
Revenue's Data Capture Outsourcing Programme

ERI Review

**Office of the Revenue Commissioners
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Table of Abbreviations

AEP	Automated Entry Processing
CAP	Common Agriculture Policy
CCP	Customer Contacts Project
CT	Corporation Tax
DIRT	Deposit Interest Retention tax
DWT	Dividend Withholding Tax
ERI	Expenditure Review Initiative
ERCSC	Expenditure Review Central Steering Committee
HRD	Human Resources Division
ICS	Integrated Correspondence System (<i>iC</i>)
ICTeB	Information Communications Technology and e Business Division
Intrastat	Intra (Community Trade) Statistics.
ITS	Integrated Tax Services
LINKS	Information and Knowledge Sharing
MAC	Management Advisory Committee
OPED	Operations Policy and Evaluation Division
RABIPB	Risk Analysis Business Intelligence Project Board
RCT	Relevant Contracts Tax
RTD	Return of Trading Details
ROS	Revenue Online Service
SSIA	Special Savings Investment Account
TRS	Tax Relief at Source
VIES	Vat Information Exchange System
VIMA	Vies & Intrastat Mutual Assistance
VoIP	Voice Over Internet Protocol
VRT	Vehicle Registration Tax.

1. Executive Summary

1.1 Background

This review of Revenue's use of outsourced service providers to support forms/returns processing was carried out under the terms of the Government's Expenditure Review Initiative (ERI). The ERI is a programme of reviews of major spending areas by all Government Departments and Offices. The objectives of the ERI are to analyse what is being achieved by programme expenditure and to provide a basis on which informed decisions can be made on spending priorities. As Revenue has no programme expenditure *per se*, our contribution to the ERI process consists of an examination of administrative and operational expenditure. This Review was overseen by the Value for Money Unit (VFM) and was carried out in accordance with *Expenditure Reviews – Framework and Guidelines* issued by the Department of Finance (copy at Appendix 1).

1.2 Methodology

The review team interviewed key management and staff in business areas involved in outsourcing. A structured questionnaire and template was designed to assist with data gathering and analysis. To obtain a broader view, interviews were held with a wide range of other stakeholders including outsourcing service providers, other public sector bodies, staff in operational and central Divisions affected by but not directly involved in outsourcing programmes. Available statistical material and documentation relating to outsourcing programmes was examined.

1.3 Summary of Main Findings

The main findings of the review are:

- Revenue's objective is to eliminate the manual capture of data submitted on forms and returns. This policy is being actively implemented through three strategies:
 - the promotion/optimisation of the take-up of electronic filing channels;
 - the in-house utilisation of new technologies (e.g. scanning); and
 - where justified by value for money considerations, the use of outsourced service providers to perform data capture on paper forms and returns.
- This approach is valid and compatible with the goals set out in our Statement of Strategy 2005-2007;
- Approximately 23% of paper-based returns were data-captured by outsourced service providers in 2004. This figure is expected to increase to 45% by the end of 2007;
- Each outsourcing operation has realised some or all of the potential benefits identified for outsourcing. Benefits/efficiencies were achieved in terms of the availability of additional information to support risk analysis and audit case selection, the release of staff from routine data entry activities, improved availability of information, and cost savings;
- Outsourcing is not the optimum solution for every type of form or return. Depending on the complexity of the form, the requirement for tax expertise in order to process same, and/or the initial/ongoing IT development costs, it may be more cost effective to continue to process in-house utilising, where possible, new technologies. In a number of instances, research into options for data capture resulted in alternatives to

outsourcing being put in place (e.g. in-house scanning) as a more effective solution. Appendix 4 outlines the in-house workflows and the rationale underlying the preferred data-capture option for two forms;

- Failure to prepare comprehensive business cases resulted in less than optimal results/benefits for Revenue from a number of outsourcing projects;
- The Review Team found that the lack of detail in a number of cost benefit analyses, differences in approaches taken by the various business areas involved in the management of projects, and the failure to carry out post-implementation reviews, impacted on their ability to establish definitive measurements and comparative performance indicators for these projects; and
- The process and management of returns processing is more difficult for poorly designed and/or complex forms. Form design is currently being examined in the context of presentation, content, complexity, compatibility between paper and electronic forms, along with the requirement to issue the same type of return to all customers. Moves are underway to design a simpler form for those customers whose income does not change substantially from year to year.

