

CANADA REVENUE AGENCY DETAILED ACTION PLAN

to the recommendations of the Income Tax Objections – Canada Revenue Agency of the Fall 2016 Reports of the Auditor General of Canada

Report Ref. No.	OAG Recommendation	Departmental Response	Description of Final Expected Outcome/Result	Expected Final Completion Date	Key Interim Milestones (Description/Dates)	Responsible Organization/ Point of Contact (Name, Position, Tel #)	Indicator of Achievement (For Committee Use Only)
Paragraph 31	The Canada Revenue Agency should provide taxpayers with the time frames in which it expects to resolve their objections. Time frames should be based on an objection's level of complexity.	<p>Agreed.</p> <p>The CRA currently provides estimated timeframes to contact the taxpayer and begin work on the objection through an acknowledgement letter. Within this fiscal year, this information will be improved to provide a more accurate estimate of time to receive a final response on their objection. Expected and actual timeframes related to complexity will begin to be shared with the general public on the CRA's website by the end of 2016-2017.</p> <p>Also, by the end of 2016-2017, the CRA will clarify, on its external website, the steps to resolving taxpayer disputes, including the requirement to provide any relevant information.</p>	<p>Taxpayers have the necessary CRA information to understand how long it will take for the CRA to resolve their objection based on its complexity level.</p> <p>Taxpayers can view the definition of each complexity level, expected turnaround times as well as the CRA's actual timeframes on the CRA website.</p>	December 31, 2017	<ul style="list-style-type: none"> • In November 2016, the CRA revised its website to provide clarification on the steps to submit an objection. • In November 2016, the CRA published timeframes for the assignment of low & medium complexity objections on its website. • In December 2016, the CRA developed an external communication strategy. • By March 31, 2017, the CRA will publish a service standard for the resolution of low complexity objections on its website. • By Q3 of 2017-2018, the CRA will publish the timeframe for the resolution of medium complexity objections on its website. 	CRA Joanne Pellerin-Dunbar, Director General	
Paragraph 34	The Canada Revenue Agency should develop and implement an action plan with defined timelines and targets to reduce the inventory of outstanding objections to a reasonable level.	<p>Agreed</p> <p>The CRA has identified some areas of delay within the objections process and will develop a strategy for reducing the backlog of unresolved objections that optimizes its processes and its available resources in order to respond to taxpayers in a more timely fashion.</p> <p>This strategy will be finalized in early 2017. Work is on-going and will</p>	<p>The inventory of outstanding non-group objections is reduced as a result of increased efficiencies and innovation, through the efficient use of available resources.</p> <p>There is a reduction in intake of invalid objections as a result of improved external communication through CRA correspondence and website information.</p>	March 31, 2018	<ul style="list-style-type: none"> • By March 31, 2017, the CRA will develop a multifold, iterative strategy to reduce intake and inventory, which will include the undertaking of a comprehensive process review (see paragraph 39) <p>Reduction of Intake: Dec 2016 to March 2018</p> <ul style="list-style-type: none"> • Continue to work with other CRA programs in respect to external taxpayer correspondence • By March 2018, complete the revision (as required) to the above noted CRA external correspondence. • Ongoing CRA website review and 	CRA Joanne Pellerin-Dunbar, Director General	

