including ministers, other Australian Government agencies, non-government organisations and industry stakeholders.

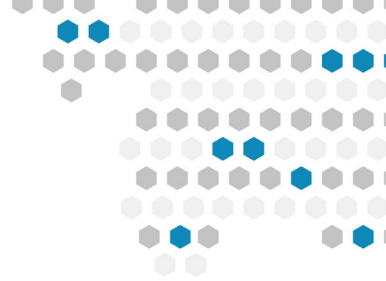
Reviewers interviewed 34 internal and external stakeholders and held 8 workshops with 170 members of staff between October 2024 and January 2025. In addition, over 4,600 staff responded to an all-staff survey conducted for this review.

Reviewers also conducted site visits outside Canberra to better understand the frontline services and operations, including challenges faced by staff and stakeholders. This was supported by desktop research and analysis of latest APS workforce datasets including the APS Employment Database, the APS Employee Census and the APS Agency Survey.



Appendix B: Abbreviations and acronyms

Abbreviation or acronym	Description
ACNC	Australian Charities and Not-for-profits Commission
ANAO	Australian National Audit Office
APS	Australian Public Service
APSED	Australian Public Service Employment Database
APSC	Australian Public Service Commission
ATO	Australian Taxation Office
Census	APS Employee Census
CSIRO	Commonwealth Scientific and Industrial Research Organisation Australia's national science agency
EL	Executive Level
GST	Goods and services tax
HR	Human resources
OECD	Organisation for Economic Co-operation and Development
PAYG	Pay as you go
SES	Senior Executive Service
TPB	Tax Practitioners Board



Appendix C: Capability Review Framework

Leadership and culture

Element	Description	Characteristics
Integrity and values	The capability to embed integrity and APS values in the work of the agency. The agency engages with risk appropriately and embodies integrity in everything it does.	<ul style="list-style-type: none"> • Agency can monitor, measure and address integrity issues as needed • Agency ensures third party providers also embed integrity and APS values in their work for the agency • Leaders model the APS values • Staff are committed to the APS values • Staff balance risk and opportunity in a way that is consistent with the agency's risk appetite
Leadership and governance	The capability to provide cohesive leadership and direction, and to establish organisational structures that are efficient and effective.	<ul style="list-style-type: none"> • Leadership team is of a high quality • Leadership team works together effectively • Leadership effectively communicates agency priorities and direction • Staff understand the purpose of the agency and can link their work to the agency priorities • Agency has effective and efficient organisational structures, including optimal management structures for the agency's needs • Effective governance is in place (including cadence of meetings, membership, meeting discipline and documentation)

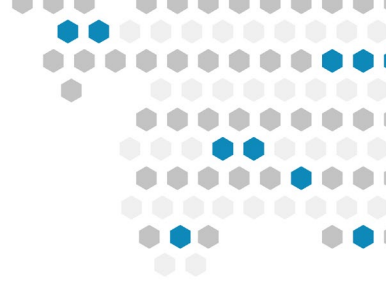


Collaboration

Element	Description	Characteristics
Public sector collaboration	The capability to establish enduring and collaborative relationships with other public sector agencies that support agency and government priorities.	<ul style="list-style-type: none"> • Agency identifies and acts on opportunities to collaborate with local, state, Commonwealth and international bodies • Agency has mechanisms in place to ensure relationships are sustainable • Consultation with public sector agencies is systemic and built into standard processes • Agency’s collaboration reflects agency strategy • Agency’s collaboration supports the public sector to operate more effectively and efficiently • Agency has a track record of delivering outcomes in partnership with other public sector agencies • (for departments of state) Department has clear lines of communication and works collaboratively with portfolio agencies
Non-government partnerships and engagement	The capability to establish successful collaborative relationships with non-government entities to support agency and government priorities.	<ul style="list-style-type: none"> • Agency identifies and acts on opportunities to collaborate with business, not for profit organisations, academia and peak bodies • Agency can engage with a diverse range of perspectives to inform policy and program development • Agency has mechanisms in place to ensure relationships are sustainable • Agency assesses the value of collaboration on an ongoing basis • Agency’s collaboration reflects agency priorities • Agency’s engagements and partnerships are pursued through inclusive, accessible, culturally appropriate and psychologically safe means • Agency’s engagement with non-government entities is open and honest about expectations, roles and responsibilities, limitations, objectives and processes from the outset • Agency takes responsibility for commitments made and informs people and communities about how they have contributed to the final decision • Agency has processes in place to ensure all interested parties receive the same information

