

EXECUTIVE SUMMARY FORMAT	INTERNAL AUDIENCE	01/08/2023 ISSUE DATE	UNCLASSIFIED CLASSIFICATION
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Australian Government
Australian Taxation Office

EXECUTIVE SUMMARY

FILE REF: [FILE NO.]

TITLE:	Briefing on progress of offsetting of debts on hold		
SPONSOR:	s 47E	BUSINESS LINE/ BRANCH:	Lodge and Pay
AUTHOR:		AUTHOR PHONE:	s 47E
ISSUE DATE:	01/08/2023	RESPONSE DATE:	[Date response due]

Purpose of paper

To inform the committee members of impacts of identified issues with the offsetting of non-pursued debts.

Key Issues

1. Status of current offsetting of non-pursued debt system bugs

Status of current offsetting of non-pursued debt system

There are 3 bugs impacting to lawful offsetting of debt on hold:

Status	Bug Reference	Bug Description	Impact	Mitigation
OPEN - EST investigation	BUG 3666039 23IR1 Prod INC003882081 NPD double re-raise (Newly Identified)	When uneconomic non-pursuits are being re-raised across multiple periods to absorb / offset a credit, the system is re-raising incorrect amounts, leading to some clients being left in a debit position (requiring payment above the amount of the credit) or re-	Priority 2 Severity 3 – Medium So far 245 clients identified by VNPDP project team as potentially impacted. More accurate client impact	Remediation - There is no known remediation. EST are still identifying the root cause. Mitigation: • Add a 'Suppress All' suppression to all affected clients to prevent correspondence from issuing and financial actions

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		<p>raising more than what was originally non-pursued (requiring payment of a false debt).</p> <p>This bug appears to occur randomly (we have not yet identified the root cause or bug traits).</p> <p>It appears to impact non-pursued debts that span multiple periods.</p> <p>The system correctly re-raises the amount for one period, then incorrectly applies the same dollar value to another period despite the dollar value that was originally non-pursued for that period.</p>	<p>assessment is required to identify all impacted clients once root cause is identified</p> <ul style="list-style-type: none"> o 200 clients have further debts on hold so although the period-level transaction is incorrect, the client's full refund/credit should have been offset to a debt on hold o 45 clients have had debts re-raised above the amount that was originally non-pursued 	<p>such as PRM action on any active debts created by these bugs</p> <ul style="list-style-type: none"> • Add an internal Siebel note to all affected client accounts – wording to be confirmed with VNPD Band 1s and M&C: • Isolate 1-2 LAP staff to make 1-to-1 phone contact with the 45 most impacted clients.
<p>OPEN - EST investigation</p>	<p>BUG 3664324 is for 23IR1 Prod INC003883710 DSI-8266 Non pursuit error message in ICP</p> <p>(potentially linked to the above)</p>	<p>Appears to be linked to the above bug. This bug appears to occur randomly (we have not yet identified the root cause or bug traits).</p> <p>The system is partially re-raising a non-pursued debt amount for a period but using a full re-raise transaction code to do it. This means that the transaction is 'finalised' even though there is still an amount owing as a</p>	<p>Priority 2 Severity 3 – Medium</p> <p>1 client identified so far resulting in raising of bug.</p> <p>Client credit is being held until resolution can be determined.</p> <p>Delayed refund interest may be payable to the client.</p>	<p>Remediation – There is no known remediation. EST are still identifying the root cause.</p>

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		<p>non-pursued debt for that period.</p> <p>Staff cannot partially or fully re-raise the remaining NPD amount so we will need support from EST to identify how to remediate these amounts.</p>		
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Minutes – EL2 RAD: Visibility of non-pursued debt

Venue: WebEx – details in meeting invite

Date: 8 August 2023

Start: 11:00am AEST **Finish:** 11:35am AEST

Chair: s 47E

Contact: VNPDP Project team

Contact details: s 47E

Attendees:

Name	BSL
s 47E	ESD Enterprise Risk Engagement
	CAS Enterprise Register and Accounts - Integrity
	LAP VNPDP Project team
	ATOC Marketing and Communication
	IAI Experience, Government & Case Leadership
	LDPS Business Improvements
	CAS EWM Design
	CAS ERA Integrity
	LAP VNPDP Project team
	LAP VNPDP Project team
	IAI Engagement & Support
	CAS EWM Design
	SMB Small Business Experience
	LAP VNPDP Project team
	ATOC External Engagement & Governance
	EST Income Tax and Platform Support