		leverage the additional information as it is identified through the process review that will be undertaken.			<p>enhancements to educate taxpayers to request an adjustment when they have new information they would like to submit to the CRA as well as how to object when they disagree with a CRA decision</p> <p>Reduction of Backlog: January 2017 & ongoing</p> <ul style="list-style-type: none"> • By Q2 of 2017-2018, complete work with audit branches to revise the existing protocol regarding the timeframes for completing their review of work returned to them. • By end of March 2017, begin negotiations for new protocols to return work to other CRA programs. • In January 2017, began review of Appeals officers' training needs to determine if there are any gaps that could help to improve the timeliness of decisions. • Beginning April 2017, explore options to create centres of expertise for specialized workloads, in order to improve resolution timeframes. 	
Paragraph 39	The Canada Revenue Agency should conduct a complete review of the objection process to identify and implement modifications to improve the timely resolution of objections.	<p>Agreed.</p> <p>Beginning Fall 2016, the CRA will conduct a review of the objections process, taking into consideration ongoing planned enhancements and suggestions received from appeals officers in 2015-2016, to identify and resolve delays in the process, while taking into account its available resources.</p> <p>In addition, beginning in 2017-2018, as part of the initial step when objections are received and screened, when needed, taxpayers will be contacted to provide any missing information to ensure that the file is complete when assigned for resolution.</p>	Taxpayers' objections are resolved in a timely manner as a result of optimized processes.	April 30, 2018	<ul style="list-style-type: none"> • In December 2016, initiated objection process review, starting with the intake centres. • By Q1 of 2017-2018, implement new process to contact taxpayer earlier in objection process for low-complexity workload. • Based on results of this new process, full implementation to other high-volume workloads is expected by April 2018. 	CRA Joanne Pellerin-Dunbar, Director General
Paragraph 50	The Canada Revenue Agency should define what it considers the timely resolution of an objection. It may look to other	<p>Agreed.</p> <p>For 2017-2018, the CRA will implement and publicly report a standard for the resolution of low-</p>	The CRA's service standards related to the timely resolution of objections are appropriate for low, medium and high complexity workloads.	December 31, 2017	<ul style="list-style-type: none"> • Beginning in December 2016, work was undertaken to establish a definition of timely – taking into consideration all steps in the process of resolving an objections. • In Q1 2017-2018, the CRA will begin analysis 	CRA Joanne Pellerin-Dunbar, Director

	comparable organizations to help it determine what is reasonable.	<p>complexity objections, which represent approximately 60% of the yearly objection intake. This standard will be to respond to taxpayers on low-complexity objections within 180 days, 80% of the time. Furthermore, as processes are changed and efficiencies are gained, it is the CRA's intention to improve on this service standard, based on available resources.</p> <p>The CRA has information to measure time required and spent to resolve objection files and will continue to look at other comparable organizations for possible improvements.</p> <p>In addition, the CRA will establish a measurement for the timely resolution of medium-complexity objections, which represent 35% of intake, by the end of the 2016-2017 and publish this measurement in 2017-2018.</p> <p>Finally, the CRA will continue to monitor high complexity files in order to ensure the time for their resolution is commensurate with the complexity of the objection.</p>			<p>of other comparable organizations to obtain information on items such as – how timeliness is measured and reported; how they interact with other parts of their organizations; when do they consider a file work ready; and if they were in a position of having to reduce a large backlog what steps did they take. Information from this analysis, as well as any changed processes will be considered for further refining the definition of timely.</p> <p>LOW COMPLEXITY</p> <ul style="list-style-type: none"> On April 1, 2017, the CRA will introduce a public service standard for the resolution of low-complexity objections In accordance with the CRA's external reporting exercise, the low-complexity service standard will be reviewed annually and the associated target updated as required. <p>MEDIUM COMPLEXITY</p> <ul style="list-style-type: none"> By the end of Q3 2017-2018, the CRA will publish the timeframes for resolution of medium-complexity workloads on its website. <p>HIGH COMPLEXITY</p> <ul style="list-style-type: none"> Monitoring of the resolution of high-complexity objections will continue in collaboration with offices in the regions. By March 31, 2017, the CRA will develop a formalized report to assist with the monitoring of these objections. 	General	
Paragraph 57	The Canada Revenue Agency should modify its performance indicators so that it can accurately measure and report on whether it is meeting its mandate to provide a timely review. These indicators should include all steps in the process from the time the objection is provided by the taxpayer, and it should be consistent year over year so that the Agency can identify trends and assess performance over time. The	<p>Agreed.</p> <p>The CRA is currently introducing new indicators for the timely review of objections.</p> <p>The performance indicators will be included in the Agency Departmental Performance Report. This not only ensures consistent reporting to Parliament and taxpayers but also creates an opportunity to monitor and modify the indicators as required.</p> <p>Moreover, the CRA is continuously seeking to improve how we measure</p>	The CRA's performance indicators for the timely resolution of objections reflect the complete process and are reported consistently.	March 31, 2017 and ongoing	<ul style="list-style-type: none"> In December 2016, plain language complexity level descriptions were published on the CRA website. By the end of Q4 2016-2017, the actual time taken to resolve an objection, by complexity level, will be published on the CRA website. Starting in 2017-2018, where a service standard exists, the objections program's results will be reported through the Agency's annual Departmental Performance Report. Results for any new and established performance indicators identified in the Agency Corporate Business Plan will continue to be reported in the Agency Departmental Performance Report. The indicators and associated targets will be reviewed annually. 	CRA Joanne Pellerin-Dunbar, Director General	

