

Minister
of National Revenue



Ministre
du Revenu national

Ottawa, Canada K1A 0A6

APR 30 2018

The Honourable Kevin Sorenson
Chair of the Standing Committee on Public Accounts
House of Commons
Ottawa ON, K1A 0A6

Dear Colleague:

The following information is further to the Government's Response (tabled in the House of Commons on June 21, 2017, pursuant to Standing Order 109) to the Twenty-Fifth Report of the Standing Committee on Public Accounts entitled: *Report 2, Income Tax Objections – Canada Revenue Agency, of the Fall 2016 Reports of the Auditor General of Canada*.

I am pleased to provide a report on progress in response to recommendations 1 to 4 and 6 to 9 of the Twenty-Fifth Report.

The Government would like to thank the Committee for its continued interest and attention to ensuring that the Canada Revenue Agency (CRA) addresses each of the issues identified in the Auditor General's audit, and its recommendations to help the CRA monitor and report its progress towards becoming a more client-focussed organisation.

The Government of Canada recognises the need to improve service to taxpayers through more timely resolution of their disputes on income tax matters. This goal also supports my mandate letter priority to make it easier for taxpayers to meet their tax obligations and to improve the service experience of taxpayers and benefit recipients.

Please find enclosed the CRA's report on progress.

Sincerely,

A handwritten signature in black ink, appearing to read 'Diane Lebovillier', written in a cursive style.

The Honourable Diane Lebovillier, P.C., M.P.

Canada

Recommendation 1:

“That, by 30 April 2018, the Canada Revenue Agency confirm in writing to the House of Commons Standing Committee on Public Accounts that it has published a service standard for the resolution of low and medium-complexity objections on its website, and provide the information on high-complexity objections that is available.”

Government Response (as tabled on June 21, 2017):

“The Government of Canada supports this recommendation. The CRA has published a service standard for the resolution of low-complexity objections on its website, effective April 1, 2017. Work is currently underway to determine an appropriate service standard for the medium-complexity workload, to be published on CRA’s website by April 1, 2018. In the meantime, the actual timeframes to assign and resolve low and medium-complexity objections are being provided on the website. As requested, by April 30, 2018, the CRA will provide to the Committee available information on high-complexity objections.”

Report on Progress:

The CRA has undertaken a comprehensive review of its service standards and, within the context of that exercise, has determined a service standard for the resolution of medium-complexity objections of 365 days, 80% of the time. This standard has been published on the CRA’s website together with the standard for the resolution of low-complexity objections (for further information on the CRA’s efforts to communicate recourse options to taxpayers, please refer to the report on progress regarding Recommendation 7).

Additionally, the CRA has undertaken a comprehensive review of its objection-related processes following a “Lean process-improvement methodology” in order to further streamline its processes and gain efficiencies that will contribute towards providing more timely and efficient service to taxpayers. The Lean methodology is a well-established approach that involves mapping the current state of key processes, understanding and identifying what disrupts flow, and capturing opportunities for improvements to make processes flow more efficiently.

The objections workload can be categorised by levels of complexity.

Low-complexity regular income and commodity tax objections are the Objections Program’s largest workload (typically, 49% to 55% of regular objections resolved during the course of a year). These often involve issues such as individual tax credits and deductions. The CRA’s goal is to resolve these objections within 180 calendar days, 80% of the time, as per its service standard introduced on April 1, 2017. The introduction of this service standard was announced in the CRA’s “Corporate Business Plan 2017-2018 to 2019-2020”, and was also communicated to stakeholders, through social media, and directly to taxpayers in letters acknowledging receipt of their objections.

As of March 31, 2018, the CRA is meeting this service standard 81.1% of the time, compared to 61.4% of the time at the end of April 2017, shortly after the service standard was implemented. Results at year-end will be published in the CRA’s Departmental Results Report (DRR) covering the 2017-2018 fiscal year and will be disclosed on the CRA website.

Medium-complexity regular income and commodity tax objections are the Objections Program's second-largest workload (typically, 41% to 49% of regular objections resolved during the course of a year) and usually involve issues such as business expenses or GST/HST returns, and more complex issues related to individual tax returns. As of April 1, 2018, the CRA's goal is to resolve taxpayers' medium-complexity objections within 365 calendar days, 80% of the time. This service standard was published on the CRA website in December 2017, and the CRA is communicating it to stakeholders, through social media, and directly to taxpayers in letters acknowledging receipt of their objections.

As of March 31, 2018, the CRA has met this service standard 66.4% of the time, compared to 57.9% of the time at the end of April 2017. Results at the end of the 2018-2019 fiscal year will be published in the CRA's DRR covering this time period and will be disclosed on the CRA website. Results prior to year-end will be made available through social media, during information sessions with stakeholder groups, and on the CRA's website, where it will be presented together with average times to assign objection files to an appeals officer.