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O&R SMB IND Objections
IAI Experience, Government & Case Leadership
SDP Visual Analytics & Transformation
Individuals and Intermediaries
SDP Engagement, Strategy and Planning
LAP VNPDP Project team
ATOF Financial Statements and Policy Service
SAS OPAL

Absentees:

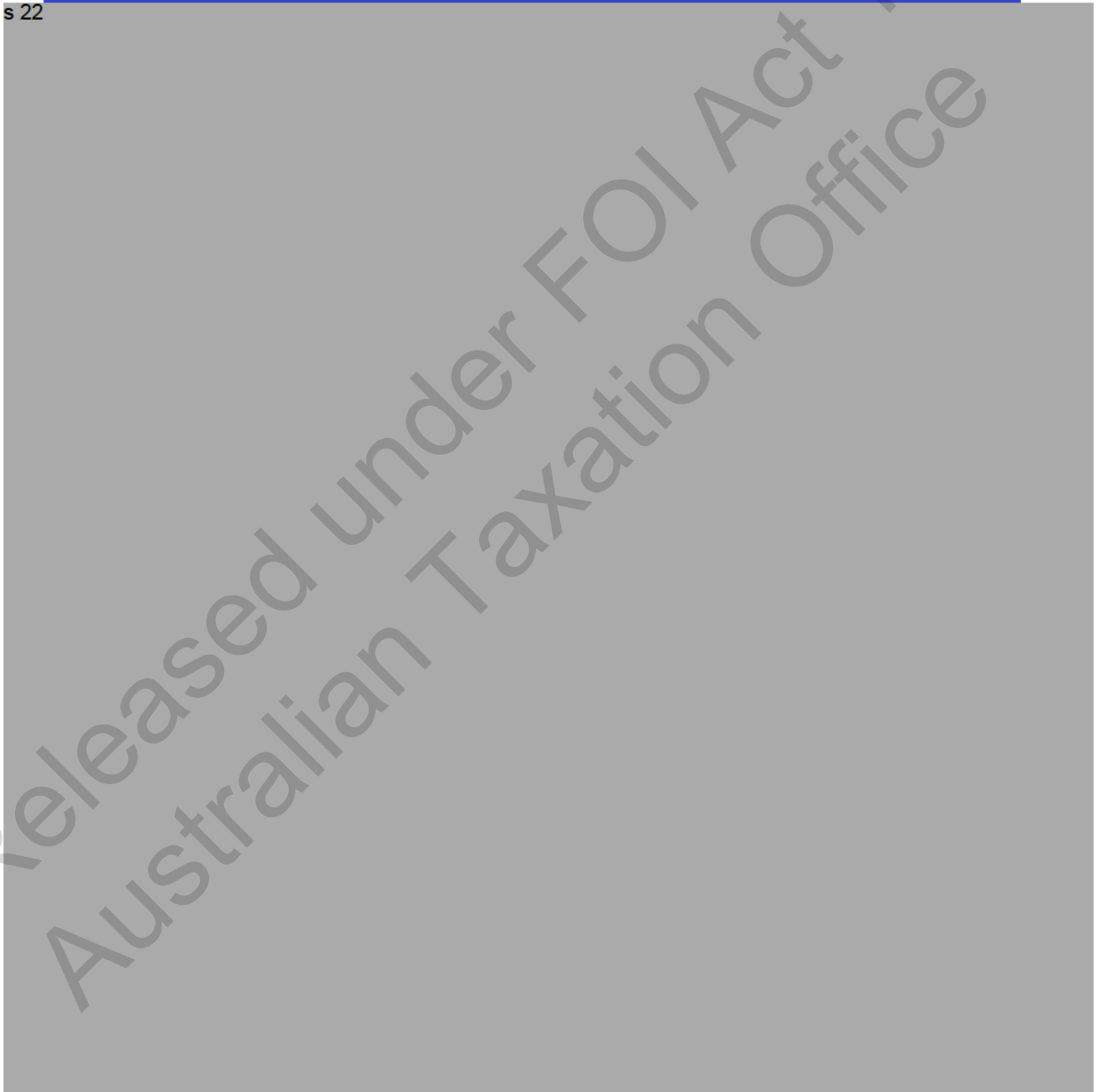
Name	BSL
s 47E	EST Income Tax and Platform Support
	ESD Enterprise Risk Management
	SAS Commercial Services
	SDP Data Insights Delivery
	SAS OPAL
	SDP Strategy and Planning
	IAI Experience, Government & Case Leadership
	LAP Operations Workflow & Workforce Management
	LAP Operations Planning & Strategy Adherence
	LDPS Business Improvements
	SMB Small Business Experience
	CAS SD Complaints
	LAP VNPDP Project team
	EST Income Tax and Platform Support
	CAS EWM Design
	ATOF Financial Statements & Policy Service
	IAI Experience, Government & Case Leadership
	ATOC Marketing and Communication

s 47E

	LAP VNPD Project team
	LDPS Business Improvements
	SDP Data Engineering

Project Updates

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Item number 2 – EST Update

Bugs:

- From s 47E
 - Design analysis is still occurring on the outstanding bugs and the assigned teams are still working through solutions.
 - A potential deployment date of 5th September has been proposed if solutions can be identified.
 - There will be a meeting later this afternoon (9th August) with the teams assigned to these issues. There will be more information available after that meeting.
 - There will be a Band 2 briefing occurring on Thursday 10th August about the current system bugs.
- From s 47E
 - Details of the impacted clients for the *'Re-raised debt exceeding credit amount'* bug are required to assess the incident priority, however, as the underlying issue has not been identified the impacted clients cannot be identified.
- s 47E advised that at this stage the *'Re-raised debt exceeding credit amount'* bug has affected a small number of clients and 1-2 staff members could be allocated to make direct contact to affected clients.
- s 47E queried if there is a known precedent for messaging in a similar situation that would not cause the client alarm that could be used for this issue.
- s 47E advised that Vivek and the LAP Exec are scheduled to attend the Tax Practitioner Stewardship Group (TPSG) on 22 August which will include a Q&A session so briefing on this issue may be required.

From: [Visibility of NPD](#)
To: s 47E
Subject: FW: ATOE | Management of Offsetting of Non-Pursued Debt | System Incident INC003883710 DSI-8266 | Bug 3664324 [SEC=OFFICIAL]
Date: Thursday, 17 August 2023 1:41:00 PM

ATOE decision to pause offsetting

s 47E

Visibility of Non-Pursued Debt (VNPD) project
Risk and Strategy | Service Delivery

P s 47E

From: s 47E

Sent: Monday, 14 August 2023 11:03 AM

To: s 47E

Cc: Visibility of NPD s 47E Adam O'Grady <Adam.O'Grady@ato.gov.au>

Subject: FW: ATOE | Management of Offsetting of Non-Pursued Debt | System Incident INC003883710 DSI-8266 | Bug 3664324 [SEC=OFFICIAL]

For record keeping.

Kind regards.

s 47E

Acting Assistant Commissioner
Risk and Strategy | Lodge and Pay
Australian Taxation Office

P s 47E M s 47E

ATO. Working for all Australians

From: Vivek Chaudhary <Vivek.Chaudhary@ato.gov.au>

Sent: Friday, 11 August 2023 7:43 PM

To: Lodge and Pay SES <LodgeandPaySES@ato.gov.au>

Subject: FW: ATOE | Management of Offsetting of Non-Pursued Debt | System Incident INC003883710 DSI-8266 | Bug 3664324 [SEC=OFFICIAL]

FYI

From: Vivek Chaudhary

Sent: Friday, 11 August 2023 7:13 PM

To: Chris Jordan <Chris.Jordan@ato.gov.au>; David Allen (SYD) <David.Allen2@ato.gov.au>;
Jeremy Hirschhorn <Jeremy.Hirschhorn@ato.gov.au>; Jacqui Curtis <Jacqui.Curtis@ato.gov.au>;
Ramez Katf <Ramez.Katf@ato.gov.au>; Janine Bristow <Janine.Bristow@ato.gov.au>

Cc: Kirsten Fish <Kirsten.Fish@ato.gov.au>; Clare Gunning <Clare.Gunning@ato.gov.au>; Narda

Phillips <Narda.Phillips@ato.gov.au>

Subject: ATOE | Management of Offsetting of Non-Pursued Debt | System Incident
INC003883710 DSI-8266 | Bug 3664324 [SEC=OFFICIAL]

Good Evening all:

Please see below note to capture the outcome of today's meeting at 5pm. Should you require any alterations, please reply all.

Attendees:

ATO Executive: Chris Jordan, David Allen, Jeremy Hirschhorn, Jacqui Curtis, Ramez Katf, Janine Bristow

Advisors: Vivek Chaudhary, Narda Phillips and Clare Gunning

Apologies:

Kirsten Fish (In Transit)

The ATO Executive met on Friday 11 August 2023 to consider options and response for managing the offsetting of non-pursued debts due to System Incident INC003883710 DSI-8266 | Bug 3664324.