	<p>Agency should also report these indicators, related targets, and results to Parliament and communicate them to taxpayers.</p>	<p>timeliness. The current methodology for measuring timeliness is based on the complexity of the objection. In order for indicators to be meaningful to taxpayers, the CRA will publish a description of the complexity of objections on its website by the end of the 2016.</p> <p>The CRA will review and amend its internal procedures ensuring that the entire time the objection is within the CRA's control is measured to provide a more complete depiction to taxpayers of the time it takes to resolve an objection, through its website by the end of 2016-2017.</p> <p>With the on-going implementation of efficiencies within the objection process, the CRA will continue to strive to improve its performance measurement by establishing stretch targets to provide more timely reviews of objections.</p>			<ul style="list-style-type: none"> Beginning April 2017, for low complexity objections, the performance indicator for file resolution will incorporate all the time the objection is within the control of the CRA. 		
Paragraph 62	<p>The Canada Revenue Agency should add appropriate controls to its objection process and its information systems to ensure the integrity of its data.</p>	<p>Agreed.</p> <p>The CRA is committed to ensuring enhancements that are required to data integrity within its information system are identified and built into the regular system maintenance process. New data validities will be incorporated in the current system in upcoming release cycles in the Fall of 2016, May 2017 and ongoing. As well, improvements to detailed instructions to officers on data entry will be issued and monitored.</p> <p>Following a business architecture review, the CRA is currently developing a systems modernization proposal which will address identified gaps in data needs and validities as well as link to other CRA systems, thereby reducing the need for manual entry requirements and improving</p>	<p>The CRA's objections systems and processes have appropriate controls in place to ensure accuracy of data.</p>	Ongoing	<ul style="list-style-type: none"> In December 2016, the CRA developed a Data Integrity Report for use by offices in the regions; an integrated Headquarters monitoring plan for identified data integrity issues will be implemented to ensure timely resolution. By March 31, 2017, the CRA will develop a comprehensive data integrity plan which includes both procedural as well as system related activities to be performed and will outline monitoring, communications and training requirements. As part of regular system upgrades, the appeals program systems will be changed to incorporate some additional data integrity controls. Appeals system modernization proposal to be finalized by end of 2016-2017. The proposal includes the provision for stronger data validities, increased electronic filing capacity (with front end validities) to reduce user keying errors and increased linkages to other source systems within the Agency to minimize 	CRA Joanne Pellerin-Dunbar, Director General	