High-complexity income and commodity tax objections typically involve large corporations, and issues such as complex business transactions, international transfer pricing, and General Anti-Avoidance Rule assessments. These objections account for two to three percent of the annual workload of regular objections resolved over the course of a year. In light of the technical complexity of these matters, their resolution requires a significantly longer period of time than the lower complexity levels. On average, it may take a few years to resolve high-complexity objections. During this period, CRA representatives are in regular contact with the taxpayers who have filed these objections.

To better illustrate such, as of March 31, 2018, it took an average of 654 calendar days to resolve high-complexity objections (701 calendar days for income tax objections and 446 days for commodity tax objections), an amount of time generally consistent with that taken over the course of the four preceding years, during which the inventory of high-complexity objections has been stable. The CRA did focus on reducing its inventory and achieved 113% of its planned target for fiscal year 2017-2018, as reported on in the response to recommendation 2 below. The CRA has undertaken a process review using the Lean process-improvement methodology of all processes related to its most complex objections. The process review also involved engagement with key stakeholders within the tax community to seek their views on the process. It identified 34 ideas for improvement that are currently being assessed for implementation.

The CRA has undertaken a preliminary analysis of the different types of files belonging to its workload of high-complexity objections in order to identify patterns and/or common elements that might assist in determining whether resolution timelines would be more meaningful when the workload is broken down by issue. Following this analysis, no discernible trends or patterns were identified; the resolution time of high-complexity objections appears to be entirely dependent on the details of each specific case. Potential efficiencies identified as part of the Lean process review will be explored. The CRA will continue to monitor these files and improve the timeliness of their resolution..

Recommendation 2:

“That, by 1 September 2017, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a clear target for the planned reduction of its inventory of outstanding objections over the period of 31 March 2016 to 31 March 2018, and report the actual reduction achieved by 30 April 2018.”

Government Response (as tabled on June 21, 2017):

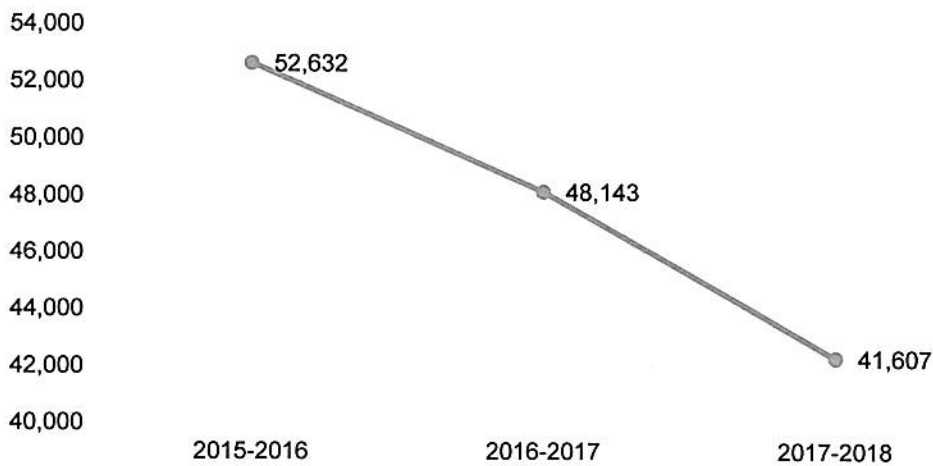
“The Government of Canada supports this recommendation. As requested, by September 1, 2017, the CRA will provide the Committee with a clear target for the planned reduction of its inventory of outstanding objections and by April 30, 2018, the CRA will issue a report to the Committee confirming the actual reduction achieved.”

Report on Progress:

On August 31, 2017, the CRA provided the Committee with a target of 82,991 regular income tax objections to be resolved over the period of April 1, 2017 to March 31, 2018. This represents 32% or 19,909 more objections than were resolved during the previous year. The CRA set this ambitious target as a goal to strive towards using a number of approaches, including internal reallocation of funds to hire more officers, comprehensive process reviews to increase efficiency, and a concentrated effort to finalise groups of objections related to aggressive tax planning.

This strategy was successful in achieving a significant reduction in the inventory of outstanding objections; specifically, a 21% reduction in the inventory of regular objections at year-end since March 31, 2016, as can be seen in Figure 1.

Figure 1 - Regular Objections Inventory at Year-end



As of March 31, 2018, the CRA resolved 74,506 regular income tax objections, 18% more than the 63,082 regular income tax objections resolved during the previous year (but 10% less than forecast).

Broken down by complexity level, this resulted in the resolution of:

- 44,802 low-complexity income tax objections (out of a target of 50,704) or 88% of the projected forecast,
- 27,240 medium-complexity income tax objections (out of a target of 31,320) or 87% of the projected forecast, and
- 1,096 high-complexity income tax objections (out of a target of 970) or 113% of the projected forecast.

