

12TH ANNUAL

ERM SUMMIT



**NEXT
GENERATION
OF ERM**
WHAT YOU
NEED TO KNOW

AFERM
Association for Federal
Enterprise Risk Management

October 29-30, 2019

Ronald Reagan Building

Thinking About Our Reputation

A Tax Administration Case Study

Presented by the **Canada Revenue Agency**

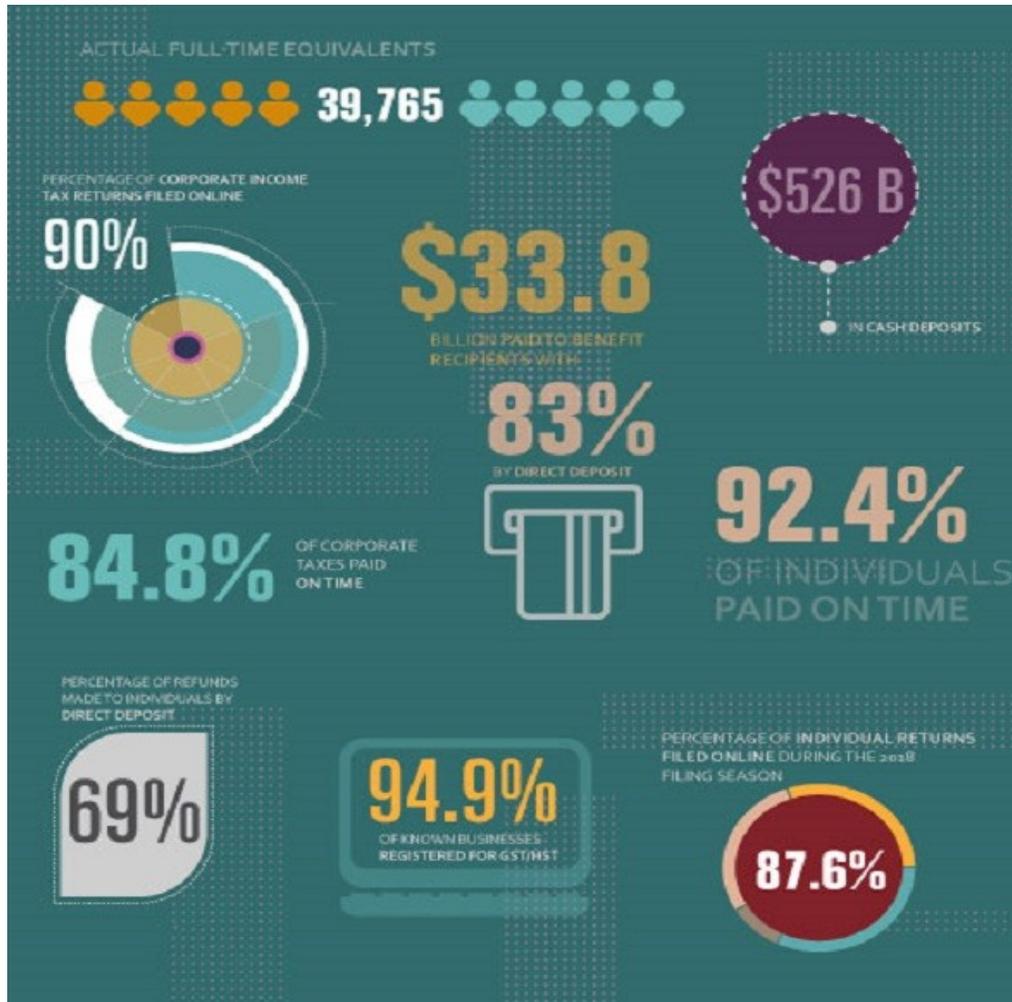
Join us on Twitter! **#LetsTalkRisk**
@PhilbinBG @LeFonfon



Today's session

1. The CRA and the Enterprise Risk Management Division
2. Introduction to reputational risk
3. Factors that contribute to reputational risk
4. Designing a reputational risk maturity model
5. Operationalizing reputational risk management
6. Communication and reputational risk
7. Closing remarks
8. Questions and comments

Canada's Tax System at a glance



Results at a glance related to the CRA operations for 2017-2018

- Voluntary compliance tax system
- 39,765 Full Time Equivalents (employees)
- Majority of taxpayers are compliant
- CRA administers tax and benefits
- Increasing online and direct deposit filing and payments
- \$33.8 billion paid to benefit recipients
- \$526 billion in cash deposits
- 92.4 % of individuals paid on time

Why care about reputational risk?

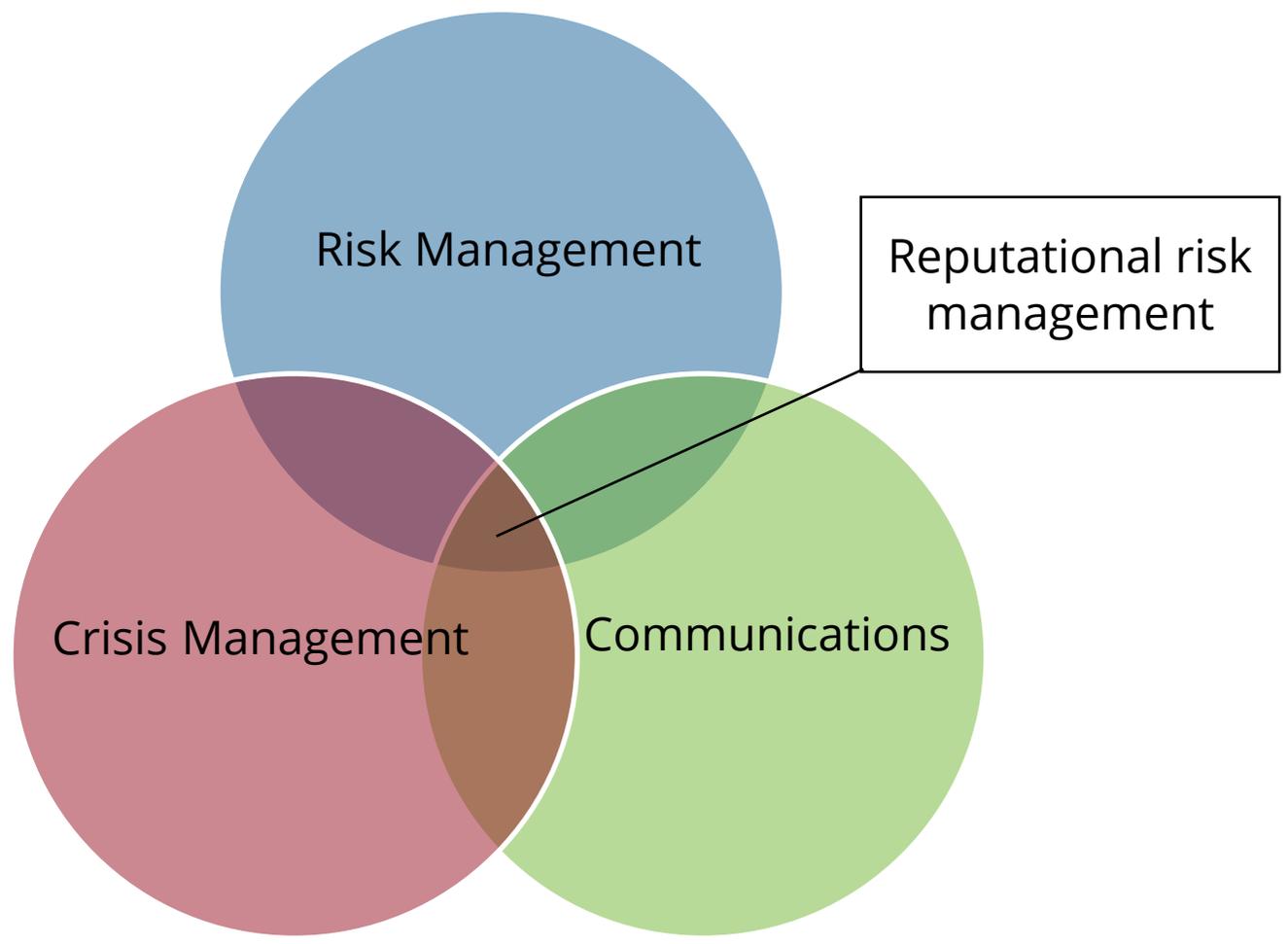
“Lose money for the firm—even a lot of money—and I will be understanding. Lose even a shred of the firm’s reputation, I will be ruthless.”

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”

- Warren Buffett



Reputational Risk Management



What is reputational risk?

- **Reputational risk** can be defined as any event that could result in damaging stakeholders' trust and respect towards an organization.
- **Reputational risk management** is the ability of an organization to proactively protect against, and effectively deal with, events that might cause damage to its reputation.



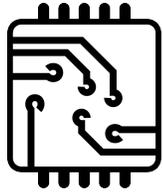
Taking reputational risk management to the world



- This project is a collaborative effort with members of the Organisation for Economic Co-operation and Development's (OECD) Forum on Tax Administration (FTA), including the IRS.
- Presented on reputational risk management and risk management communications in the 2019 OECD FTA Risk Workshop in Paris, France.
- Collaboration is on-going.