		<p>overall data integrity.</p> <p>The CRA will also ensure that existing procedural controls are clearly communicated to Appeals officers, identify any additional controls that may be necessary, and monitor the effectiveness of these controls.</p>			<p>data integrity issues. Proposal will be scalable.</p>		
Paragraph77	<p>The Canada Revenue Agency should review the reasons why objections are decided in favour of the taxpayer so that it can identify opportunities to resolve issues before an objection is filed.</p>	<p>Agreed.</p> <p>The CRA remains committed to analyzing the reasons why assessments are overturned to identify opportunities to improve service to Canadians.</p> <p>The ability to file an objection is one of the key foundations of a fair and equitable tax administration. Every year, the CRA undertakes millions of actions, related to T1 and T2 returns, using different administrative approaches and only 0.1% result in an objection. These approaches, during initial assessing or afterwards, include automated processes, in-person audits and written requests for additional information. The objection process gives an opportunity for taxpayers to provide additional information, if need be, to be considered by the CRA.</p> <p>The CRA has formalized its feedback loop process introduced following the 2012 evaluation, in collaboration with assessing and audit areas. Quarterly reporting, containing reasons for objections decisions will be issued to audit and assessing areas starting in Q3 of 2016-2017.</p> <p>The formalized process will identify opportunities for improvements in processes, required documentation and training as well as improve</p>	<p>Objections results are analysed to identify opportunities for improvement in order to improve service to Canadians.</p>	<p>Ongoing</p>	<ul style="list-style-type: none"> • By Q1 of 2017-2018 the CRA will review and clarify where necessary, within its manuals, how to determine the reasons why assessments are allowed in full or in part, to ensure consistency in the information captured. • Structured discussions with other CRA programs, which commenced in 2015-2016, are ongoing to set priorities and share business intelligence. • As of Q3 2016-2017, the analysis of objections data and identification of trends was shared with other CRA programs on a quarterly basis. Reports will be refined and expanded as required. • By March 31, 2017, the CRA will have analyzed data associated with litigation files in order to explore the feasibility of what information could be incorporated in to future quarterly reports. • By Q2 2017-2018 complete the review of the current audit protocol. Once the revisions are complete, the new version will be published on the CRA website. (see paragraph 34) 	<p>CRA Joanne Pellerin-Dunbar, Director General</p>	

		<p>service to taxpayers through clear communications or correspondence.</p> <p>With the introduction of a protocol with the audit area and through discussions with tax professionals, the CRA will continue to emphasize the importance of providing complete and accurate information at the earliest stage possible.</p>				
Paragraph95	<p>The Canada Revenue Agency should ensure that decisions on objections and appeals are shared within the Agency in such a way that those performing assessments can use that information to improve future assessments.</p>	<p>Agreed.</p> <p>The CRA is committed to ensuring that objections and appeals decisions are shared with all assessing and audit areas.</p> <p>At the beginning of 2016-2017, the CRA formalized the feedback loop process and continues to strengthen ongoing collaboration between the audit and assessing branches, the regions and the Appeals Branch in the analysis of objections and appeals results. This collaboration uses a variety of mechanisms such as regular reporting and analysis, structured discussions on issues and implementation of action plans to address the identified areas for improvement.</p> <p>The CRA is taking steps to strengthen its practice of sharing business intelligence from the objections and appeals processes. This will enhance the monitoring of trends leading to potential resolution of policy, legislation and procedural issues in both the Appeals Branch and audit and assessing areas, thus improving service to taxpayers.</p> <p>Improved quarterly data analysis reports will be shared in Q3 of 2016-2017 following systems upgrades and process changes which will allow for improved identification of the source</p>	<p>Objections and appeals results are effectively shared within the CRA through a formalized process to ensure optimization of all processes.</p>	Ongoing	<ul style="list-style-type: none"> • As of Q3 of 2016-2017, the objections program has been issuing formal quarterly feedback loop reports including trends and issues to other headquarters branches and the regions. Reports will continue to be enhanced and will include some information to the office level by Q4 of 2016-2017. • Development and implementation of action plans in collaboration with other CRA programs are ongoing. • Action plans include: <ul style="list-style-type: none"> ○ agreement on information to be exchanged and timelines; ○ identified action items following the analysis of results; ○ tracking and reporting of measures taken by various areas. • December 31, 2016, developed a draft framework to formalize how the litigation results could be shared with the objections program. The Department of Justice will also be consulted for further input. • Work is ongoing to strengthen regional collaboration and sharing of information through communication, consultation, and surveys with regional stakeholders. 	<p>CRA Joanne Pellerin-Dunbar, Director General</p>

		of the assessments that come to objections and more focused conversations on improvements.						
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