In the case of the *low-complexity* workload, the original production forecast provided proved to be too ambitious due to the following series of factors:

- The forecasted production included 5,600 objections related to a same issue. A court decision that would have provided a resolution to all of these objections was postponed to 2018-2019. Therefore, the CRA was unable to resolve these objections during the anticipated timeframe, which had a significant impact on the forecasted production.
- The training time and learning curve for newly established teams of officers was longer than expected, impacting both the timing and volume of production.
- Additionally, backlogs in other programs led to a temporary reduction in the intake of low-complexity objections during the second and third quarters of 2017-2018. The intake of these objections experienced a sudden spike at the end of the third quarter and appeals officers are processing them as quickly as possible, but some of this production will materialise only in the 2018-19 fiscal year.

Despite these challenges, the CRA increased its resolution of *low-complexity* objections by 27% since March 31, 2017, which allowed it to meet the new 180-day service standard for the resolution of low-complexity objections 81% of the time, exceeding the service standard's 80% target and reflecting the CRA's commitment to providing taxpayers with timely service.

In the case of the *medium-complexity* workload, the original production forecast provided proved to be too ambitious due to the following series of factors:

- Transitions in local offices resulted in higher than expected attrition levels, which were followed by unexpected delays in staffing.
- Additionally, in order to address the impacts of lower production for low-complexity objections, and to ensure that objections were resolved in a timely fashion, some officers assigned to the medium-complexity workload were temporarily diverted to the low-complexity workload.

Forecasts for the production of *high-complexity* objections (970) were exceeded.

Recommendation 3:

“That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with the key results of its review of the objection process, and clearly explain how it has used these results to improve the timely resolution of objections.”

Government Response (as tabled on June 21, 2017):

“The Government of Canada supports this recommendation. The CRA is currently conducting process reviews of its key steps in the objections process, using the Lean methodology. As requested, by April 30, 2018, the CRA will issue a report to the Committee informing how the key results of these reviews have and will be applied to existing efforts to facilitate the timely resolution of objections.”

Report on Progress:

Throughout the 2017-2018 fiscal year, the CRA conducted a number of process reviews to identify opportunities for improvement in its key workloads in the Appeals Branch. A Lean process-improvement methodology is being integrated into the Appeals Branch’s programs. The Lean methodology is a well-established approach that involves mapping the current state of key processes, understanding and identifying what disrupts flow, and capturing opportunities for improvements to make processes flow more efficiently.

For the Objections Program's workload, process reviews were undertaken for all six key program components: intake, working a regular objection file, working a group file, working a large-case file, internal referrals, and quality assurance. A total of 148 opportunities for improvement were identified through these reviews. As of March 20, 2018, 59 of these opportunities have been implemented, while 89 are currently being assessed and developed for implementation. Many of the improvement ideas that were identified during these reviews are expected to decrease the time to resolve an objection.

Examples of initiatives already implemented include the automation of some data collection and data-entry steps, updated forms and procedures, and the elimination of unnecessary data captures. A new triage function was introduced in 2017-2018 to streamline screening procedures and initiate contact with taxpayers within 30 days. Through this change, the files are reviewed and any missing information is requested up-front to ensure that the file will be “work-ready” when it is assigned to an appeals officer. As a result of the implementation of the triage improvement process, taxpayers are being contacted for missing information 100 days earlier in the process. This has contributed to a significant reduction in the low-complexity objections inventory. The impact of these enhancements is demonstrated by the fact that, as of April 28, 2017, following the implementation of the triage function, the CRA was meeting its service standard for low-complexity objections 61.4% of the time, whereas, as of March 31, 2018, this rate had risen to 81.1%, meeting the published service standard.

Further analysis of the outcomes of the reviews is being conducted with a view to eliminating inefficiencies and administrative burden, to ultimately provide more timely service to taxpayers. Opportunities can be categorised into six main themes: Communication, Procedures, Training, Systems, Organisational Structure, and Workload Management.

A comprehensive action plan has been developed to ensure realistic timelines for implementation. Some items are being addressed through Appeals Branch initiatives (such as a consolidated approach to improving training), while others are integrated into Appeals Branch business planning. The action plan prioritises and includes, but is not limited to, those opportunities with a direct link to an improvement in the timely resolution of objections, while developing the right criteria to measure success.

Recognising that continuous improvement requires a shift in culture, efforts to raise awareness of continuous improvement have been and will continue to be made to engage the workforce in learning and practical application in their daily activities.

Recommendation 4:

"That, by 30 April 2018, the Canada Revenue Agency explain to the House of Commons Standing Committee on Public Accounts the rationale for its definition of the timely resolution of an objection based on the level of complexity, and how this definition compares with that of similar tax administration in other countries."