System Incident INC003883710 DSI-8266 | Bug 3664324 has been identified in the operation of the automatic offsetting of non-pursued debts. The impact is limited to debts that have multiple periods of debts on hold. This is leading to some clients being incorrectly left in a debit position. These amounts will be visible to clients on online system and included in any statements and other communication from the ATO. The operation of the bug may also result in reducing a refund in excess of the debt amount. As of 11 August 2023, we have identified 49 potential cases that may be impacted by this bug.

EST have performed an investigation of the bug and have identified its potential root cause with an initial assessment of minimum 1 week period required to fix the bug with proper testing.

The Executive in attendance noted:

- The seriousness of the impact of the bug due to the adverse client impact against the duration of non-conformance to ATO's requirement to offset credits to address debts on hold.
- Consideration of high level of confidence that the root cause is identified and the effort of the big fix is known.
- Option to pause offsetting for a short duration was preferred rather than allow incorrect system operation from continuing further.

The Executive in attendance unanimously decided the following actions in response to this system incident:

1. EST pause the offsetting of debts on hold, as soon as possible to prevent further incorrect operation of the known bug. **[ACTION FOR NARDA]**
2. Provide a head-up update to the Minister's office and consider further communication plan

[ACTION FOR VIVEK, CONSULT WITH CLAIRE]

3. The 49 cases and any other cases subsequently found, be thoroughly investigated to understand the account/client impacts. Service Delivery to proactively make contact with clients to acknowledge the system issue and assure that the accounts will be corrected

[ACTION FOR VIVEK, CONSULT WITH CLAIRE]

4. EST to implement bug fix, and resume offsetting of debts on hold as soon as possible

[ACTION FOR NARDA]

5. As per advice from EST and CAS ERA, Service Delivery to remediate all known impacted accounts to accurate position ***[ACTION FOR VIVEK]***

6. Brief Second Commissioner Kirsten Fish as soon as possible ***[ACTION FOR VIVEK]***

Regards,

Vivek

Vivek Chaudhary
Deputy Commissioner
Lodge and Pay | Service Delivery
Australian Taxation Office

P s 47E

M s 47E

ATO. Working for all Australians

From: s 47E
To: [REDACTED]
Cc: [REDACTED]
Subject: Notes from discussion regarding outbound communication with clients [SEC=OFFICIAL:Sensitive, ACCESS=Personal-Privacy]
Date: Thursday, 10 August 2023 4:07:21 PM
Attachments: [VNPD B2 Executive Brief - offsetting system issues Draft V0.01.doc](#)

Hi everyone

Thanks for the conversation this afternoon regarding outbound communication with clients; especially those impacted by the recently identified bugs.

The intent of the conversation was to confirm how to communicate with clients to make them aware of these issues. What can we say? What should we say?

Attendees:

- CAS ERA - s 47E [REDACTED]
- VNPD Project team - s 47E [REDACTED]
- OPAL - s 47E [REDACTED]
- M&C - s 47E [REDACTED]
- ATOC Corporate Affairs (Media Unit) - s 47E [REDACTED]
- ESD Enterprise Risk - s 47E [REDACTED]

Here are my notes from the conversation. Please let me know if any changes are required or if I missed anything.

Bugs especially the double re-raise bug

- Background
 - The attached Band 2 Executive brief was shared with the VNPD Band 2 committee today
 - 45 impacted clients identified for the double re-raise bug so far, but full client population is not yet known
 - Chris Rock gave a verbal update about these bugs at the Band 2 committee today
 - More definitive information is expected to be available tomorrow
 - This information can then be used to inform appropriate mitigation options
- Mitigation steps within my project team
 - We are working with stakeholders to build a query to try and identify clients impacted by these bugs – both clients impacted in the past and clients as they have their debts re-raised incorrectly. This is difficult because we do not have information about what is triggering the bugs to be able to filter client data. It will require manual review of client records
 - We will need advice/help from CAS ERA to identify appropriate treatment/mitigation options. For example; we may want to place a 'suppress all' on client accounts to prevent correspondence from issuing if they have incorrect debts but we don't want to prevent refunds from issuing
- Proposed communication planning
 - It was recommended that we do not communicate with clients until we have more

definitive information including what are we doing about the issue, when will it be resolved etc. Further information should be available after the Band 2 meeting tomorrow afternoon