Hypothetical situations



IT failure



Employee misconduct



Weak processes



Poor communication



Lack of fairness



Poor service



Privacy and data breach



Unforced errors

Match Statistics

Rod Laver Arena - Men's Singles - Finals

Rafael Nadal ESP (1) Points 1 2 3 4 5

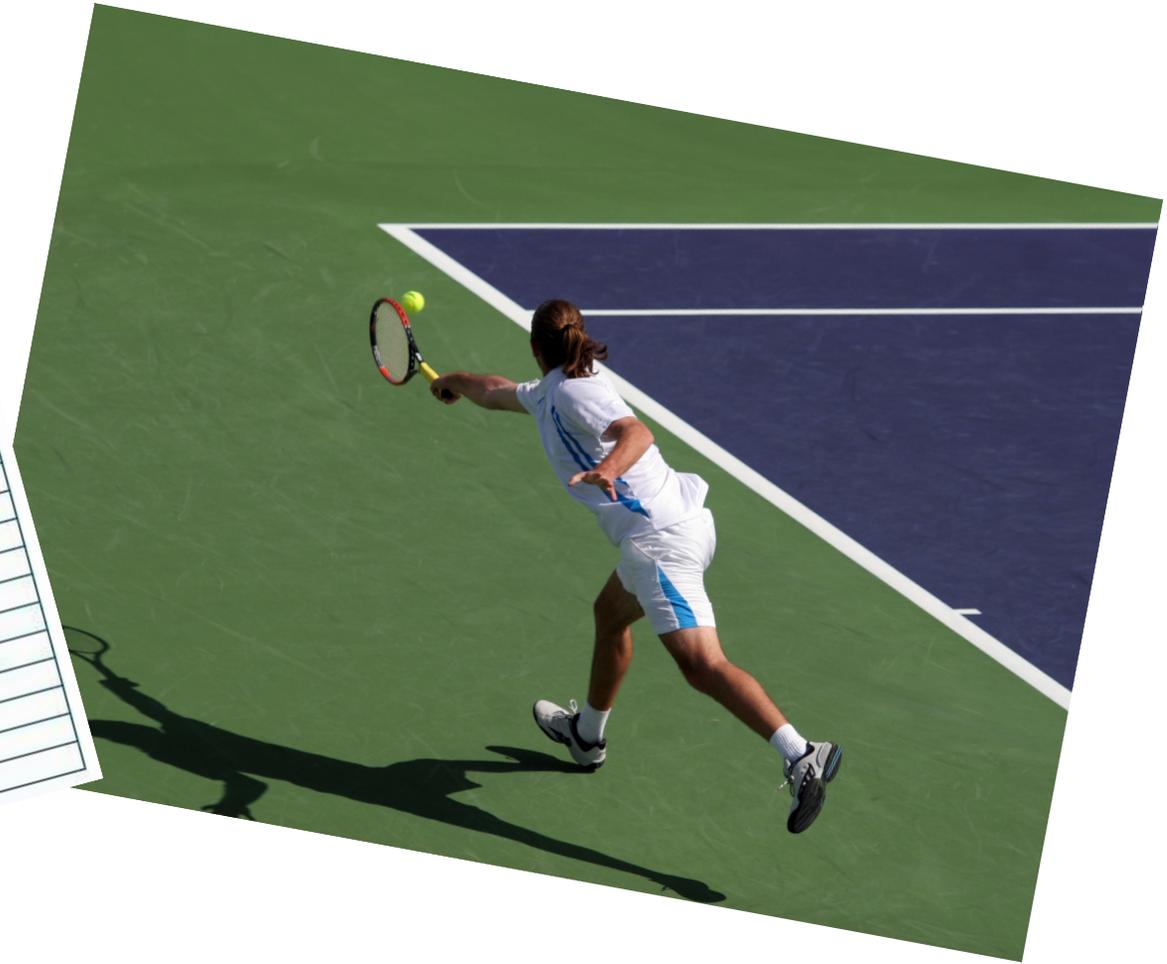
Roger Federer SUI (2) 7 3 7 3 6

SlamTracker 5 6 6 6 2

Match Completed Match Statistics

Elapsed Time by Set: 58 48 78 45 34 Serve Statistics

Match Summary	Nadal(ESP)	Federer(SUI)
1st Serve %	112 of 175 = 64 %	90 of 172 = 52 %
Aces	4	11
Double Faults	4	6
Unforced Errors	41	64
Winning % on 1st Serve	74 of 112 = 66 %	66 of 90 = 73 %
Winning % on 2nd Serve	30 of 63 = 48 %	37 of 82 = 45 %
Winners (Including Service)	50	71
Receiving Points Won	69 of 172 = 40 %	6 of 19 = 32 %
Break Point Conversions	7 of 16 = 44 %	43 of 60 = 72 %
Net Approaches	15 of 26 = 58 %	174
Total Points Won	173	204 KM/H
Fastest Serve Speed	196 KM/H	183 KM/H
Average 1st Serve Speed	179 KM/H	156 KM/H
Average 2nd Serve Speed	143 KM/H	



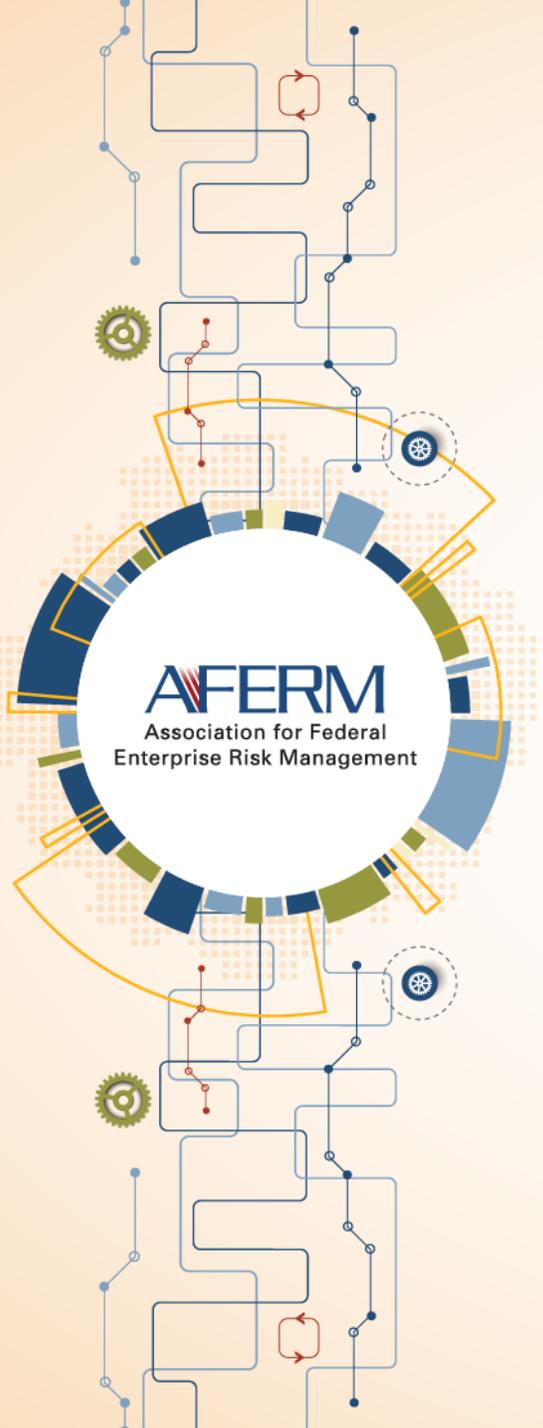
Source: <https://www.tennismindgame.com/unforced-errors.html>



Intentional or malicious behaviour

- While the vast majority of CRA employees follow our core values, there are rare cases of employees who do not. This is a reality in any organization and poses a significant reputational risk.
- The CRA needs to mitigate this risk factor by preventing, as much as possible, malicious behaviour by its employees and in the case that it does occur, detect it and act on it rapidly.