1.4 Summary of Main Recommendations

Based on these findings the review team concluded that:

- The range of e-facilities should continue to be actively promoted as these offer Revenue the optimal solution for data capture;
- To ensure that efficiency dividends are fully realised, the Manpower Advisory Service (MAS) Unit in Human Resources Division (HRD) should track the re-deployment of any resource dividend arising from the outsourcing of data processing;
- A standardised framework for the evaluation, planning and management of outsourcing projects should be put in place. The adoption of this framework would facilitate the development of common standards for outsourcing and the improvement in the overall cohesion of the outsourcing programme. The proposed framework is set out in Section 5;
- A comprehensive business case incorporating rigorous cost/benefit analysis should be prepared for each outsourcing project. This should include, *inter alia*, an assessment of the objectives of the outsourcing project, a summary of form re-design issues to facilitate automated data capture, and an exploration of all viable options for in-house and outsourced processing. A standard template should be used to enable comparison of in-house and outsourced costs together with metrics for intangible benefits and cost;
- Post-implementation reviews of each outsourcing project should be carried out by the relevant business areas to establish the costs and benefits arising from the contract. These reviews should be considered by the Management Advisory Committee (MAC) on a periodic basis; and
- Revenue should continue to research form design and explore the feasibility of simplifying returns.

1.5 Overall Conclusion

Revenue should continue to implement the strategy of outsourcing the manual data capture of paper forms/returns, subject to compliance with the framework for the evaluation, planning and management of projects set out in Section 5.

2. Introduction

This section sets out the background to the ERI, the approach to the Review, and the methodology followed.

2.1 Background to the ERI

Each Government Department and Office carries out expenditure reviews as part of their annual business planning cycle. The objectives of the ERI are to analyse, in a systematic manner, what is being achieved by Government spending and to provide a basis on which more informed decisions can be made. As Revenue has no programme expenditure *per se*, our commitment to the ERI process consists of an examination of administrative and operational expenditure. Reviews are prepared in accordance with *Expenditure Reviews – Framework and Guidelines* issued by the Department of Finance (see Appendix 1). The process is overseen by the Central Steering Committee (CSC) on Programme Evaluation, chaired by the Secretary General, Department of Finance and facilitated by the ERI Secretariat in that Department.

2.2. Role of Value For Money (VFM) Unit

The ERI process is similar to VFM examinations. Areas of expenditure are reviewed primarily in terms of results achieved and in the context of economy and effectiveness of delivery. The VFM Unit has responsibility for the management and co-ordination of ERI examinations. This Review formed part of the VFM Unit's Business Plan for 2004/5.

2.3 Approach to the Review

In accordance with the ERI framework a Steering Group was established to develop a programme of reviews for the second phase of the ERI. Membership of the Group is shown at Appendix 2. In February, 2004, following a consultative process with members of Revenue's Management Advisory Committee (MAC), the Group decided to conduct a review on the outsourcing of certain forms and returns. The terms of reference, which are largely based on the template included in the ERI framework, were approved by both the Revenue Board and the Department of Finance.

2.4 Terms of Reference

The terms of reference for this study are as follows:

- Identify the objectives of the outsourcing programme;
- Examine the current validity of the objectives of the outsourcing programme and their compatibility with the overall processing and outsourcing strategies of the Office of the Revenue Commissioners;
- Define the outputs associated with the operations' activities and identify the level and trend of those outputs;
- Examine the extent that the operations' objectives have been achieved, and comment on the effectiveness with which they have been achieved;
- Identify the level and trend of costs and staffing resources associated with the operations and comment on the efficiency with which they have achieved their objectives;

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- Evaluate the degree to which the objectives warrant expenditure on a current and ongoing basis and examine the scope for alternative approaches to achieving these objectives on a more efficient and/or more effective basis (e.g. in-house operation); and
 - Specify potential performance indicators that might be used to monitor the performance of the operations in the future.