- Media Unit needs to be prepared before any communication with clients
- Use 1-2 experienced staff to make all outbound calls
- **ACTION** - s 47E to identify if we can apply some sort of account transaction (e.g. a sundry posting) to remediate the client account before contacting clients – enables a more conducive/positive conversation. Need to understand what impacts this would have on the remediation that would be taken by EST. e.g. would it generate a false refund when the account is remediated?
- **QUESTION** - Can we add an appropriate note to client accounts to support inbound contact centre staff with enquiries? **ANSWER** – There is no legal reason that we can't add a note but Inbound Contact Centre staff would not have any context so it would be a difficult conversation.
- **ACTION** – everyone to consider what messages would be appropriate to include in an outbound phone call. I will arrange a follow up meeting for us all on Monday morning to discuss outcomes of the Band 2 meeting
- **ACTION** – s 47E to engage General Counsel to identify if clients are entitled to compensation for defective administration (s 47E is the EL2.2 in General Counsel who looks after CDDA)
- Potential BUG key messages (s 47E draft only):
 - We have identified an incorrect transaction on your account
 - What transaction?
 - What does it mean?
 - We are investigating and will resolve as quickly as we can
 - What should my balance be?
 - We will contact you once the issue is resolved
 - When will that be?
 - In the meantime, we will/you can.....
 - What will we do?
 - What should the client do?

Not offsetting to debts placed on hold prior to 1 January 2017

- We discussed 2 scenarios
- Tax agent querying why a refund was not applied to a debt on hold
 - Website content and media holding lines do not refer to the remaining threshold
 - Refer to TPSG content
 - Historically, we have used thresholds in our offsetting process, which meant not all clients with debts “on hold” have had their credit offset.
 - Based on this advice, we are removing the thresholds we previously had in place meaning all clients with debts “on hold”, who have an available credit, will have their credit offset to pay the debt. This will be done progressively by June 2023.
- Staff member query – why can't I offset a credit against an older debt on hold?

- Staff member is following procedure but questioning why
- Refer to comms and awareness – ATO E made a decision. Thresholds being removed progressively. Client is not eligible for offsetting
- s 47E is the decision maker for the deferral of recovery action (it is not a deferral of recovery not a deferral of offsetting) – it is allowable to to make an informed case-by-case decision to offset if the circumstances justify it. Need to discuss if this process is needed and what it could look like

Thanks and regards

s 47E

Director

Visibility of Non-Pursued Debt (VNPD) Project | Box Hill

Lodge and Pay (LAP) | Service Delivery

Australian Taxation Office

p s 47E

M s 47E

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From: s 47E
To:
Cc:
Subject: RE: Debt Re raise catchup [SEC=OFFICIAL]
Date: Friday, 18 August 2023 12:18:54 PM
Attachments: [image001.png](#)

Hi

Can we confirm if the PCB that runs Sunday is limited to specific accounts, and if so will we be likely to get cases to test if so far our identified impacted clients have all been on IT? That's what we have seen in our list – does that align with what you have seen ?

If this is the case we may possibly be unable to BDV till after Mondays run.

Kind Regards,
s 47E

Business Strategy Manager | Visibility of Non-pursued debt (and re-raise) Project,
[Risk & Strategy](#), Service Delivery (Lodge and Pay)
Australian Taxation Office
p s 47E



From: s 47E
Sent: Friday, 18 August 2023 12:45 PM

s 47E

Subject: RE: Debt Re raise catchup [SEC=OFFICIAL]

Hello,

A quick updated, there is a benefit to deploying Sunday before 9pm. The processes will run and

impacts will be seen before refunds.

I have updated the meeting notes based on the above recommendation:

- Deploy Sunday 20/8/23 before 9pm
- EST to identify clients for BDV this can occur after PCB is run Sun 20/8/23 about 10pm or early Monday 21/8/23
- Business to commence BDV on Monday 21/8/23
- Function testing aiming to be completed Today 18/2023
- Auto regression testing Re commencing today and will need to confirm if this needs to extend into Saturday 19/8/23

Regards,

s 47E

-----Original Appointment-----

From: s 47E

Sent: Thursday, 17 August 2023 4:45 PM

s 47E

Subject: Debt Re raise catchup

When: Friday, 18 August 2023 12:00 PM-12:30 PM (UTC+10:00) Canberra, Melbourne, Sydney.