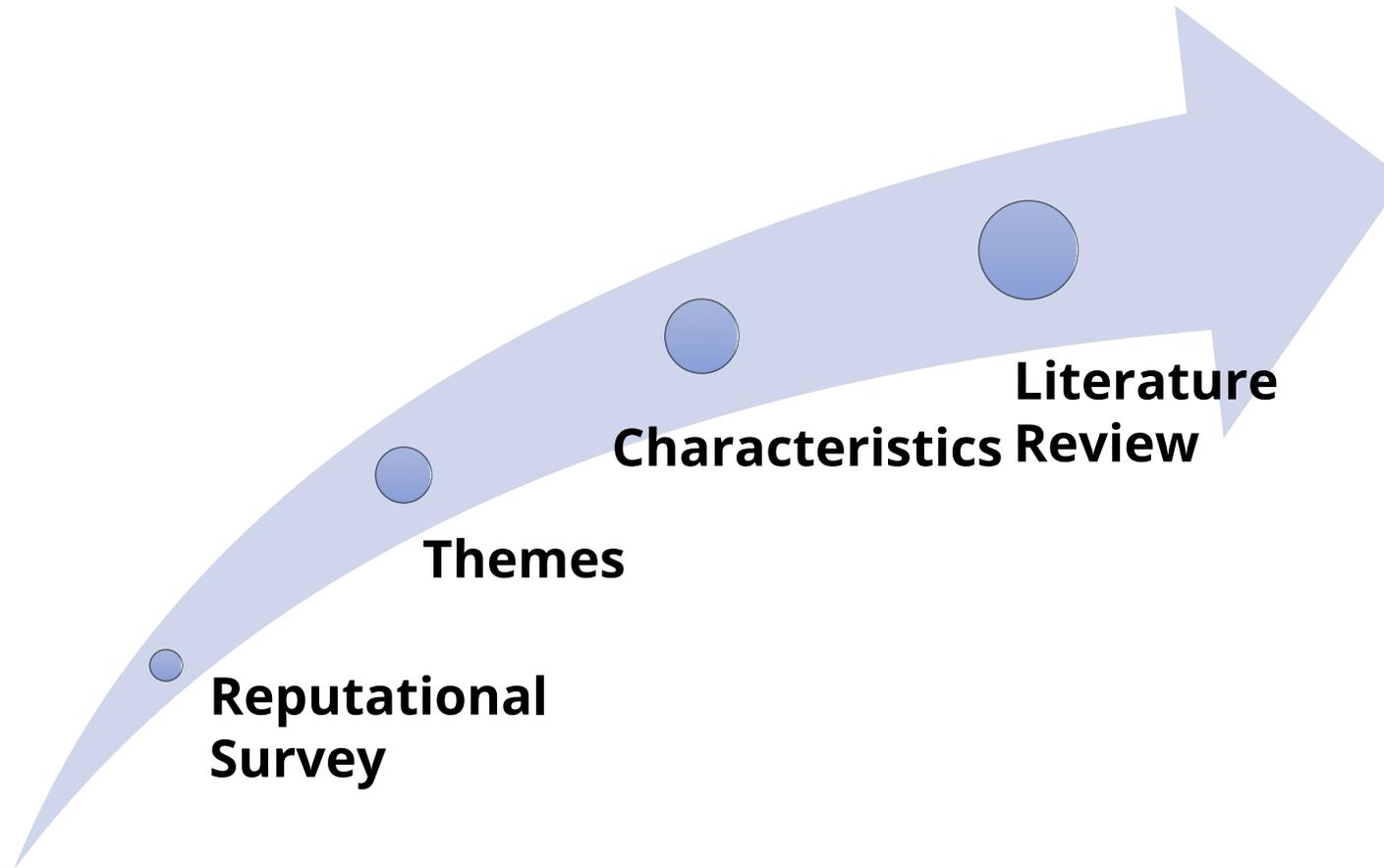
Designing a reputational risk maturity model

Reputational Risk management OECD FTA survey

- Led by the Canada Revenue Agency (CRA) and the OECD Forum on Tax Administration (FTA) Steering Committee
- Gathered information about how members of the FTA manage risk
- Provided helpful insights into reputational risk management practices

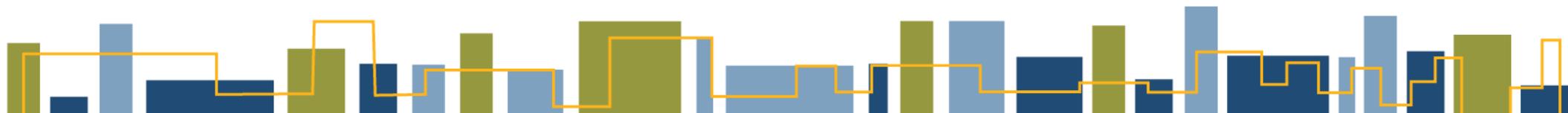


Reputational Risk Maturity Model: Methodology



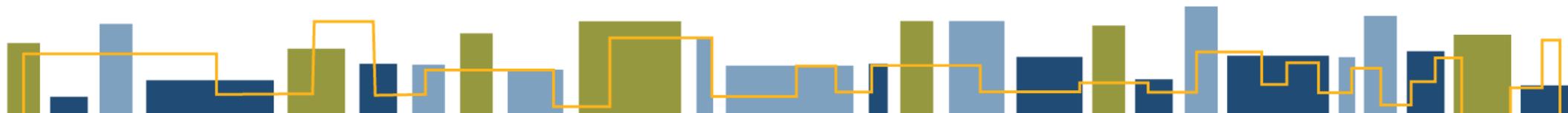
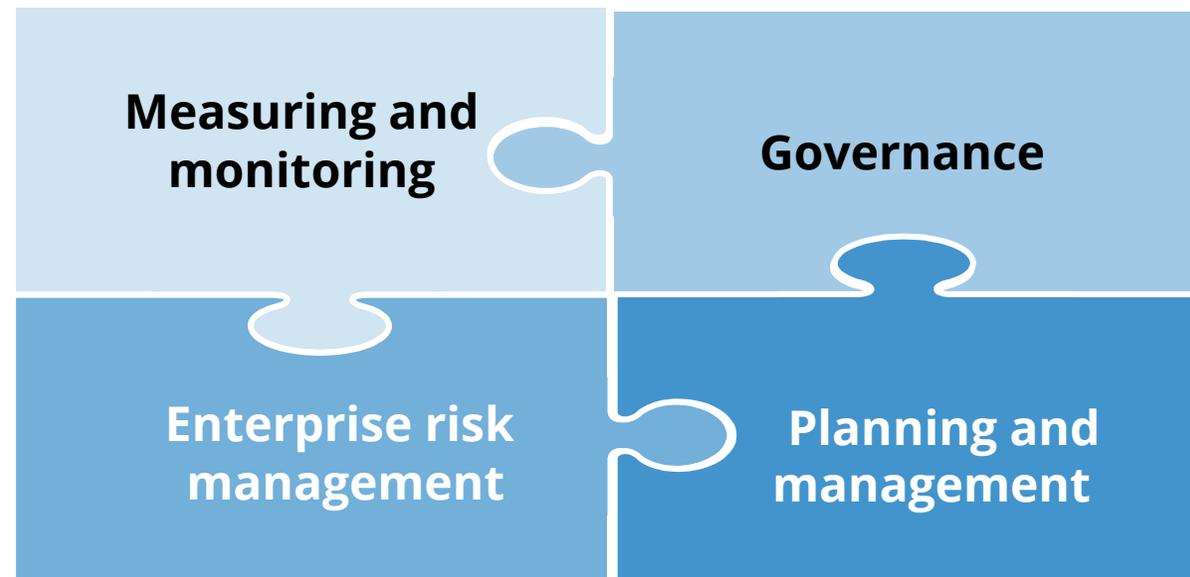
Reputation Maturity Model:

- 1 - Basic
- 2 - Developing
- 3 - Established
- 4 - Advanced
- 5 - Leading

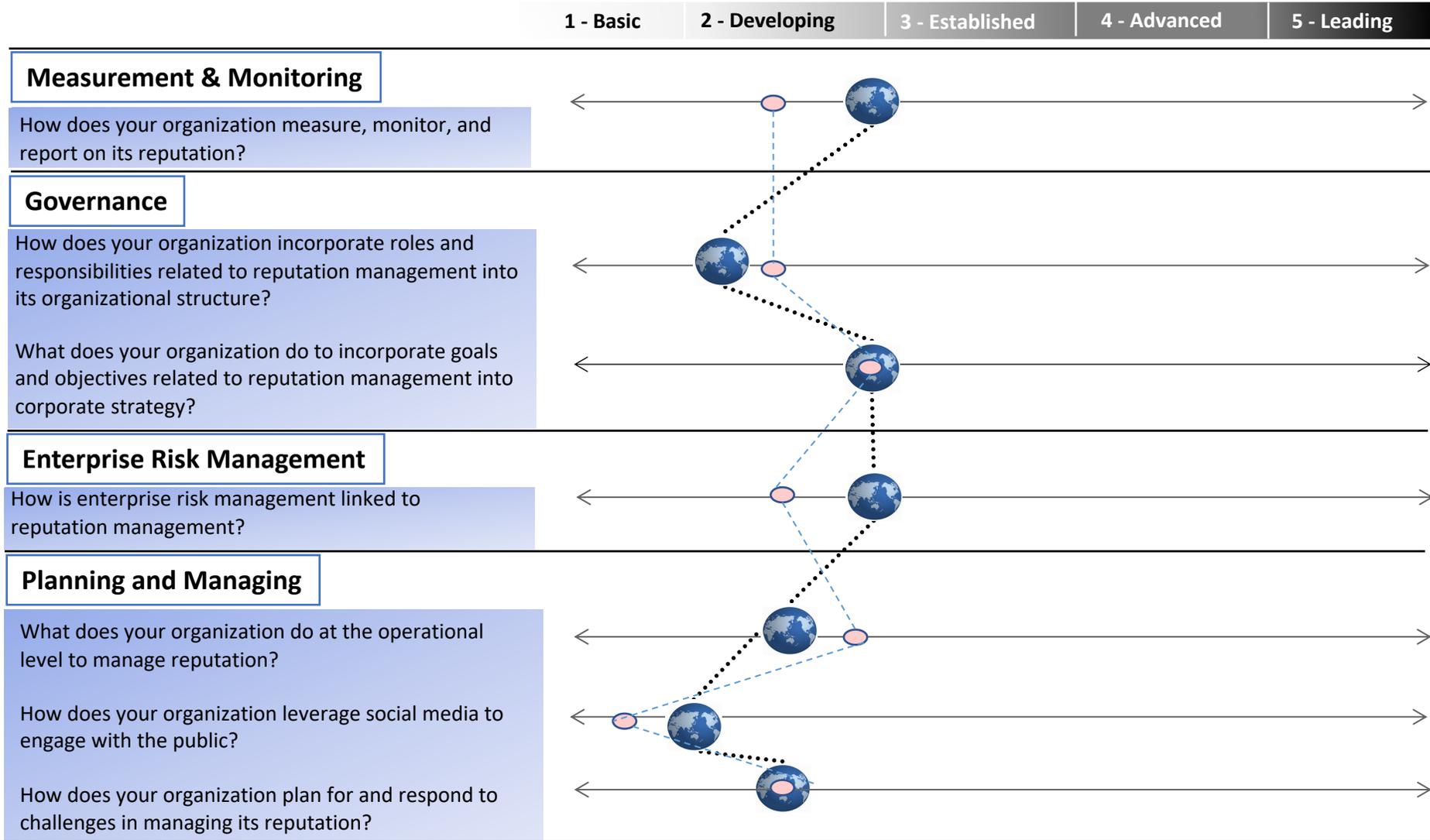


Reputational Risk Maturity Model Themes

- Our model measures an organization's reputational risk management along 4 themes:

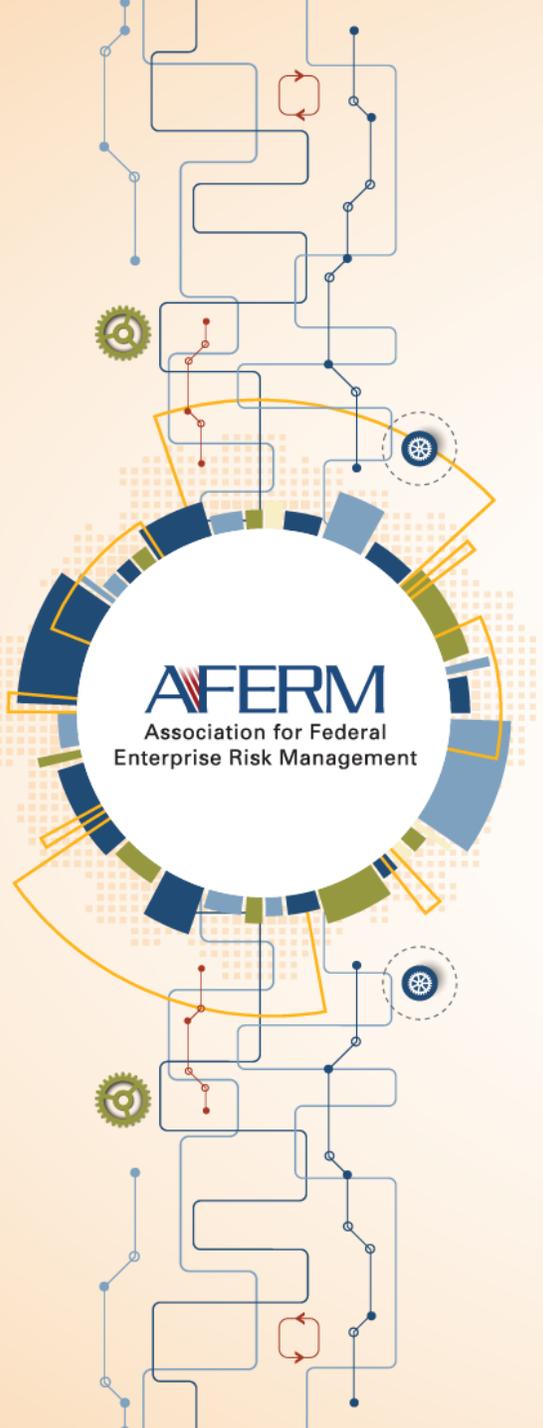


OECD maturity levels



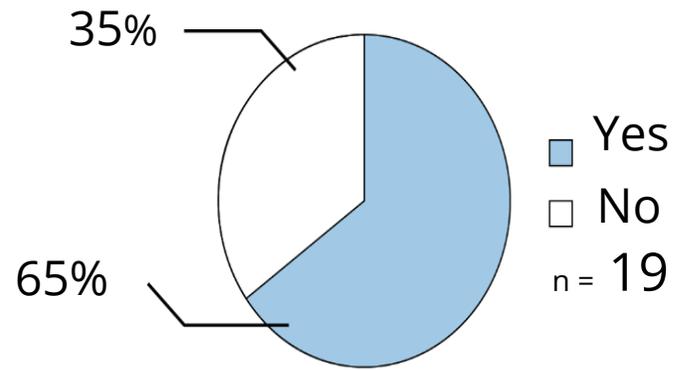
Legend:
 OECD Average
 OECD Median





Operationalizing reputational risk management

Key Finding from the OECD FTA survey - the “Ah ha!” moment



Has your organization experienced a reputational crisis in the past 3 years or so?

83% of organizations that experienced a reputational crisis in the past 3 years manage reputation at the strategic but not operational level.



Operationalizing Reputational Risk Management

- We developed two tools to help managers check their reputational risk events:
 - Error Prevention Self-Assessment Tool (EPSAT).
 - Internal Fraud Risk Self-Assessment Tool (IFR-SAT).
- Managers are encouraged to use these tools at least once a year or when there is a major change in their organization.



Vulnerabilities covered by EPSAT

Process controls

- complex, difficult to follow, or not followed
- might not exist or might need strengthening

Awareness

- lack of timely communications when an error does occur
- not adjusting to changes in the environment
- lack of awareness of the importance of error prevention

Employees

- outdated training material or level of training
- new, temporary or seasoned employees not knowing of key elements of the job

- errors in judgement



IFR-SAT: preventing fraud from impacting our reputation



Employee misconduct



Privacy and data breach

Desjardins Group

2.7 million individuals
173,000 businesses

Revenue Québec

23,000 employees

Capital One

106 million credit card holders



Our operationalization strategy

- Engagement sessions with select sites across the Agency
 - Bring reputational risk management to the operational level
 - Use our networks: risk ambassadors, youth, management, and executive networks etc.
 - Develop training materials
 - Performance measures
 - Feedback loop





Communications Management of Reputational Risk

The critical role of communications in risk management

- Communications and Canadians' perception of the Canada Revenue Agency are central to maintaining the public's trust in the CRA, and are critical to promoting voluntary compliance.
- To communicate effectively to the public, the CRA must be well-coordinated, integrated and sharing information regularly.
 - Transparency and engagement must be promoted
 - CRA must be fair, and be seen to be fair
 - Every interaction with Canadians influences their perception of the CRA.



Our challenges

- Perceived disconnect between our public messaging and the experience Canadians have when they interact with the Agency; perceived weak client-centred service.
- Perceived perception that we are “going after the little guy,” and are not fair. Low awareness of CRA efforts to crack down on tax evasion and aggressive tax avoidance.
- Perception that the Agency needs to be more transparent in our operations and decision-making.



Our approach

1

Monitor and Measure

2

Maintain and Protect

3

Build

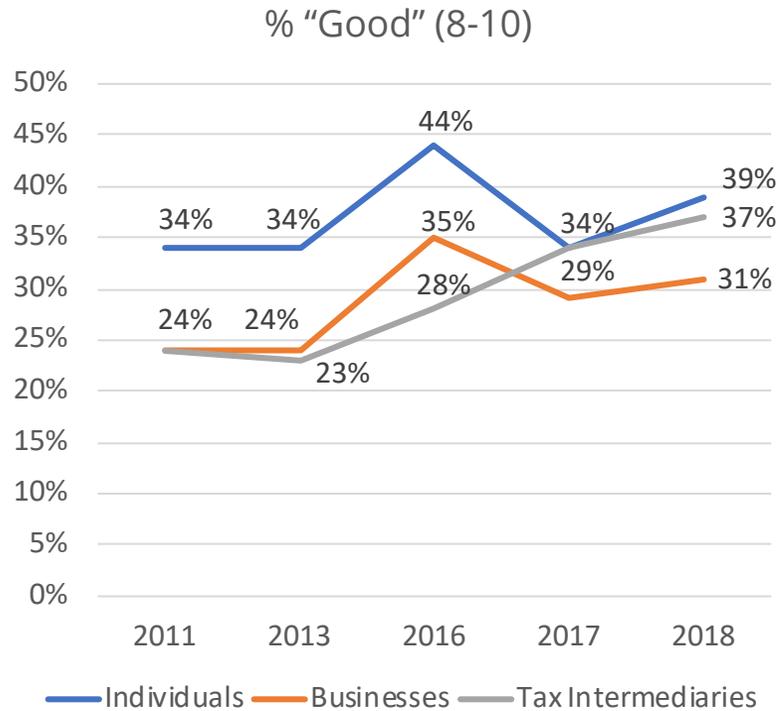


1. Monitor and Measure

- Public Opinion Research
- Public Environment Analysis
- Social Listening & Customer Care



Monitor and measure Overall Performance



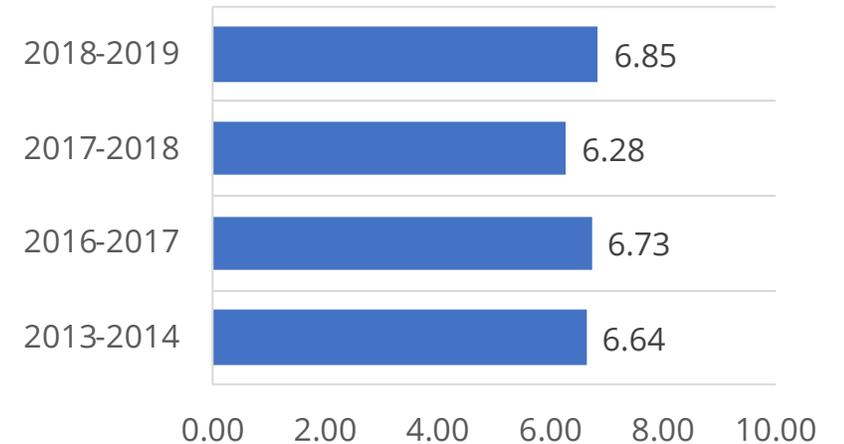
Quantitativ

- ✓ Positive perceptions of CRA significantly outnumber negative ones.
- ✓ Overall positive views are trending upward.
- ✓ Tax intermediaries have become more favourable than SMEs.