Government Response (as tabled on June 21, 2017):

"The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee explaining its rationale for the methodology used in determining its current definition of "timely". The CRA will also explain how this definition compares with that of similar foreign tax administrations."

Report on Progress:

The commitments in the CRA's service standards related to objections are directly linked to an objection's level of complexity (low complexity, medium complexity, and high complexity), as previously stated.

The CRA's current definition of "timely" is based on the commitments made in the CRA's service standards related to objections, specifically:

- The goal to resolve low-complexity objections within 180 calendar days, 80% of the time, as per the service standard introduced on April 1, 2017; and
- The goal to resolve medium-complexity objections within 365 calendar days, 80% of the time, as per the service standard introduced on April 1, 2018.

The CRA currently does not have a service standard for high complexity. It is difficult to determine a standard due to the technical nature of these files which often involve unique circumstances. As previously mentioned, CRA representatives maintain regular contact with the taxpayers who have filed these objections.

In order to provide better service to taxpayers and provide them with a more comprehensive timeframe in which to expect that their file will be resolved, the CRA has changed its approach towards the measurement of time involved in the processing of objections.

The measurements mentioned above are now reflective of all the time during which the resolution of any given objection falls within the control of the Government of Canada and excludes time taken by taxpayers to provide additional information to support their objections. For further details, please refer to the Communicating Recourse Options section within the report on progress for Recommendation 7 on the CRA's engagement with taxpayers.

In order to compare its definition of timeliness with that of similar foreign tax administrations, the CRA undertook a detailed exploration of the business processes and performance indicators of four international tax administrations, specifically, the Australian Tax Office (ATO), Her Majesty's Revenue & Customs (HMRC) in the United Kingdom, Inland Revenue (IR) in New Zealand, and the Internal Revenue Service (IRS) in the United States. This comparative analysis revealed that only HMRC and IR have timeliness standards in place related to matters of dispute resolution; the IRS does not have a service standard for resolving objections in a timely manner and the ATO uses a Perceptions of Fairness survey to gauge the degree of taxpayer satisfaction with the objection process.

When comparing with HMRC and IR, due to a variety of factors including, but not limited to, differences in defining what constitutes a tax objection, the process of objecting to a tax

assessment, the type and volume of tax objections addressed by these administrations, as well as the legislation governing tax objections and collection actions during the objection phase, the use of these timeliness standards as a benchmark would not be productive in helping the CRA define its own timeliness standards.

The differences identified between the CRA, HMRC, and IR are summarised in the following table:

Comparison	New Zealand	United Kingdom
Definition of a Tax Objection	Unlike the CRA, IR does not consider cases containing new or incomplete information. The taxpayer must first present their position informally to the tax administration and then, if they wish to proceed with a formal review, it has to be in the form of a formal legal document that places strict limits on the facts, documents, and arguments upon which the taxpayer can rely. This is in contrast to the CRA, which has to address any objection submitted by a taxpayer, regardless of its validity or lack of valid information.	HMRC's objection process gives the assessing officer and the taxpayer a chance to arrive at a revised decision before initiating a formal review or appeal to the Tribunal. Offers of formal review are only sent if discussions with the taxpayer or their representative do not resolve the dispute. Both direct- and indirect-tax cases that reach the formal review stage must contain all the information required by the appeals officer.
Process	It is IR that initiates the majority of objections, rather than the taxpayer. Consequently, it has more control over the type of objections that it addresses, as opposed to the CRA, which must address any type of objection submitted by the taxpayer.	At HMRC, the original assessing officers are the first point of contact for new direct-tax objections, rather than appeals officers. These assessing officers address any new information presented by the taxpayer, so most objections are settled through negotiation with the assessing officer prior to reaching the formal review process. At the CRA, however, the entire objection process is addressed by appeals officers.
Process / Timeliness	IR has a multi-stage objection process that takes place before the final tax assessment. The tax administration starts measuring its timeliness from the moment it sends a Notice of Proposed Adjustment to the taxpayer. Its timeliness standard is to resolve all objections within 540 calendar days of sending this notice to the taxpayer.	For the formal review process the HMRC aims to resolve 75% of objections within 45 days of the taxpayer accepting an offer of review, and 90% of objections within 90 days. Unlike the CRA, HMRC's timeliness standard is only applied to objections that reach the formal review process; consequently, the time spent by assessing officers to address any new information provided by the taxpayer is not

		<p>accounted for in its timeliness standard.</p> <p>In contrast, the CRA's timeliness measurement starts from the date when a taxpayer submits an objection, which is earlier than the date when work begins on an objection.</p>
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Although no formal comparative analysis has been conducted on how the objection process is addressed within Revenu Québec (RQ), the CRA is aware that Revenu Québec's target is to resolve objections within six months once they are workable; workable files exclude objections that cannot be processed due to circumstances outside of RQ's control (e.g., awaiting decisions on court cases). In 2016-2017, RQ resolved 7,436 out of 9,526 workable objections (78%) within six months, which is comparable to the standard implemented.