Where: s 47E

Pencilling in a meeting to continue discussions and updates

From: s 47E

Sent: Thursday, 17 August 2023 4:41 PM

s 47E

s 47E

Subject: RE: Debt Re raise catchup [SEC=OFFICIAL]

Hello,

Here are some notes from our meeting:

- 1 Test has failed, and the root cause is being investigated - [Test Case 3700865](#): 07. Partial pre 2017 re raise. NP on three periods. (Non IND)
- The initial investigation indicates that this is an existing production issue
- Business has advised that this failed test is an issue for them to Re-enable the Debt Re-Raise Process as there is no work around and they can't identify impacted clients prior to the issue having an impact.
- To make an Efix deployment on Monday 21/8/23 7pm – 9 pm EST need:
 1. a fix ready to be tested on 18/8/2023
 2. Re testing completed by TCM cut offs 21/08/2023 – exact Time to be confirmed for an emergency change
 - Retesting will include all the functions test for the Process Credit Balance Offset module change and the Auto regression testing.
 - A test waiver can be considered for the ICP codes table changes to Re-enable Debt Re-Raise processes as this is returning to a pre-production state prior to change on Sunday 13/8/23

I will organise a meeting for tomorrow.

Cheers

s 47E

-----Original Appointment-----

From: s 47E

Sent: Thursday, 17 August 2023 8:46 AM

s 47E

Subject: Debt Re raise catchup

When: Thursday, 17 August 2023 12:00 PM-12:30 PM (UTC+10:00) Canberra, Melbourne, Sydney.

Where: s 47E

Hello,

Pencilling in a meeting to discuss the testing and impacts of failed tests.

Cheers

s 47E

A rectangular grey box redacting the text below 's 47E'.

Released under FOI Act 1982
Australian Taxation Office

From: s 47E
To:
Cc:
Subject: RE: Debt Re-raise - BDV plan [SEC=OFFICIAL]
Date: Monday, 21 August 2023 11:51:22 AM

Hi all,

Please find my notes from the meeting this morning.

- TDV was completed Sunday 20/8 on both CHG000423223 (to resolve Incident INC003883710 DSI-8266 | Bug 3664324: and the new issue INC003882081) and CHG000423223 (turning re-raise back on)
- BDV will commence tomorrow morning 22/8, as PCB only runs for CAC accounts only on Sundays.
- Remediation - Out of the potential maximum population of 945, business believe that only 20 of these are impacted by false debts. These can be remediated without requiring EST assistance, using sundry credits. The remaining population will need to be reviewed by Business as a priority. Once these have been reviewed Business will engage with KTLO to discuss any remediation required by datafix.

Actions

1. s 47E to provide the BDV scenarios planned to run to all.
2. EST to provide a general list to Business following PCB that can be used for BDV. Once BDV requirements are received EST will look at how to assist in refining which cases could be used for those scenarios. This refinement will not be part of the initial list, however can be worked through over the BDV period.
3. EST to confirm whether one of the scenarios assumed to be resolved with the problem fix was included as part of testing or if this needs to be tested. s 47E
4. s 47E - can you please confirm which scenario this is from your list?
s 22
5. Business to advise once analysis is complete on remediation and when further discussion to take place around KTLO assistance with remediation.

Please let me know if I missed anything.

Regards
s 47E

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Stakeholder Updates

Week Commencing September 25th 2023

KEY MESSAGES

Incorrect re-raise transactions - Bug fixes #3664324 & #3666039

- *Incorrect re-raise transactions* - Bug fixes #3664324 & #3666039
 - System fixes for Bugs #3664324 & #3666039 were deployed 20th August 2023. BDV testing has confirmed the system is working to design with no issues identified. BDV has been endorsed.
 - A total of 603 clients (inclusive of the 20 clients adversely impacted) have been identified as having 1083 incorrect transactions
 - The client list has been provided to EST
 - EST, CAS and LAP have convened a smaller group and agreed on the remediation resolution for these transactions to be tested.
 - Testing environment and production testing of the resolution have been successfully undertaken.
 - The remediation is scheduled to occur this week.

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Minutes – EL2 RAD: Visibility of non-pursued debt

Venue: WebEx – details in meeting invite

Date: 4 October 2023

Start: 11:00am AEST **Finish:** 11:35am AEST

Chair: s 47E

Contact: VNPDP Project team

Contact details: s 47E

Attendees:

Name	BSL
s 47E	SBM NFP New Measures
	IAI ES Agent Future Experience
	LAP VNPDP Project team
	ESD Enterprise Risk Management
	ATOC Marketing and Communication
	LAP Change Management
	SDP Data Insights Delivery
	SAS OPAL
	LAP Operations Planning Strategy & Alignment
	IAI Experience, Government & Case Leadership
	CAS EWM Design
	CAS ERA Refund Integrity
	CAS SD Complaints
	LAP VNPDP Project Team
	LAP OPS Planning Strategy and Alignment
	LAP VNPDP Project team