2.5 Methodology

The Steering Group mapped out a methodology for Phase 1 of the data collection stage of the project as follows:

- The identification of the objectives of the outsourcing programme;
- The number and types of forms/returns currently outsourced and the number and types of forms where outsourcing is being considered;
- The costs involved in both in-house processing and outsourcing;
- The savings and benefits/drawbacks arising, if any, from outsourcing;
- The number of staff freed up for deployment to higher value work;
- Estimation of the number of staff which would have been required to capture the data on forms/returns not currently being data processed in-house.

2.6 Establishment of a Working Group

A Working Group was established in February, 2004, consisting of representatives from the range of business areas across Revenue who are actively involved in outsourcing projects. Membership of the Working Group is at Appendix 3.

2.7 Phase 1 of the Review – Data Gathering

In this first phase, the VFM Unit conducted an information gathering exercise to identify all the forms and returns currently outsourced or those forms and returns where outsourcing was being considered.

Having identified the areas involved, a structured questionnaire and template were devised incorporating information on the objectives, costs, benefits and key performance indicators of outsourcing. Members of the Working Group were tasked with gathering this information which was designed to support a rigorous cost/benefit analysis of each outsourcing project supported by hard data. Each business area was requested to supply information in both quantitative and qualitative terms. The VFM Unit then carried out a review of the completed questionnaires and further information was sought where gaps in the data supplied were identified.

2.8 External Evaluation of Phase 1

An external evaluator was retained to assess the approach taken and methodology utilized and to provide advice on the proposed approach to the second phase of the review. The external evaluator confirmed the validity of the approach and methodology applied in Phase 1 of the review along with the quality of the work carried out and provided direction on the second phase of the review.

2.9 Phase 2 of the Review

The objective of this phase was to obtain a broader perspective on Revenue's experience and approach to outsourcing through interviews with stakeholders other than the business areas. These included a number of outsourcing service providers, other public sector organisations, and staff in operational and central Divisions affected by but not directly involved in outsourcing programmes.

Analysis of the data gathered in phase 1, correlated to the qualitative information assembled in phase 2 formed the basis of the findings and recommendations in this report.

The recommendations and stakeholder analysis comprise the key components in a Draft Outsourcing Framework (see Section 5) which contains standard procedures and practices to support any future outsourcing initiatives.

2.10 Structure of Report

The report is structured as follows:

Section 1:

Contains the executive summary

Section 2:

Outlines the background to the review

Section 3:

Provides an overview of Revenue's forms/returns programme and outsourcing policy

Section 4:

Evaluates Revenue's outsourcing programme in the context of the Terms of Reference for this review

Section 5:

Contains the outsourcing framework document

2.11 Acknowledgement

We would like to thank all Revenue staff that took part in the study for their assistance throughout the review process. We would also like to acknowledge the assistance received from the Department of Finance, C. Moore and Associates Ltd, and a number of outsourcing service providers.

3. Background and Context

3.1.1 Background to the Introduction of Outsourcing

In 2001, a decision was taken to outsource the capture of data from forms associated with the end of year Employer Returns. That first contract was signed in May 2001. The programme was extended in the following year when the capture of data from the Forms P45 part 1 was outsourced. In 2003 further forms were outsourced, both through the negotiation of new contracts and the extension of existing ones.

In the same year the LINKS Project Team (Information and Knowledge Sharing) in Operations Policy and Evaluation Division (OPED) undertook a project to examine the issues and available options surrounding data capture from Returns of Income, Corporation Tax and other third party returns which would support risk analysis within Revenue. The drivers for this project were

- (a) the requirement to ensure a consistent and equitable approach to audit selection between paper and e-filed returns; and
- (b) the implementation of a computer-based risk analysis system in Revenue which required the development of approaches and mechanisms for the capture of data from large volumes of returns from both internal and external sources and in paper and electronic formats.

The Revenue Board agreed a schedule of data sources for inclusion in the risk system and the outsourcing of the data capture of accounts data from returns of income and corporation tax returns.