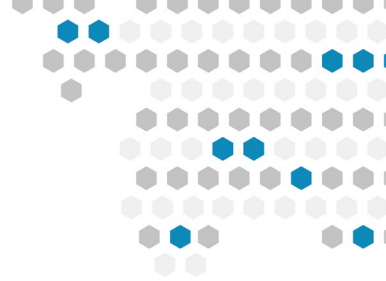


Element	Description	Characteristics
Internal collaboration	The capability to engage and establish effective and collaborative internal partnerships, ensuring the agency can make best use of its collective capabilities.	<ul style="list-style-type: none">• Agency presents a whole-of-agency view that reflects cooperation across different functions• Agency teams share their expertise to benefit the whole organisation• Consultation with internal partners is systemic and built into standard processes• Staff report it is easy to find help or the answers they need internally• Agency encourages innovation through systems that enable engagement at all levels



Delivery

Element	Description	Characteristics
Ministers and parliament	The capability to meet the needs of ministers and the parliament.	<ul style="list-style-type: none"> • Agency sustains effective working relationship with ministers and offices • Agency demonstrates an understanding of the different roles of the APS, government and parliament • Agency provides impartial, evidence-based advice and information that is responsive to the needs of government and the parliament and consistent with APS values • Agency engages effectively and appropriately with parliamentary processes (Senate Estimates, Questions on Notice, inquiries, legislative processes, reporting etc.)
User focus	The capability to use an understanding of the people and organisations affected by the agency to deliver effective and fit-for-purpose outcomes for them.	<ul style="list-style-type: none"> • Agency regularly engages with the people and organisations it serves in an open and authentic way • Those affected by or engaged through the agency's work have a genuine and equitable opportunity to have their say • Agency understand the needs of the people and organisations it serves, including at the cohort level • Agency designs and updates services and policies to reflect feedback and research into user needs • Agency anticipates and responds to changing needs of users • Agency considers the views and needs of a diverse range of stakeholders
Strategy	The capability to understand the system/s the agency operates in, the government's agenda, and to develop high quality advice to deliver outcomes for Australians.	<ul style="list-style-type: none"> • Agency understands the system/s it participates in, including trends and likely changes, the levers for reform, and the government's vision • System participants, roles and responsibilities are clearly articulated and understood by staff and stakeholders • Agency's advice is timely, clear, well-reasoned, forward looking and provides relevant context • Agency provides advice on different delivery options (e.g. technologies, engagement models, uses of data), including assessing risks • (for departments of state) The portfolio has the strategic policy capability to consider complex, whole-of-government issues



Element	Description	Characteristics
Implementation	The capability to deliver efficient and effective services, programs and other initiatives.	<ul style="list-style-type: none">• Agency implements government policy, programs and services effectively and efficiently• Agency designs performance indicators to track progress for any services or programs• Agency routinely improves implementation methods• (where relevant) Agency can efficiently and effectively use third party providers to deliver outcomes for the Commonwealth
Review and evaluation	The capability to use review and evaluation activities to maintain performance and drive improvement.	<ul style="list-style-type: none">• Agency routinely reviews and evaluates policy advice and implementation• Review and evaluation findings inform policy advice and implementation• Review and evaluation practices are embedded in agency processes and are sustainable