Qualitative

- ✓ Overall impressions are largely neutral.
- ✓ Agency perceived as doing well on its core mandate: tax collection and return processing.
- ✓ Positive and negative views driven by memorable client service experience.

Public Perception Index (PPI)



Indicators

- CRA overall performance
- Overall satisfaction with service
- CRA info easy to understand
- Got what was needed

Monitor and measure Communications Objectives

CRA's 2017-2019 communications strategy aims to:

1. Highlight the CRA's ongoing **service improvement** efforts.
2. Build confidence in the CRA by raising awareness of CRA efforts to crack down on **tax cheating**.
3. Connect Canadians with information they need to get the **benefits and credits** to which they are entitled.

Therefore we are aiming to measure the extent to which the following are having an impact in the public environment:

CRA service is good/improved/improving

vs.

CRA service is bad/worse/deteriorating

Toronto Star: There's an app for that? CRA eyes new, digitally secure way to access services

Toronto Star: Why is CRA making it harder to file my taxes?

CRA is cracking down on tax cheating

vs.

People are getting away with tax cheating

TVA : Paradis fiscaux: 54 enquêtes en cours à L'Agence du revenu du Canada

CTV: Nearly 900 Canadians found in Panama Papers, but no charges have yet to be laid

Helpful information on benefits & credits credits

vs.

Confusion & frustration about benefits &

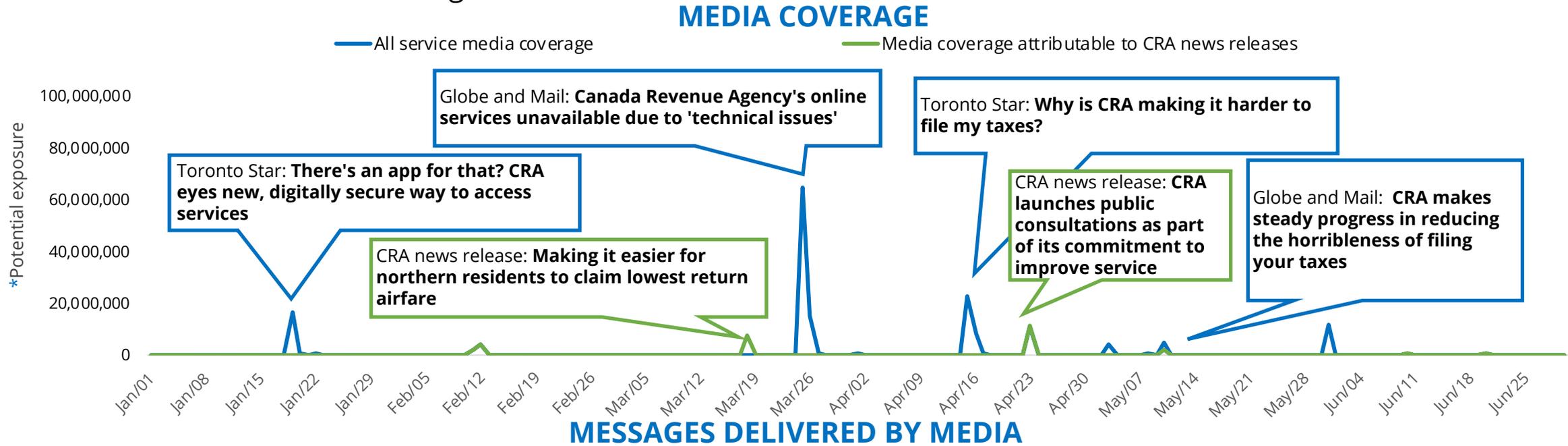
CTV: CRA'S automatic benefit registrations give retirees reason to file on time

Calgary Herald: Canada Revenue Agency tells Edmonton man he's dead, claws back GST and carbon tax rebates



Monitor and measure CRA and Service

- CRA service and service improvement initiatives have attracted a modest amount of media attention.
- The online service outage in March attracted more attention than any other development.
- Coverage delivered the message that CRA service is good/improved/improving, more so than the message that CRA service is bad/worse/deteriorating.



CRA service is good/improved/improving
Potential exposure* = **58 million**

CRA service is bad/worse/deteriorating
Potential exposure* = **29 million**

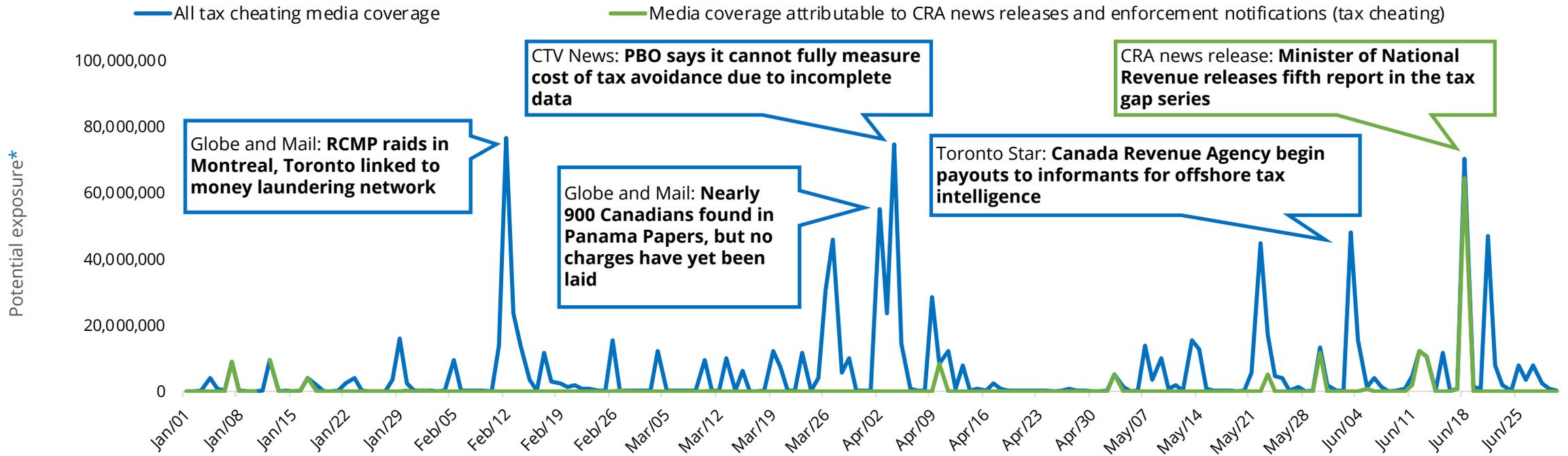


* Potential exposure = An estimate of the # of times Canadians saw/read/heard coverage stemming from the product, based on broadcast audience and traffic to the websites the articles are posted on.

Monitor and measure CRA and Tax Cheating

- CRA news releases and enforcement notifications, as well as those issued by police forces, have helped deliver the message that the Agency is cracking down on tax cheating in Canada.

MEDIA COVERAGE



MESSAGES DELIVERED BY MEDIA

CRA is cracking down on tax cheating
Potential exposure* = 332 million

People are getting away with tax cheating
Potential exposure* = 146 million



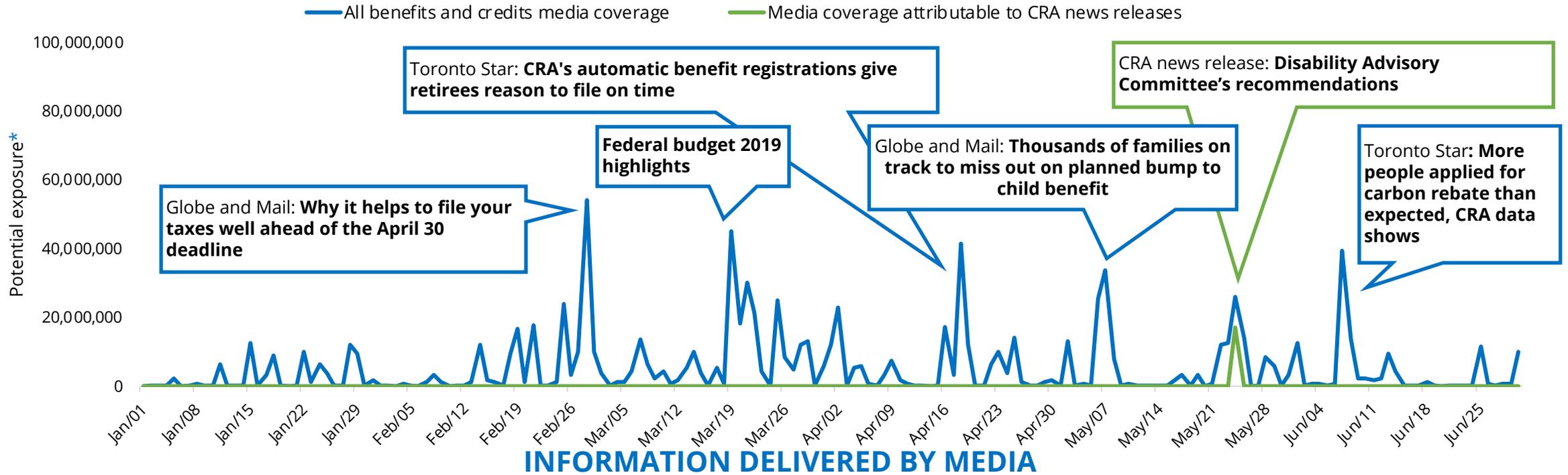
* Potential exposure = An estimate of the # of times Canadians saw/read/heard coverage stemming from the product, based on broadcast audience and traffic to the websites the articles are posted on.