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s 47E	CAS EWM Design
	SMB Small Business Experience
	LAP VNPDP Project Team
	CAS SD Complaints
	O&R SMB IND Objections
	SAS Commercial Services
	SDP Visual Analytics & Transformation
	LAP VNPDP Project team
	ATOC Marketing and Communication
	LDPS Business Improvements
	Individuals and Intermediaries
	CAS SD Complaints
	SDP Engagement, Strategy and Planning
	ATOF Financial Statements and Policy Service
	SAS OPAL
SDP Data Engineering	

Absentees:

Name	BSL
s 47E	EST Income Tax and Platform Support
	ESD Enterprise Risk Engagement
	CAS Enterprise Register and Accounts – Integrity
	EST Income Tax and Platform Support
	SAS Commercial Services – sent Pranavi Visakulan
	SDP Strategy and Planning
	IAI Experience, Government & Case Leadership
	LAP Operations Workflow & Workforce Management
	CAS ERA Integrity
	LAP Operations Planning Strategy & Alignment
	LDPS Business Improvements
	CAS CCP Project

s 47E

IAI Engagement & Support
SMB Small Business Experience
CAS SD Complaints
ATOC External Engagement & Governance
EST Income Tax and Platform Support
EST Income Tax and Platform Support
ATOF Financial Statements and Policy Service
CAS EWM Design
ATOF Financial Statements & Policy Service
IAI Experience, Government & Case Leadership
IAI Experience, Government & Case Leadership
SMB Integration and Resolutions
LAP VNPDP Project team
LAP Change Management
LAP VNPDP Project team

Project Updates

Item number 1 – Project updates by s 47E

VNPDP Project Leadership:

Phase 1 - Tracking well

Bug remediation update:

- 603 clients originally flagged as being impacted by the incorrect re-raise bugs
- 60 clients required a credit sundry to be added to their accounts, where the amount that was re-raised was greater than what was originally non-pursued for the relevant period/assessment
- 78 clients required a correction to their non-pursuit transaction status to accurately reflect if the non-pursuit had been re-raised in full or not
- Approx 250 clients still have a debit balance remaining following our remediation actions, so further work is being completed to determine what the next appropriate steps are for these clients (with the potential of a non-pursuit to be recommended)
- Contact will be made with the most impacted clients that were previously contacted to provide an update and the outcome of the remediation

Conformance with Obligations

Law Compliance of IT Systems

December 2023 Quarter

Released under FOI Act 1982
Australian Taxation Office

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- The 'ICP system issues when re-raising non-pursued debts' matter was recategorized from an emerging issue to a Tier 1 matter of non-conformance. It involves 3 system issues affecting the re-raise of non-pursued debt (NPD) and the incorrect refunding of credits that should be offset against NPD. Presently, system fixes for all 3 of the issues have been identified and successfully deployed by EST to prevent future occurrence. Further, all remediation of affected client accounts has occurred and none of the 3 issues continue to impact client accounts. This issue will be removed from the conformance statement in the March 2024 quarter after delegate approvals have been obtained.

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5 OFFICIAL: Sensitive

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Issue 5:

Obligation: *Taxation Administration Act 1953*

OFFICIAL:Sensitive

Description of obligation:

The Commissioner has an obligation under Part IIB of the *Taxation Administration Act 1953* (TAA) to offset credits against taxation debts, including non-pursued debts.

Title of matter:

ICP system issues when re-raising non-pursued debts

Business owner:

EL 2 s 47E [REDACTED] – Director, Project Implementation (Service Delivery, Lodge and Pay, Risk and Strategy)

Business Owner:

SES1: Adam O’Grady – Assistant Commissioner (Service Delivery, Lodge and Pay, Risk and Strategy)

SES2: Vivek Chaudhary – Deputy Commissioner (Service Delivery, Lodge and Pay)

ICP Application Owner

SES1: Chris Rock - Assistant Commissioner, Enterprise Solutions and Technology

SES2: Sebastian Hood - Deputy Commissioner, Enterprise Solutions and Technology

Description of matter:

From June 2022, the ATO recommenced offsetting credits owing to taxpayers against debts (owing by the taxpayers) which were previously determined to be uneconomical to pursue (also known as debts on hold or non-pursued debts) through the automated system process. Offsetting of credits against such debts is required under Part IIB of the *Taxation Administration Act 1953*.