Lastly, while the comparative analysis of international tax administrations did not yield any directly applicable results due to the procedural and legislative differences detailed above, it did allow the CRA to identify a number of best practices that can be leveraged in order to improve the CRA's recourse processes. These best practices such as different approaches to triaging files are currently being discussed with the relevant tax administrations to assess how they could be implemented in the Canadian context.

Recommendation 6:

"That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the controls that it has added to its objections systems and processes, and the detailed instructions that it has provided to officers on data entry to ensure the accuracy of data. This report should also explain how the Agency will regularly monitor the effectiveness of these measures."

Government Response (as tabled on June 21, 2017):

"The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee detailing all efforts to date on improving its data integrity through both systems and procedural changes. The report will outline actions to date including its monitoring plan and current results, as well as ongoing initiatives planned for continued emphasis and improvement on this important issue."

Report on Progress:

Prior to and following the publication of the Fall 2016 Report of the Auditor General, the CRA has taken a focussed approach to the analysis of the Appeals Branch's data issues and has developed a comprehensive plan to address them from the perspectives of system improvements and procedural changes.

The CRA has developed a data-integrity plan and put into place a dedicated working group composed of regional and headquarters staff, including program-delivery and system-maintenance representatives to help manage and address data-integrity issues within the Objection Program.

The following objectives guide activities laid out in the data-integrity plan:

1. Identifying and documenting all of the existing data controls (physical, technical, administrative).
2. Identifying common data-integrity issues and determining their cause(s).
3. Conducting a risk assessment to determine which data elements require action and prioritise them accordingly.
4. Determining the actions that need to be taken to prevent, detect, and correct the issues.
5. Making recommendations to senior management in regards to training needs and best practices.
6. Adjusting existing controls, implementing new ones, and monitoring their effectiveness.

As a result of the analysis conducted on the Objection Program's data, the following outcomes are being achieved through the data-integrity plan's implementation:

1. Identification of an action plan and related timelines to implement activities identified in the data-integrity plan (completed).
2. Addition of preventative controls to the information systems in order to ensure that known errors do not re-occur (initial phase completed; as analysis continues on the Appeals Branch's data, additional preventative controls may be added).
3. Addition of detective controls to the objection process to notify officers when errors exist in their files (i.e. the data-integrity report and error-reduction tool; completed).
4. Development of a monitoring plan to ensure that the existing and new controls are effective and work as intended (completed).
5. Justification and documentation of exceptions to the general rules, processes, and procedures (ongoing).
6. Development, update, and publication of training materials to provide better guidance to officers on how to correctly capture data (ongoing).

7. Development of a communications plan to educate officers about the importance of data integrity, how they can ensure their data is accurate and reliable, and any new developments related to data integrity (ongoing).

In October 2016, the CRA launched a data-integrity report, which is used to sharpen its focus on priority data elements and allows the Appeals Branch to conduct regular reviews with its field operations to correct errors.

Beyond the creation and distribution of the data-integrity report, there has been a focus on educating the Appeals Branch's staff in the field through information sessions on the importance of the data being entered into the CRA's systems. Implementation of this two-pronged strategy has resulted in a 70% decline in the number of errors.

Where possible, the CRA has implemented tools and system changes to assist in minimising data errors, for example:

- Implemented eleven system data validations or improvements to its data-capture capabilities since October 2016, with an additional seven to be implemented in May 2018.
- Developed the Error-reduction Tool for officers to identify errors prior to a case being finalised. This tool performs twelve data checks as well as twelve date-sequencing checks.
- Implemented an automated data-entry and verification tool at intake centres that effectively ensures proper entry of thirteen data elements upon the screening of an objection.

Through an overhauled monitoring program, which focusses on risk areas and targeted reviews in offices where issues are identified, the Appeals Branch will continue to emphasise the importance of data integrity to its operations and to the provision of service to taxpayers.

Through the continued pursuit of strategic investments in 2018-2019, the focus will be on determining the appropriate option(s) available to modernise the CRA's relevant information systems. The CRA will also examine whether any existing systems can be leveraged to assist in accomplishing this modernisation. The CRA will continue to ensure that data validations and improvements are addressed through investments in the maintenance of its current system wherever it is identified as the corrective action required through the analysis of the data-integrity plan.

Recommendation 7:

“That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the opportunities to resolve issues before an objection is filed that the Agency has identified through its review of the reasons for which objections are decided in favour of taxpayers. This report should also explain how the Agency took full advantage of each of these opportunities to improve services to Canadians.”