Monitor and measure CRA and Benefits and Credits

- High reach articles have explained the benefits of filing taxes on time and provided helpful or new information on benefits and credits.

MEDIA COVERAGE



INFORMATION DELIVERED BY MEDIA

Helpful information and advice on benefits/credits

Potential exposure* = 517 million

Frustration/difficulties accessing benefits/credits

Potential exposure* = 82 million

Potential exposure = An estimate of the # of times Canadians saw/read/heard coverage stemming from the product, based on broadcast audience and traffic to the websites the articles are posted on.



Monitor and measure Social Listening and Customer Care

Tweets about CRA

 [Redacted] 24 min

En réponse à [Redacted]

Any progress on taxation of offshore accounts to help fund your programs ? #cra #offshore #taxfraud

 Traduire le Tweet

 1   

 [Redacted] · 28 févr. 2018

Do you understand what to do when gift cards or gift certificates are donated to your Canadian registered charity? CRA has a new video on this that they have just posted ow.ly/fB9x30iFVVc @CanRevAgency #receipting #CdnTax #CRAcharities

 Traduire le Tweet

  3  3 

 [Redacted] · 21 juin 2018

J'ai vérifié #MonDossier à Revenu Canada , le chèque de remboursement me sera envoyé le 26 juin. Du coté de Revenu Québec , la demande est reçue mais pas traitée. Rapports envoyés en même temps. 😞

 [Redacted] · 8 juil. 2016

En réponse à [Redacted]

The #CanadaRevenueAgency @CanRevAgency does NOT work on the weekend. If you get a call...JustHangUP :)

 Traduire le Tweet

  3  3 

 [Redacted] · 10 h

@CanRevAgency @DiLebouthillier So "My Account " has been inaccessible from CRA and Partner sign ins for most of Sunday, into the night, And now the Partner Sign In page itself is inaccessible, have you been hacked? cc [Redacted] #CRA

 Traduire le Tweet

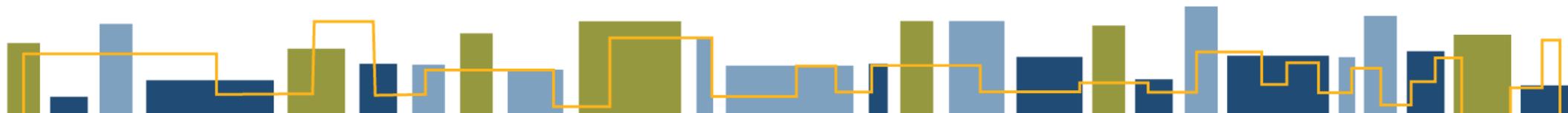


2. Maintain and Protect

- Quick Response Team
- Media relations protocol
- Social media engagement protocol
- Management of Privacy



Maintain and protect Quick Response Team



Maintain and protect Media Relations Protocol

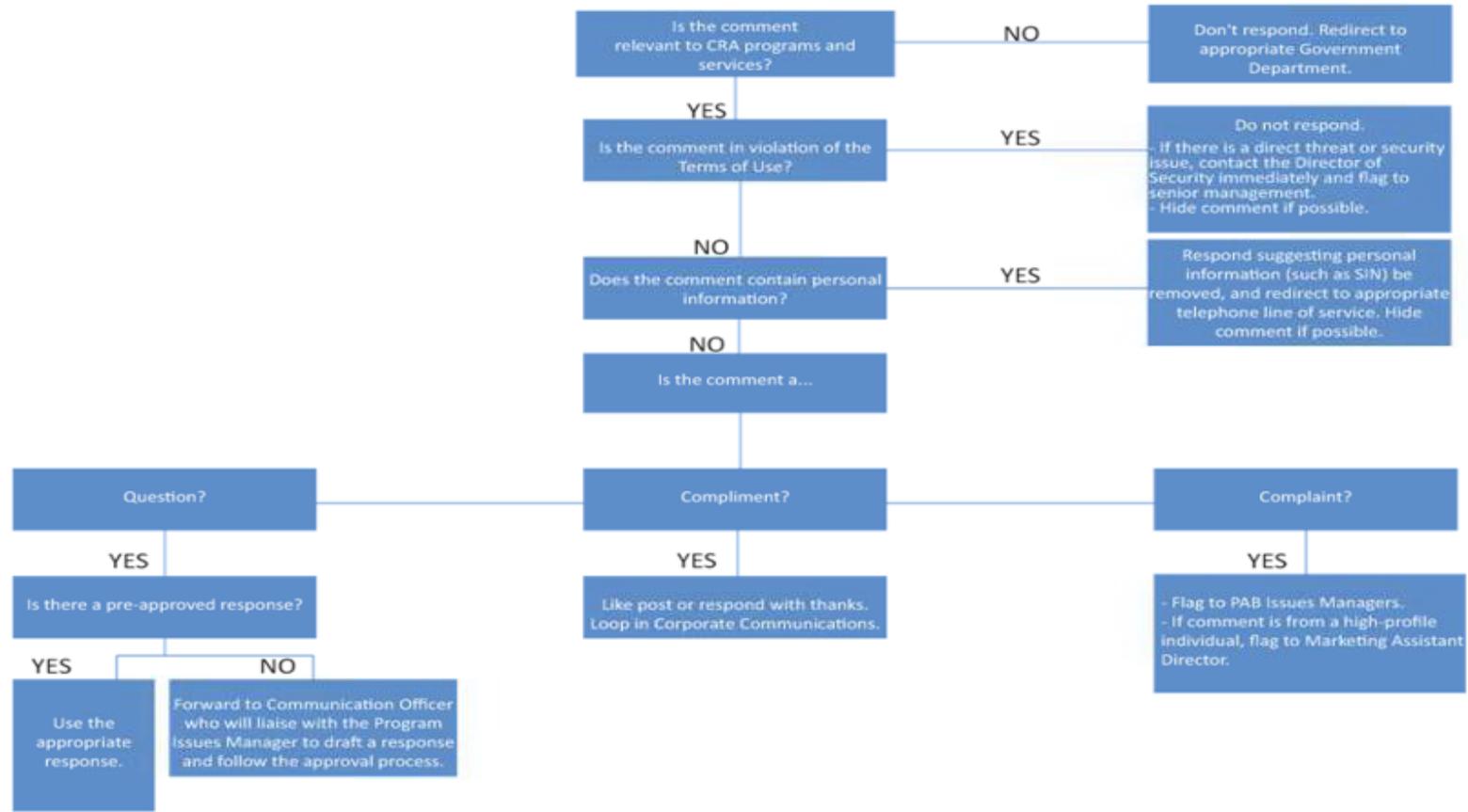
Level 1: Explain Level 3: Defend Level 5: Change

Government of Canada or Minister as an individual	
1 = Low impact to the Minister as an individual or GoC as a whole	<ul style="list-style-type: none"> Supports the Minister and/or demonstrates how they are meeting their mandate Requests an explanation of or clarification on an existing position, policy or process
3 = Moderate impact to the Minister as an individual or GoC as a whole	<ul style="list-style-type: none"> Large service-related stories such as the Office of the Auditor General (OAG) report on call centres
5 = High impact to the Minister as an individual or GoC as a whole	<ul style="list-style-type: none"> Disability Tax Credit (DTC) An Agency policy, process or position that contradicts the Ministerial Mandate letter
Agency Reputation	
1 = Low or minimal change in public trust in the agency	<ul style="list-style-type: none"> Follow up on regional visits of senior Agency officials
3 = Moderate change in public trust in the agency	<ul style="list-style-type: none"> Revocation of a charity's status
5 = High change in public trust in the agency	<ul style="list-style-type: none"> Disability Tax Credit (DTC) Major interruptions to a core CRA service
Internal Stakeholders	
1 = Low impact on employee morale	<ul style="list-style-type: none"> Individual Agency employee reported to have committed fraud
3 = Moderate impact on employee morale	<ul style="list-style-type: none"> Increased volatility of work i.e Significant Downsizing, work Force Adjustment Reports on collusion on fraudulent activities
5 = High impact on employee morale	<ul style="list-style-type: none"> Reports on call centre employees providing wrong information Reports on widespread or sustained corruption
External Stakeholders	
1 = Low or minimal impact on external stakeholders	<ul style="list-style-type: none"> No or positive change to core business such as the introduction of Electronic T4s
3 = Moderate impact on external stakeholders	<ul style="list-style-type: none"> Moderate change that impacts core business and reputation of one or more external stakeholders
5 = High impact on external stakeholders	<ul style="list-style-type: none"> The results of major court cases Significant damage to reputation or core business of one or more an external stakeholders



Maintain and protect Social Media Engagement Protocol

CRA accounts    @CanRevAgency
 Canada Revenue Agency – Agence du revenu du Canada
 Keywords: Canada Revenue Agency, Revenue Canada, CRA, Agence du Revenu du Canada, ARC



Maintain and protect Privacy as a Business Enabler

CRA's Service Guiding Principles

We are people-centric

We understand people's needs and expectations to provide better programs and services.