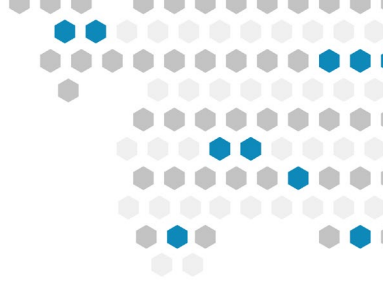


Workforce

Element	Description	Characteristics
Strategic workforce planning	The capability to understand and act on current and future operating and workforce requirements, including critical job roles, succession management and recruitment/retention strategies to prepare for future needs.	<ul style="list-style-type: none"> • Workforce planning activities are consistent with agency's vision, purpose and strategy • Agency understands the expertise of its workforce at individual and whole-of-organisation levels and applies them effectively • Agency understands its future skill needs and strategically uses recruitment, retention, succession management, mobility, reskilling and other activities to meet those needs • Agency proactively manages the talent pipeline for the agency
Staff performance and development	The capability to develop staff in ways aligned to the future needs of the APS, and to improve the performance of individuals and teams.	<ul style="list-style-type: none"> • Agency identifies and supports high value staff development activities based on workforce planning activities and individual needs • Managers understand, value and enable staff development as a core responsibility • Agency measures the effectiveness of skills development • Agency effectively encourages high performance and remedies low performance • Managers encourage and enable staff development and learning relevant to their role and the future needs of the APS
Staff culture and inclusion	The capability to develop and maintain an inclusive working environment that gives staff a sense they belong and are valued.	<ul style="list-style-type: none"> • Agency recruits, retains and values a diverse workforce • Agency encourages diverse ideas, cultures and thinking • Agency staff are empowered to take risks and experiment • Staff engagement is high
Staff safety and wellbeing	The capability to maintain a physically and psychologically safe working environment for staff.	<ul style="list-style-type: none"> • Agency meets its work health and safety obligations • New policies and initiatives consider the health and wellbeing of staff in their design • Staff consider their workplace to be physically and psychologically safe • Agency takes proactive measures to improve safety

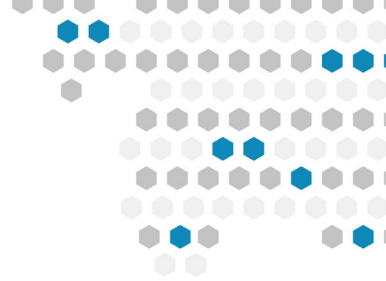


Element	Description	Characteristics
		<ul style="list-style-type: none"><li data-bbox="687 349 1358 383">• Responses to incidents are effective in reducing risk



Enabling functions

Element	Description	Characteristics
Financial management	The capability to deliver financial plans that support the agency's strategic objectives, and to ensure the use of public funds is transparent, accountable, and fit for purpose.	<ul style="list-style-type: none"> • Investment and resourcing decisions are aligned with agency priorities • Financial planning is effective and appropriate across all parts of the agency • Agency can provide a single source of truth on budget and spending • Agency understands its economic environment and likely financial trajectory • Resources can be adapted and shifted as priorities change • Agency can identify, investigate, report on and address financial issues
Technology	The capability to make efficient, effective and forward looking use of technology to support the work of the agency.	<ul style="list-style-type: none"> • Technology capability meets staff needs • Agency maintains and monitors the use of technologies • Agency has mechanisms to ensure a pipeline of contemporary digital and technology expertise • Agency makes strategic decisions about the comparative value of different technologies, including when to use whole-of-government or in-house solutions • Agency proactively improves the agency's technologies and considers emerging technologies to meet future needs • Agency ensures the security of agency systems
Data	The capability to make efficient, effective and forward looking use of strategic data assets to support the work of the agency.	<ul style="list-style-type: none"> • Agency ensures the quality of information and data held by the agency and enables its use internally as well as shares appropriately with external stakeholders • Agency manages data ethically and confidentially • Agency has mechanisms to ensure a pipeline of contemporary data expertise • Agency routinely uses its data holdings in its decision-making processes
Corporate operating model	The capability to effectively identify, design, resource and deliver whole-of-agency shared functions to internal	<ul style="list-style-type: none"> • Agency actively decides which staff-facing functions will be delivered centrally (e.g. finance, legal, research, procurement, ethics, technology, property) • Agency manages the tension between centralised, distributed and outsourced functions effectively



Element	Description	Characteristics
	customers that are most important to the agency and its work.	<ul style="list-style-type: none"><li data-bbox="687 349 1385 427">• Functions are adequately resourced and supported by leadership<li data-bbox="687 439 1059 472">• Functions meet staff needs