Government Response (as tabled on June 21, 2017):

“The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee outlining the opportunities for taxpayers to resolve issues before filing an objection and the work that has been done to ensure that these opportunities are being implemented within and promoted by the Agency to improve services to Canadians.”

Report on Progress:

The Fall 2016 Reports of the Auditor General of Canada determined that, in most cases where objections were allowed in full or in part, it was because the taxpayer provided additional information that supported the objection. It was recommended that the CRA identify opportunities to resolve issues before objections are filed.

To address these concerns, the CRA has undertaken a number of initiatives to improve service to taxpayers through a combination of returning work to assessing, verification, and audit programs; clear communication of recourse options through a multi-pronged communication strategy to better inform taxpayers; and a review of the CRA's correspondence to taxpayers.

Returning Work to Assessing, Verification, and Audit Programs

The Objections Program has launched an initiative redirecting work to the assessing, verification, and audit functions before and after the taxpayer submits an objection, as applicable. The intent is to redirect new information that would result in a change to the original (re)assessment when it had previously been requested by the programs. The initiative will also serve as a means for the CRA to identify and address reasons why taxpayers chose to object rather than request a change to their return through channels where contact had already been established.

In January 2016, the CRA implemented a protocol for situations at the objection stage in which a taxpayer provides the appeals officer with new information that had been requested earlier by an auditor. In such cases, the information is returned to the audit area for review and recommendation. Since then, pilot projects with other areas of the CRA have been established. The pilot projects are being undertaken to validate the Agency's approach towards return of work protocols and apply lessons learned prior to a broader implementation of return to work protocols. For example, the team working on the Appeals Branch's Feedback Loop initiative (please refer to the report on progress against Recommendation 8 for further information about the Feedback Loop) is working with Benefits Compliance, within the Benefits Validation and Compliance Program. A pilot project was recently initiated between this program and Objections to return files to the program area when the objection contains information that was previously requested.

The results of this pilot project will be analysed during the first quarter of 2018-2019. Another pilot project, which was launched in November 2017, for objections related to factual assessments under section 152(7) of the *Income Tax Act* has included 195 objections to date. Of these, nineteen percent have been confirmed, as the taxpayers did not respond to requests for further information, and ten percent were accepted in full by the originating program. One objection was subsequently withdrawn and the remainder are in progress. Discussions are underway to expand the parameters of this project.

Communicating Recourse Options

In order to encourage taxpayers to provide complete and accurate information at the earliest stage possible, the CRA has undertaken a number of initiatives, including a multi-pronged communication strategy, to deliver clear and concise information to taxpayers about the various recourse options available to them and to make them aware that other recourse options might achieve their objective in a more timely and efficient manner. Within this context, the CRA launched an information campaign to better inform taxpayers about the service options available to them to change their return rather than to file an objection. The information campaign included a tax tip; a message to stakeholders; social media, such as Twitter and LinkedIn; and other communication products.

The Objections Program has also reached out to tax professionals to improve awareness of when it is appropriate for them to file an objection on behalf of their clients. For example, in June and December of 2017, the CRA collaborated with Chartered Professional Accountants (CPA) Canada to create two blog posts on objection-related topics: "Your role in expediting tax objections" and "Common reasons for invalid objections".

The Objections Program is currently developing a "decision tree" to be launched in the coming months on the CRA website that will assist taxpayers in determining the appropriate recourse option for them. The tree will help direct the taxpayer to the appropriate information source or provide direction on which area to contact to resolve their dispute after the taxpayer responds to a series of questions. For example, the tree could lead the taxpayer to the income tax or GST/HST Objections webpage, refer them to request an adjustment to their return, or suggest that the taxpayer address their concern to the assessing, verification, or audit area that was responsible for the (re)assessment.

The income tax and GST/HST objections webpages are updated on a monthly basis, informing taxpayers as to when they can expect their objection to be assigned and also the number of days taken on average to resolve low- or medium-complexity objections during the previous month. These updates are part of the overall effort to make taxpayers aware of the objection process and to help them gauge whether or not filing an objection is the right choice for them, or if there are other more efficient recourse options available.

Correspondence Review

As part of the work on the Feedback Loop initiative, samples of correspondence that the various programs are sending to taxpayers either before, during, or after a (re)assessment have been obtained by the Objection Program to ensure that, where there is mention of filing an objection, the appropriate information sources are referenced. Suggestions are made to the program area to use language in their letters that encourages taxpayers to provide their information prior to (re)assessment, rather than in the post-assessment and objection stages.

To date, the correspondence of 26 programs has been received for review. Feedback provided to the program areas has been implemented in the various correspondence sent to taxpayers. For example, through its review of correspondence sent to benefit recipients who have undergone a validation or compliance review, wording has been added to the decision letter, advising the taxpayer that it is not too late to send any additional documents or information that have been requested.