3.1.2 Outsourcing Policy

Initially, outsourcing projects were undertaken by a number of separate business areas on an ad-hoc basis. A number of projects were once-off events to clear a backlog of cases. Over the last number of years, outsourcing of data processing has been a stated corporate strategy for Revenue and recognised in our Statement of Strategy 2005-2007, Business Plans and our Action Plan under the Sustaining Progress Agreement.

Revenue currently operates both paper-based and electronic systems for forms and returns processing. Our objective vis-à-vis forms/returns processing is the elimination of manual data-capture. This policy is being actively implemented through three strategies:

- the promotion/optimisation of the take-up of electronic filing channels;
- the in-house utilisation of new technologies (e.g. scanning); and
- where justified by value for money considerations, the use of outsourced service providers to perform manual data capture of paper forms/returns.

3.2 Global Processing Operation

Revenue receives more than 200 different types of declarations and returns covering all categories of taxes and duties. Generally, tax returns and other forms are issued to its customers for completion and are processed on receipt. The frequency with which these

declarations and returns are issued and received is determined by legislation and varies from transactional, to monthly and annual cycles.

In 2004 the number of forms/returns received for the processing of data was in excess of 5.6 million, 72% of which were in hard copy format. The processing of received material is labour intensive and impacts across all of Revenue. A significant proportion of our staff are devoted to processing the information contained on these completed forms. The information on the forms is required for a number of reasons, viz. the calculation of tax liability and/or repayment, fulfilment of statutory obligations and to support risk analysis. The forms are data processed by the following means: key punching, scanning, optical character recognition, intelligent character recognition, visual check and correct.

3.3 Business Environment

Revenue's mission is to "serve the community by fairly and efficiently collecting taxes and duties and implementing import and export controls". Delivering on this mission means that our organisation must evolve and improve to support our strategies, to respond to projected growth in our volumes of business and to take advantage of emerging opportunities.

Revenue staff are geographically dispersed - Revenue has in excess of 6,500 staff (Whole Time Equivalents) located in approximately 130 centres countrywide. The environment in which Revenue has to operate is becoming more challenging. Volumes of business are increasing due to continued economic growth. The way in which business is being conducted is changing rapidly due, for example, to the growth of e-commerce.

Population forecasts indicate growth from 3.8 million in 2001 to 4.1 million approximately by 2006, with a corresponding increase in the labour force from 1,725,000 to 1,846,000 approximately over the same period.¹ Customer registrations have risen from 2.99m in 2002 to 3.26m in 2004 (see Table 1 overleaf). Given the continuing growth in economic activity and levels of immigration the increase in our customer base is expected to continue. While e-channels are the preferred mechanism for data-capture, it is acknowledged that we will continue to receive significant levels of paper returns in the short to medium term. Against this background Revenue must deliver enhanced and perhaps new services with a broadly static staffing resource. It is therefore vitally important to actively implement strategies to reduce/eliminate manual in-house data-capture processing.

¹ Source: Central Statistics Office

Table 1 Increase in Customer Registrations 2002 – 2004

	2002	2003	2004
PAYE employees	2.1m	2.15m	2.25m
Self Employed	.386m	.413m	.456m
Corporation Tax	.115m	.121m	.126m
VAT Registered	.206m	.224m	.236m
No. of Employers	.187m	.192m	.196m
Total	2.994m	3.100m	3.264m

3.4 Trends in Business and Industry

There is a growing trend, both at home and internationally in firms outsourcing business activities. Research shows that the main advantages associated with outsourcing are as follows:

- Anticipated cost savings;
- Efficient temporary measure to handle one-off backlog/overflow situations;
- Efficiency savings;
- Greater financial flexibility through reduced overheads;
- Operational flexibility and control through contractual relationships;
- The ability to focus on core activities;
- Access to better management skills for peripheral activities/access to specialized expertise; and
- Staffing flexibility.

3.5 Electronic Facilities

To reduce the workload associated with processing returns a number of initiatives have been put in place or are being developed. The implementation of electronic services such as the AEP (Automated Entry Processing of Customs Declarations) and ROS (Revenue on-line Service providing Internet based services covering 20 taxes and duties) deliver a range of benefits for both Revenue and taxpayers. These benefits include a reduction in taxpayer compliance costs, as the result of the speedier processing of returns and repayments, greater accuracy in data capture, reduction in postal and telephone costs, timely payment and the reduction or elimination of paperwork. These initiatives are outlined in sections 3.6 to 3.9 below.