ICP automatically re-raises a non-pursued debt (NPD) on a client’s account when a credit becomes available so that it can be offset against the re-raised debt. The system is designed so that the amount of the NPD re-raised is equal to the amount of the credit available for offset.

The visibility of non-pursued debt (VNPd) project has identified 3 ICP system issues impacting the automatic re-raise NPDs and offsetting of credits to re-raised amounts.

(i) Incorrect re-raise (first identified on 13 July 2023)

In some instances, ICP re-raises an incorrect NPD amount. This includes re-raising an NPD amount that is:

- less than the available credit,
- greater than the available credit (and less than or equal to the NPD amount), and
- greater than the NPD amount.

As a result of the error:

- some clients are left with re-raised debt amounts on their account that should have remained non-pursued,
- some clients received a refund amount that was less than the amount they should have received (where the system re-raised an amount that exceeds the NPD amount and to which the credit was offset),
- some clients received an incorrect refund where further NPD amounts were available for offsetting, and
- some clients have a posting of a false liability on their account (where the system re-raised an amount that exceeds the NPD amount).

This error does not occur on every client’s account where an NPD is re-raised for offsetting. It is not known why it occurs in some, but not all, cases.

(ii) Partial re-raise error (first identified on 21 July 2023)

ICP incorrectly applies a ‘full re-raise’ transaction code when partially re-raising an NPD amount for a credit to offset to. This results in the system treating the client as though they no longer have an NPD even though there remains an amount of NPD on the client’s account.

As a result, the system prevents staff from partially or fully re-raising the remaining NPD amount.

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Law conformance risk tolerance:

The law conformance risk tolerance for this matter is currently moderate and within tolerance.

Risk rating:

High.

Are temporary or alternative controls/workarounds in place that mitigates this matter of non-conformance?

N/A as the issue has been resolved

Mitigation strategy commentary:

Quarterly update:

System issue (i):

A system fix was successfully deployed on 20th August 2023 and account remediation was undertaken in September and October 2023 to correct the impacted accounts to accurately reflect the correct re-raise amount and any NPD amounts remaining.

This issue is no longer impacting client accounts.

System issue (ii):

A system fix was successfully deployed on 20th August 2023 and account remediation was undertaken in September and October 2023 to correct the impacted accounts to accurately reflect the client's remaining NPD amounts (including where there is no NPD amount remaining).

This issue is no longer impacting client accounts.

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As system fixes for all of the above issues have been implemented, and remediation has been completed, this matter has been resolved and will be removed from this statement in the March 2024 quarter.

Attachments:

Status:

- On track to meet the original due date
- On track to meet the revised due date

OFFICIAL:Sensitive

Business Line: STRATEGY AND SUPPORT

Open date: 15/02/2024

Key contact: s 47E

Due Date: 30/06/2024

Original Value: 30/06/2024

Notes on due date:

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Previous status updates*September 2023 update:**(i)* Incorrect re-raise

As of 20 August 2023, EST successfully implemented a system fix to prevent this issue from occurring in the future. EST is developing a remediation plan for existing cases, however, no timeframe for finalisation has been provided.

As at 3 October 2023, 603 clients have been identified by the VNPD project team to potentially be impacted (to varying levels) by this issue:

- 20 clients originally identified as most impacted by this issue were remediated, and require client contact to advise of the successful outcome.
- 60 clients required a credit sundry to be added to their accounts, given the amount that was re-raised was greater than what was originally non-pursued.
- 250 clients have a debit balance following the re-raising of an NPD, requiring manual checks by staff to confirm whether this is due to the system re-raising more than the NPD amount.
- The remaining clients affected require further investigation to determine whether remediation is required. For example, clients that had an amount (of their NPD) re-raised that was less than the credit available were refunded with the remaining credit balance. Such cases do not require remediation.

The VNPD project team expect to remediate client accounts confirmed to be affected by this issue in October. The team is also reviewing accounts to identify which clients require a further non-pursuit of an NPD amount that was re-raised in excess of the available credit at the time. No formal complaints have been received in relation to this issue.

(ii) Partial re-raise error

As of 20 August 2023, EST successfully implemented a system fix to prevent this issue occurring in the future.

As at 3 October 2023, 78 impacted clients were identified and remediated. (Note that this figure may include clients impacted by the 'incorrect re-raise' issue.) No formal complaints have been received in relation to this issue.

As an interim measure, some credits owing to impacted clients are being held until a resolution can be determined. As a result, delayed refund interest may be payable to these impacted clients.

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