Furthermore, the new wording advises that the CRA is here to help if the taxpayer has any further questions. Benefit recipients also receive an official Notice of Determination following this letter that provides a breakdown of the changes made to their benefits as part of the review, as well as their recourse rights. It is hoped that, by prompting individuals to contact the CRA if they still wish to submit documents, they will do so rather than immediately filing an objection.

Recommendation 8:

"That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the concrete measures that it has implemented to 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."

Government Response (as tabled on June 21, 2017):

"The Government of Canada supports this recommendation. As requested by April 30, 2018, the CRA will issue a report to the Committee to demonstrate its advancement in the sharing of decisions on objections and appeals within the Agency and concrete measures it has taken to improve processes for and service to Canadians in light of these results."

Report on Progress:

As part of the CRA's Action Plan prepared in response to the findings of the OAG and the recommendations of the Standing Committee on Public Accounts, the Appeals Branch has implemented a multi-faceted approach to sharing objections and appeals outcomes with all assessing, verification, and audit programs so that they can identify opportunities for improvement in their practices, in order to improve the service that the CRA provides to taxpayers.

Tangible results achieved to date through this Feedback Loop Initiative include:

- Correspondence from assessing, verification, and audit programs has been revised to clarify for taxpayers how to best resolve their tax issues should new or additional information be available to support their claim;
- Return work pilot projects have been implemented to redirect work to the assessing, verification, and audit areas when new information is being provided by the taxpayer, allowing the program to take corrective action, where required; and
- Decision makers within assessing, verification, and audit programs have a greater appreciation of the impact of program choices on taxpayers, and a greater openness to modifying their practices to maximize taxpayers' ability to comply without having to file an objection.

Oversight and tracking of initiatives such as those identified above is carried out through an Inter-Branch governance structure and action plan, as described in the response to Recommendation 7, above.

Furthermore, the CRA has put in place a dedicated team entirely focussed on the sharing of decisions through the Feedback Loop. Given the CRA's strategic goal of providing excellent service to taxpayers, the Feedback Loop initiative will contribute towards the CRA's production of more accurate assessments, fewer objections and appeals and, ultimately, the provision of better service to Canadians through the formalisation of the feedback-loop process and the strengthening of the ongoing collaboration within the CRA.

This process is now integrated into the CRA's operational model, where the focus has been threefold:

1. The production of comprehensive quarterly reports for participating programs, featuring very detailed file-specific drill-down options that allow analysis to be performed down to the level of individual files.

2. The development of quarterly trends-analysis dashboards for each participating program
3. The implementation of a model of collaboration and continuous improvement in response to the needs of the programs involved.
 - o This collaboration involves 39 different program reports that offer categorical data, which provide a breakdown of cases that are confirmed and reversed (in full or in part), the reasons for any reversed decisions, and information for further file-specific analysis.
 - o The Appeals Branch is meeting regularly with its program partners and has developed action plans with 39 different programs to help improve service to Canadians. These plans address the collaborative analysis of the objection reports, the exchange of information on file-specific information, and the creation and sharing of specific data reports to uncover possible trends.
 - o There will be increases to the number of programs, action plans, and quarterly reports as the overall research continues.

Comprehensive Quarterly Reporting

Since November 2016, the CRA has generated and shared six quarterly reports with assessing, verification, and audit programs. The last report for third-quarter objection disposals was provided to programs on January 31, 2018.

Through its work with the various programs, the CRA continues to improve upon the feedback reporting that it provides. For example, the quarterly reporting began with providing program areas with a national-level view of objections results exclusively. Each quarter's reports have seen improvements; they have now evolved to their end state ahead of schedule and provide the programs with the ability to see decisions down to the file-specific level, including the resolution result and the reason for the decision. The CRA is committed to ensuring that the quarterly reports continue to meet the needs of the program areas, and will leverage their continuous collaboration to improve upon them.

Since January 2017, the CRA has refined how it categorises the sources of its work in order to report in a more focussed manner. There have also been improvements in how the categorisation of the reasons for its decisions to ensure that the program areas receive a better understanding of the reasons why decisions are made in the favour of taxpayers. CRA staff have been informed of the appropriate situations for the use of codes related to different reasons for decisions, as well as new codes added since the implementation of the Feedback Loop.

Complementing the quarterly reports is the establishment of regular quarterly meetings between the assessing, verification, and audit areas and the Appeals Branch; during these meetings, more in-depth discussions are held to focus the analysis of the data and to establish action plans applicable to the areas of focus for the Feedback Loop. Together, the Appeals Branch and each program area commit to the established action plans and ensure that discussions are ongoing and actions are taken. File reviews are undertaken following the analysis of the data that contribute to the activities set out in the action plan. Interactions are not limited to quarterly discussions. As stated below within the context of collaboration, discussions with various program areas occur on a daily basis.