3.6 Automated Entry Processing (AEP)

One of Revenue's targets is to improve the level of service to customers and reduce compliance costs for business users by the removal of paper and the reduction in the need for personal contacts.

As part of this programme, the automation of import and export procedures and form filing was introduced nationally in 1991 by means of the AEP system to replace the manual processing of import and export documents. Traders input data directly into the AEP system which validates, processes and clears consignments automatically. In the

year 2004, in excess of 830,000 Customs declarations were filed via the AEP system representing over 91% of Customs declarations for that year.

3.7 Revenue on-line Service (ROS)

ROS was launched in September 2000. It is an internet based service that allows customers to transact business with us electronically.

The system offers taxpayers the facility to file tax returns, pay tax by debit instruction, laser or on-line banking and have on-line access to their tax affairs. ROS currently offers on-line services for 20 taxes and duties. ROS has allowed Revenue to provide excellent on-line services and freed up resources for more risk-focussed work. The number of forms filed and processed through ROS is increasing annually. In 2001 forms filed and processed online amounted to 42,592 rising to 1,122,955 in 2004. Tables 2 and 3 show the types and total numbers of Customs and Excise and tax forms filed for the years 2002-2004 and the numbers filed via ROS. Notwithstanding the increasing uptake of ROS services there is a significant level of returns/forms requiring some level of manual processing.

Table 2: Customs & Excise Forms received through ROS 2002-2004

Customs & Excise	2002	2003	2004
CAP Export Refs	28,131	28,008	23,156
ROS	Nil	Nil	7
Other	28131	28,008	23,149
EU Transit Procs	61,164	51,332	28,274
ROS	Nil	Nil	11,778
Other	61,164	51,332	16496
Intrastat	101,268	99,378	100,019
ROS	Nil	Nil	9,570
Other	101,268	99,378	90,449
VIIES	34,197	45,676	46,356
ROS	Nil	Nil	3,310
Other	34,197	45,676	43,046
VRT 40	4,174	4,353	4,509
ROS	174	2,313	3,400
Other	4,000	2,040	1,109

Table 3: Tax Forms received through ROS 2002-2004

Income Tax	2002	2003	2004
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CT1 & Form 11	² 565,286	477,772	504,841
ROS	23,326	122,925	224,695
Other	541,960	354,847	280,146
DIRT	603	981	939
ROS	4	11	14
Other	599	970	925
DWT Returns*	4,489	5,212	5,056
ROS	16	149	781
Other	4,473	5,063	4,275
E Levy	35,925	36,580	14,030
ROS	134	540	596
Other	35,791	36,040	13,434
F30 & F35	9,190	9,189	9,236
ROS	69	642	942
Other	9,121	8,547	8,294
IT 38	12,000	11,694	15,032
ROS	Nil	33	287
Other	12,000	11,661	14,745
P30	1,388,844	1,275,497	1,460,157
ROS	28,288	59,111	122,099
Other	1,360,556	1,216,386	1,338,058
P35**	168,520	176,912	178,599
ROS	940	7,312	17,921
Other	167,580	169,600	160,678
P45	629,805	680,163	728,711
ROS	49,711	67,796	135,916
Other	580,094	612,367	592,795
RCT 30 & 35	220,254	271,636	396,784
ROS	Nil	4,750	31,110
Other	220,254	266,886	365,674
SSIA	4,277	4,277	4,277
ROS	21	29	50
Other	4,256	4,248	4,227
VAT 3& RTD	981,536	1,054,351	1,104,136
ROS	24,810	64,637	143,187
Other	956,726	989,714	960,949
VAT on E Svs	15	24	29
ROS	Nil	Nil	29
Other	15	24	Nil

* DWT returns in 2002 to 2004 refer to 1,379,310, 1,150,814 and 968,547 records respectively

** P35 returns consist of 2 parts, viz. a signed declaration by the employer accounting for the PAYE/PRSI deducted from his employees and individual employee records. A declaration can be submitted via ROS or hardcopy. Employee records can be submitted via ROS, hardcopy or on diskette. The total number of P35 returns received in 2004 was 178,599 which accounted for a total of 2.9m employments of which 4% were received online, 20% hardcopy and 76% on diskette.