We are supportive

We help people understand and meet their obligations and responsibilities, and utilize the resources available to them.

We are innovative

We embrace change and approach situations with a sense of curiosity and innovation.

We are one team

We work collaboratively toward a unified goal to provide successful programs and services for all.

We are fair

Our decisions are grounded in quality information, fairness, integrity, and engagement.

CRA's Privacy Guiding Principles

➤ We value and respect the client data in our possession and enable our clients to clearly understand how it is being used and for what purpose.

➤ We support our employees in understanding their data handling responsibilities and respond to our clients' requests in a timely and helpful manner to drive a seamless and efficient experience.

➤ We put our clients at the heart of all changes and improvements to service delivery by adopting innovative practices and embedding Privacy by Design principles into all that we do.

➤ We collaborate with employees and integrate effective and secure client data management into all branches of the Agency to foster a holistic approach to building and maintaining client trust.

➤ We make decisions about how client data is handled in alignment with legislative obligations, leading privacy practices and based on ethical standards.



3. Build

- Proactive media relations
- The friendly side of CRA
- User-centric design



Build

Adopting a More Proactive Stance with Media

The CRA developed a multi-faceted approach to ensure reporters were getting the information they needed without further taxing overwhelmed media relations staff

Make subject matter experts available for proactive media interviews

Direct Media Responses
(Calls returned by deadline in 94% of cases)

Additional and up-to-date info more regularly posted to the Internet

Regularly and consistently post key stats that are routinely in demand

Facilitate reporter visits to relevant locations

Increase social media postings and ask partners and stakeholders to share

Build

The friendly side of CRA



[Canada Revenue Agency](#)

[March 13, 2018](#)

Did you know there is free software to do your taxes in record time? What will you do with that extra time?

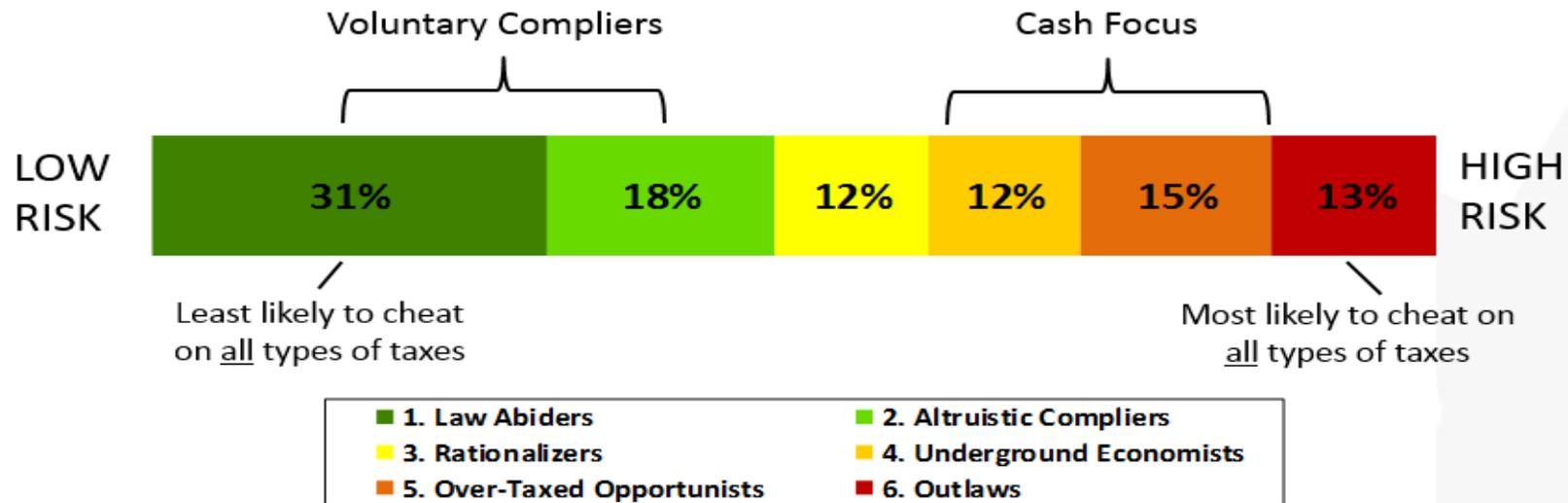
<http://ow.ly/v4hk30iCDBb>



Build

Understanding our Clients

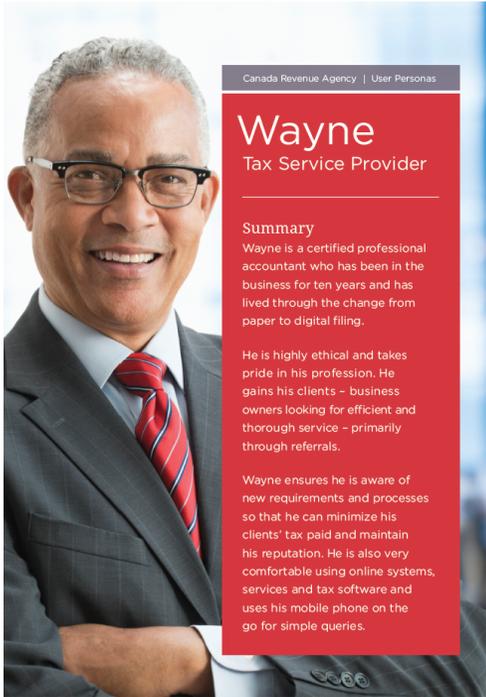
Taxpayers are divided into 6 segments according to 2-Part Risk Profile and Related Attitudes



Base: N=3,884

Build

A More User-Centric Approach



Canada Revenue Agency | User Personas

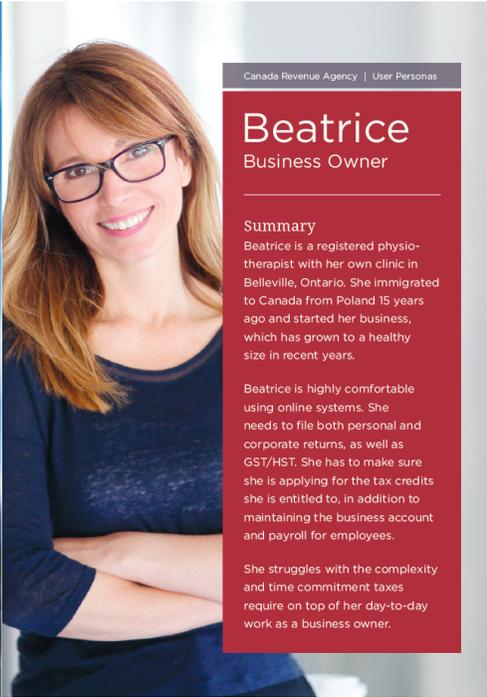
Wayne

Tax Service Provider

Summary
Wayne is a certified professional accountant who has been in the business for ten years and has lived through the change from paper to digital filing.

He is highly ethical and takes pride in his profession. He gains his clients – business owners looking for efficient and thorough service – primarily through referrals.

Wayne ensures he is aware of new requirements and processes so that he can minimize his clients' tax paid and maintain his reputation. He is also very comfortable using online systems, services and tax software and uses his mobile phone on the go for simple queries.



Canada Revenue Agency | User Personas

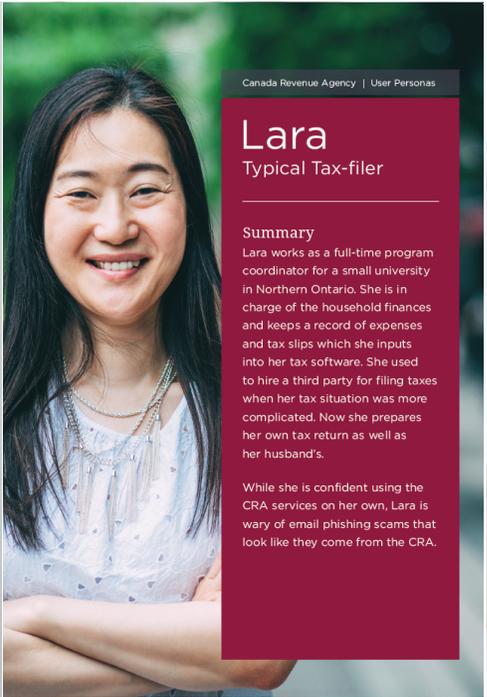
Beatrice

Business Owner

Summary
Beatrice is a registered physio-therapist with her own clinic in Belleville, Ontario. She immigrated to Canada from Poland 15 years ago and started her business, which has grown to a healthy size in recent years.

Beatrice is highly comfortable using online systems. She needs to file both personal and corporate returns, as well as GST/HST. She has to make sure she is applying for the tax credits she is entitled to, in addition to maintaining the business account and payroll for employees.

She struggles with the complexity and time commitment taxes require on top of her day-to-day work as a business owner.