Moreover, within the quarterly reporting, litigation results are also being shared with the assessing, verification, and audit areas. This information is provided at a national level

and outlines the reasons for court decisions. While the sharing of data is important, the CRA will continue to focus on enhancing its litigation-feedback framework to ensure that it can contribute to the resolution of taxpayer disputes at the earliest stage. This enhancement will be achieved through focussed conversations with the Department of Justice as well as the litigation area within the CRA over the course of 2018-2019.

Trends and Analysis

In an effort to support and improve the analysis, the CRA implemented new enhanced trends and analysis reports in November 2017. These reports provide a year-to-date comparison by quarter, which contains the dispute rate for the previous three years, disposal statistics, percentages of varying decisions, the number of objections resolved, the intake of objections, and the amounts of tax involved and allowed.

The format of these reports was created in consultation with the senior management of the program branches concerned, and it will continue to be enhanced as the analysis evolves.

Collaboration and Continuous Improvement

While reporting on objections and appeals decisions is critical, the CRA has also focused its attention on collaboration between the assessing, verification, and audit functions, and the Appeals Branch, as well as its regional counterparts.

There is daily contact with the program areas involved in the analysis of data. Each program has identified a feedback-loop liaison that engages with the Appeals Branch. Some programs have created working groups to analyse the new reports and it is anticipated that their analysis will provide valuable information.

Regional Appeals staff have participated in upwards of twenty outreach sessions providing assessing, verification, and audit areas with concrete feedback on ways to further enhance their work.

In collaboration with the governance committee, a Headquarters/regional framework has been established to ensure that there is a cohesive and focussed approach to analysing and implementing changes stemming from the work on this initiative.

As the feedback-loop model suggests, in turn, there may be instances where the CRA's program areas can provide the Appeals Branch with feedback. All programs have been encouraged to bring forth instances where there might be a systemic issue or a particular file that is significant to the future planning of the Appeals Branch's work.

This open dialogue has contributed to the ultimate aim of a dispute-resolution system to improve original decision-making and processes. The development of enhanced data reporting and analysis supports training needs and process improvements, as well as the quality of cases being addressed. Furthermore, it also enhances the monitoring of trends leading to the identification of issues related to policy, legislation, and procedures.

Recommendation 9:

"That, by 30 April 2018, the Canada Revenue Agency develop a performance indicator that scientifically measures Canadians' overall level of satisfaction with its services and customer experience, and report annually the results in its Departmental Results Report."

Government Response (as tabled on June 21, 2017):

"The Government of Canada supports this recommendation. As part of the Departmental Results Framework, the CRA has developed a performance indicator, the Public Perception Index (PPI), which will be publically reported on in the 2017-2018 Departmental Results Report. The PPI incorporates select responses from the Annual Corporate Research, which uses qualitative and quantitative methods to gather feedback from three groups of participants: individuals, small and medium business, and tax intermediaries. The PPI measures factors such as Canadians' level of satisfaction with the overall performance of the CRA, quality of service received, and understandability of information and resources. As requested, by April 30, 2018, the CRA will issue a report to the Committee confirming and informing progress on the above."

Report on Progress:

As part of the Departmental Results Framework, the CRA has developed a performance indicator, the Public Perception Index (PPI), which will be publically reported on in the CRA's Departmental Results Report (DRR). The PPI incorporates select responses from the Annual Corporate Research (ACR), which uses qualitative and quantitative methods to gather feedback from three groups of participants: individuals, small and medium businesses, and tax intermediaries.

The PPI measures factors such as Canadians' level of satisfaction with the overall performance of the CRA, quality of service received, and understandability of information and resources.

Specifically, the four questions that blend into the index are:

- How would you rate the overall performance of the Canada Revenue Agency;
- How would you rate the ease of understanding with respect to the information provided to taxpayers through tax forms and resources;
- How satisfied are you with the overall quality of the service you received when you contacted the Canada Revenue Agency by telephone on this most recent occasion; and,
- Did you get what you needed from the Canada Revenue Agency on this particular occasion?

The questions included in the PPI have been selected to measure the satisfaction of clients with the CRA's provision of information, service interaction, and service success. Each audience is weighted equally. The first three questions ask for a rating on a scale of 0-10, and the fourth asks for a "yes" (weighted to 10) or "no" (weighted to 0) answer. The surveys are contracted to a market research firm which uses a telephone survey for individuals and online surveys for the other two groups. As noted above, the result for 2017-2018 will be published in the 2017-2018 DRR. The CRA continues to look at opportunities and ways to further develop indicators so that additional dimensions of the CRA service experience can be measured and reported on.