²2002 was unusual in that there were two filing dates for tax returns in that year

3.8 PAYE Initiatives

In 2004 PAYE tax receipts accounted for 23% of net receipts. There has been a significant increase in the number of PAYE employments rising from 1.3m in 1995 to ³2.25m in 2004. Economic changes are driving increases in both the overall number of persons in employment, the numbers with multiple employments and the level of mobility in the workforce. This section of the customer base generates a significant numbers of contacts with Revenue – in excess of 1.9m telephone calls in 2004 and in excess of 2.2m paper contacts in the same year. Over 20% of Revenue staff are engaged in managing this operation and responding to customer contacts, whether by phone, correspondence or in person.

Revenue has introduced a number of initiatives and continues to explore further avenues both to reduce the necessity for customer contact and to streamline the operation of necessary customer contacts. These initiatives are outlined at Sections 3.8.1 to 3.8.3.

3.8.1 Tax Relief at Source

Tax relief at source (TRS) was introduced in 2000 for medical insurance and interest paid on mortgages. Credit is granted by netting the tax relief element off against the gross premium/interest due.

The introduction of TRS has resulted in a significant reduction in forms submitted to PAYE Customer Service areas as there is now no requirement on customers to submit a claim form to Revenue to advise of adjustments, often minor, to the annual certificates of tax credits and standard rate cut-off point. Likewise, it has been successful in reducing time and resources dedicated to the issue of end-of-year balancing statements where the tax relief was not claimed during the tax year.

3.8.2 Customer Contacts Project

The Customer Contacts Project (CCP) was set up in 2004 to address customer contact issues in the PAYE customer base in the context of an overall strategic direction and to devise solutions using IT and self-service options. The following enhanced customer service and document handling measures were introduced based on the results of research carried out by the CCP Group:

- Upgrading and modification of the telephony system and the provision of automated self-service options. The PAYE 1890 service now provides a facility that allows customers to request certain forms and information leaflets and certain tax credit amendments using touch-tone self-service options and message texting (SMS). Automated self-service options via touch tone phone, the Revenue website and texting have been very successful with an average of over 10,000 customers using these services every month;

³ includes individuals with multiple employments

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- The introduction of call messaging on switchboards advises callers of the position on post backlogs, if any, thus eliminating the requirement to speak to an official when the query relates to recently submitted items of correspondence/returns;
 - An integrated document management and workflow system called the Integrated Correspondence (*iC*) system was introduced in 2004. This system scans each item of correspondence, e-mails, text messages and records of other contacts and delivers them electronically, via a workflow system, to the appropriate member of staff. The system has delivered substantial benefits including improved turnaround time for customer queries, enhancement of customer service with resultant efficiencies in processing time, elimination of filing, immediate retrieval of items for dealing with queries; and
 - The integration of the phone and *iC* system utilising Voice over Internet Protocol (VoIP) technology has been installed in three of the four Revenue Regions at the time of writing this report. This technology is providing improvements in call management and the availability of detailed management information in addition to the automatic presentation of relevant case details, including recent correspondence, in tandem with the telephone call. This technology greatly enhances our capacity to deal with telephone calls on a first touch basis.

The CCP Group is now considering how these initiatives might be extended to other taxes and duties. Future initiatives like the greater use of voice recognition and the possibility of a single Revenue phone number are under consideration.

3.8.3 PAYE Re-Design

The PAYE Redesign project is a key initiative for Revenue. The 2005-2007 Statement of Strategy identifies the replacement of the PAYE System as a key performance indicator for the achievement of Revenue's goal of improving productivity and enhancing the quality of service to the public. By the end of 2005 PAYE processes and functions will be re-engineered and incorporated into an Integrated Tax Services (ITS) framework. This will significantly improve the management, processing and presentation of information and provide Revenue with a consolidated view of each customer across the major taxes.