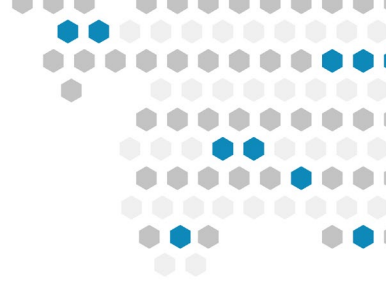


Appendix D: ATO's joint programs with Commonwealth departments and agencies

Agency	Program(s)	Description
Australian Criminal Intelligence Commission	Australian Criminal Intelligence Commission	The Australian Criminal Intelligence Commission works collaboratively with the ATO to protect the financial system from criminal abuse, including through joint operations and taskforces, and sharing data and intelligence. Its special operations and investigations focus on the highest risk transnational, serious and organised crime activities impacting Australia, including money laundering and serious financial crime.
Australian Federal Police	Federal Policing	The Australian Federal Police provides ATO with intelligence and expertise for investigations, policy and taskforces combating serious financial crimes and its harm.
Australian Financial Security Authority	Personal Insolvency and Trustee Services	The Australian Financial Security Authority exchanges information with the ATO and administers the bankruptcy notices and payment arrangements to support this service.
Australian Securities and Investments Commission	Australian Securities and Investments Commission	The Australian Securities and Investments Commission exchanges information with the ATO in relation to significant global entities, self-managed superannuation fund auditor registration and financial crime intelligence. It also contributes to the management and governance of the Standard Business Reporting program. The ATO maintains responsibility for the Australian Business Register and Director ID.
Australian Transaction Reports and Analysis Centre	AUSTRAC	The Australian Transaction Reports and Analysis Centre exchanges information with the ATO and delivers financial crime intelligence that assists partner agency operations.



Agency	Program(s)	Description
Department of Climate Change, Energy, the Environment and Water	<p>Reducing Australia’s greenhouse gas emissions</p> <p>Accelerate the transition to a circular economy, while safely managing pollutants and hazardous substances</p>	<p>The Department of Climate Change, Energy, the Environment and Water shares information with the ATO to confirm trees meet certain conditions when a taxpayer claims a deduction under the Carbon Sink Forest measure. The ATO administers financial aspects of the Product Stewardship for Oil program, pays the benefits on recycled lubricating oil and collects the levy on new oil entering the market from domestic sources.</p>
Department of Education	Higher Education Loan Program	<p>The Department of Education exchanges information with the ATO in relation to the Higher Education Loan Program.</p>
Department of Employment and Workplace Relations	<p>Building Skills and Capability</p> <p>VET Student Loans</p>	<p>The Department of Employment and Workplace Relations exchanges information with the ATO in relation to the VET Student Loans and Trade Support Loans.</p>
Department of Health and Aged Care	<p>Medical Benefits</p> <p>Pharmaceutical Benefits</p> <p>Private Health Insurance</p>	<p>The Department of Health and Aged Care contributes to the administrative arrangements for the government’s Private Health Insurance Rebate. It also works with the ATO to deliver the Multi agency Data Integration Project.</p>
Department of Home Affairs	Border Revenue Collection	<p>The Department of Home Affairs exchanges information with the ATO, administers the Tourist Refund Scheme and collects border revenue for Excise Equivalent Goods, Goods and Services Tax, Luxury Car Tax and Wine Equalisation Tax on behalf of the ATO.</p>
Department of Industry, Science, and Resources	<p>Growing innovative and competitive businesses, industries and regions</p> <p>Supporting a strong resources sector</p>	<p>The Department of Industry, Science, and Resources works with the ATO to enable the growth and productivity of globally competitive industries through programs delivered through the tax system, including the Research and Development Tax Incentive, tax incentives for early stage investors, venture capital related tax concessions, Pooled Development Funds tax concessions and the Junior Minerals Exploration Incentive.</p>



Agency	Program(s)	Description
Department of the Treasury	Department of the Treasury	The Department of the Treasury contributes to the administration of the National Tax Equivalent Regime. It co-regulates the foreign investment framework, consisting of the <i>Foreign Acquisitions and Takeovers Act 1975</i> , the <i>Foreign Acquisitions and Takeovers Fees Impositions Act 2015</i> and their associated regulations. The ATO regulates foreign investment proposals concerning only residential land, while the Treasury regulates all other proposals covered by the framework. The Commissioner of Taxation has been appointed as Registrar of the Register of Foreign Ownership of Australia Assets, which the ATO has maintained since 1 July 2023.
Services Australia	Customer Service Delivery	Services Australia supports individuals, families and communities to achieve greater self-sufficiency by providing administration and payments services on behalf of the ATO.