Canada Revenue Agency | User Personas

Lara

Typical Tax-filer

Summary
Lara works as a full-time program coordinator for a small university in Northern Ontario. She is in charge of the household finances and keeps a record of expenses and tax slips which she inputs into her tax software. She used to hire a third party for filing taxes when her tax situation was more complicated. Now she prepares her own tax return as well as her husband's.

While she is confident using the CRA services on her own, Lara is wary of email phishing scams that look like they come from the CRA.



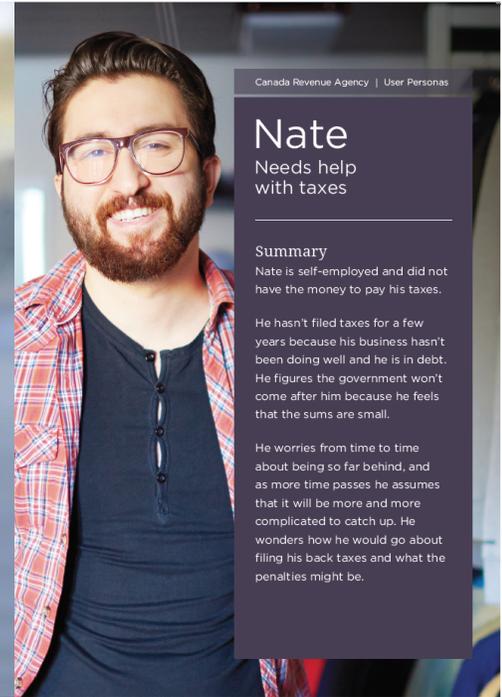
Canada Revenue Agency | User Personas

Fatima

Vulnerable

Summary
Fatima is a single mother with two older children, one of whom is disabled and lives at home. She was a marketing professional before her retirement, and is now on a fixed income.

She keeps detailed records of expenses and tax slips which she takes to a store-front tax service. She wants to make sure everything is filed correctly and that she claims all of the benefits and credits to which she is entitled. Fatima weighs the amount of money she pays for tax preparation against the possibility of making a mistake, and chooses to spend the money on a professionally prepared tax return.



Canada Revenue Agency | User Personas

Nate

Needs help with taxes

Summary
Nate is self-employed and did not have the money to pay his taxes.

He hasn't filed taxes for a few years because his business hasn't been doing well and he is in debt. He figures the government won't come after him because he feels that the sums are small.

He worries from time to time about being so far behind, and as more time passes he assumes that it will be more and more complicated to catch up. He wonders how he would go about filing his back taxes and what the penalties might be.

WAYNE

Tax Service Provider

Goal: To help clients file their taxes promptly and correctly, maximizing their return.

BEATRICE

Business Owner

Goal: To grow her business while paying the required taxes to the government.

LARA

Typical Tax Filer

Goal: To file her taxes efficiently and receive the refund she deserves.

FATIMA

Vulnerable

Goal: To receive government assistance by claiming benefits and receiving tax credits.

NATE

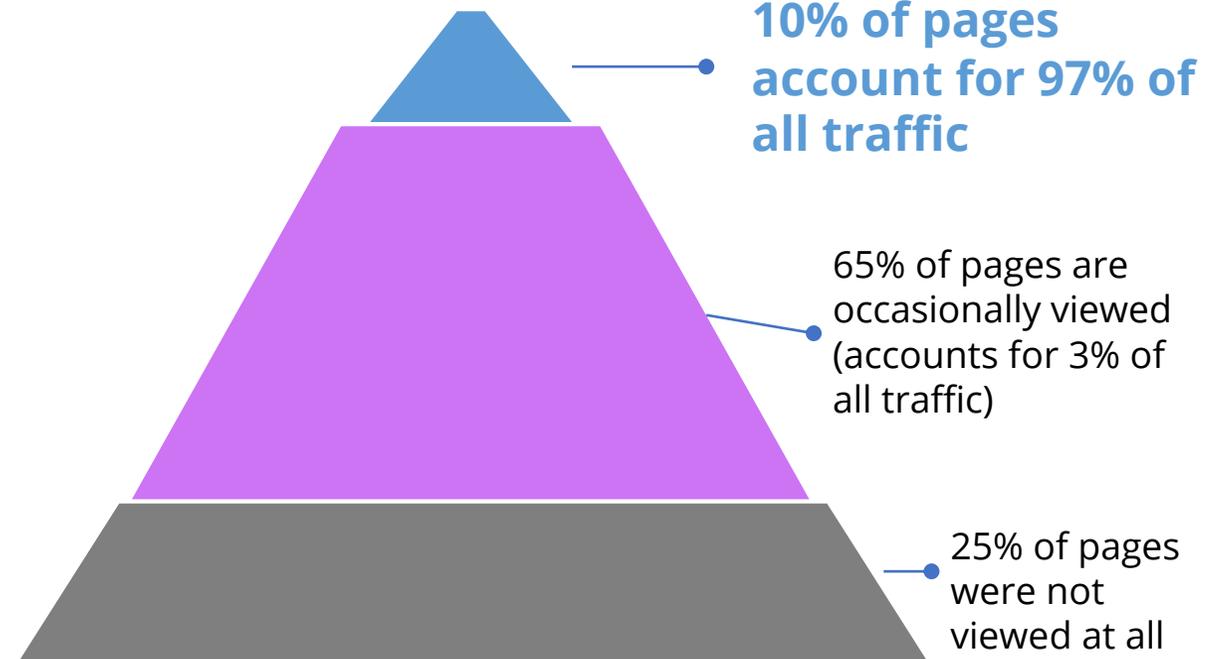
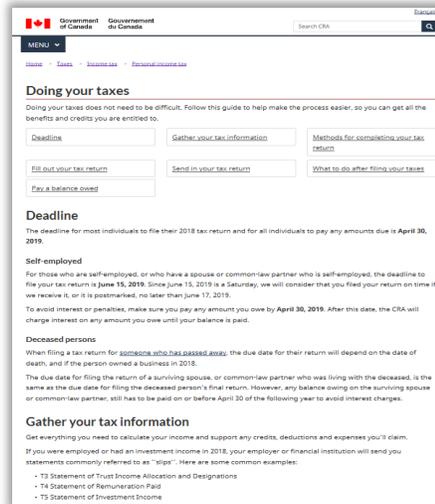
Needs Help With Taxes

Goal: To deal with his life priorities, and filing taxes is not one of them.



Build Web Content as Critical Self-Serve Infrastructure

- Approx. volume: 4,000 most viewed pages
- Page views: 520M per year
- Typical page types: high-demand service



Build Measuring and Improving Task Success Online

Baseline

Services and information

Charge the GST/HST
When and how to charge, what rate to charge, and invoicing requirements.

GST/HST returns
Complete a GST/HST return, file a return, or make changes to a return.

GST/HST payments
When and how to pay, and instalments.

Most requested

- My Business Account
- Business Account
- All online services
- GST/HST NETFILE
- GST/HST Accessibility
- GST/HST calculator (est. rates)
- GST/HST in specific situations

People didn't know what to click on "Charge the GST/HST", "GST/HST returns" or "GST/HST payments"

50% of participants clicked on "GST/HST payments" and either failed or wasted time having to go back

Validation

Collect, file, and pay (remit) the GST/HST

- Find out if you need to register for a GST/HST account
Answer a few questions to find out if you need to charge the tax.
- Get or manage an account
Register to get your GST/HST number, modify or close your account.
- Charge and collect the tax
Determine which rate to charge, manage receipts and invoices, and learn what to do with the tax you collect.
- Complete and file a return**
Calculate your net tax, and complete, file, or correct a return.
- Pay (remit) the tax you collected
When and how to pay (remit) the tax, including by instalments.

Most requested

- NETFILE
- My Business Account
- Represent a Client
- Access code
- Calculator and rates
- New housing rebate
- Input tax credits

Descriptive links help people find the right page

14/16 people who got to this topic page succeeded on the task



Build

Re-writing our Correspondence

EVERYTHING JUST GOT CLEARER

Old Notice of Assessment



New Notice of Assessment





Strategic media engagement and focused communications are helping to strengthen the Agency's reputation

- Recent analysis suggests media have carried the message that the Agency is cracking down on tax cheating, more so than the reverse.
- Findings also suggest that the media are delivering helpful information about benefits and credits, more so than messages suggesting maximizing benefits and credits is complicated and frustrating.
- The CRA has succeeded in drawing some attention to the Agency's efforts to improve service (though service improvements are generally less newsworthy than tax cheating or benefits/credits and therefore the fact that they are attracting less media attention is to be expected).
- CRA's social media team continues to earn impressions with its creative and attention-grabbing posts.
- Canadians and the media are interested in impactful CRA stories, delivered through engaging communications.



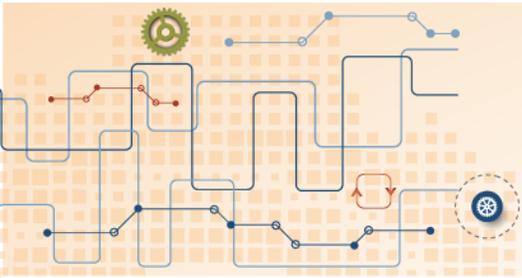
The way forward

Continuing to Build the CRA's Reputation

- Providing a seamless service experience
- Maintaining fairness in Canada's tax and benefits administration
- Strengthening trust, transparency, and accountability
- Enabling innovation
- Empowering our people to excel

The CRA is making tangible and measurable progress on reputation management through the adoption of a research driven, evidence based, and risk management focused approach





Questions or Comments?

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