The re-designed PAYE system will be integrated with the new phone system, the *iC* system and other self-service channels introduced under the CCP. The re-designed system will greatly enhance customer service by:

- Providing a suite of on-line services, via ROS, thus allowing customers to manage their own tax affairs, view and amend their personal details and tax credits. As customers will be able to avail of 24-hour access online this should be reflected in a substantial increase in the number of items processed electronically;
- Resolving customer queries on first contact as Revenue staff will have immediate access to current information on each customer's tax activities. This should significantly reduce the number of follow-up phone calls and correspondence;

-
- Quicker response times to outstanding matters with the extension of automated processing including repayments and offsets;
 - Enhancing the quality of information issued by Revenue to customers; and
 - Automated and simplified processing supported by re-designed and simplified forms.

It is anticipated that these changes will result in increased speed of claim processing and a reduction in the amount of time spent on data entry.

3.9 Web-Based Solutions

Revenue has enhanced and modified the information and services available to customers on the Revenue website. The re-designed website has more interactive functionality, reflecting ongoing developments arising from the CCP, ROS and PAYE Redesign projects. Enhanced on-line services include:

- News and updates on all taxes and duties in respect of individuals, businesses and companies;
- Forms & Leaflets Ordering Service;
- Claims for certain Tax Credits; and
- Applications for Tax Clearance Certificates.

4. Evaluation of Outsourcing Strategy

This section sets out the forms/returns currently being outsourced and those under active consideration for outsourcing. An evaluation under each of the review criteria is provided insofar as this is possible having regard to the information deficits outlined at section 4.2 below.

4.1 Revenue Forms that are currently outsourced

Forms which are currently outsourced are as follows:

Form Type	Description	Outsourcing Commenced
➤ Forms P35L/ P35LT	Employee Listings	2001
➤ Forms P45	Employee cessation details - part 1	2002
➤ Forms 11 & 11E	Returns of Income Individuals & Unincorporated Bodies	2003
➤ Forms CT1	Returns of Income Incorporated Bodies	2003
➤ ST21 Forms	Transfers of Interest in real property	2002

Forms which were outsourced as a once-off exercise and/or are currently under consideration for outsourcing:

Form Type	Description	Outsourced in
➤ DWT Forms	Dividend Withholding Tax	2003
➤ 46G Forms	Third Party Returns	-
➤ TRS1/TRSIa Forms	Tax Relief at source Claims	2001
➤ Forms C.A.24	Inland Revenue Affidavits	-
➤ RCT 35 Forms	Relevant Contracts Tax	-
➤ RTD Forms *	Return of Trading Details	2003
➤ VIES Returns	Declarations for the VAT Information Exchange System	-
➤ Intrastat Returns	Customs Declarations for Intra Community Trade Statistics	-

Because of the wide variety of forms involved in the outsourcing programme, this evaluation focuses on a representative sample of forms. However, detailed descriptions of two business forms, the in-house workflows and the rationale supporting the preferred data-capture option in each case are at Appendix 4.

4.2 Data Deficiencies Encountered under Phase 1 of the Review

There are a number of factors which made the evaluation of the various outsourcing projects difficult. These can be classified as follows:

* Data-processing by an outsourced service provider commenced in the latter half of 2005.

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- The circumstances/types of the forms themselves vary greatly in terms of complexity, number of fields to be data-captured, volume, frequency and the required turn-around times;
 - While business cases were prepared for each outsourcing project, the depth and scope of those business cases varied greatly ranging from a basic level in respect of the outsourcing of small volumes of non-time critical and relatively simple forms to a more comprehensive analysis for major outsourcing projects. Generally speaking the quality and scope of the business cases reflected the importance of the project and the associated expenditure;
 - In a number of cases all relevant inputs for in-house and outsourcing costs were not included in the business case, for example, the costs of contract management. Valid conclusions cannot be based on simple cost comparison on the basis of savings in staff resources versus processing costs per form. Likewise, the outputs of the outsourcing operation cannot be judged solely in terms of volume but must take into account factors such as timeliness and accuracy of the processed data. In a number of cases the data simply does not exist to undertake a rigorous and comprehensive evaluation of inputs and outputs and the establishment of comparative key performance indicators;
 - Direct comparison between in-house and outsourcing operations are not practicable where:
 - the number of fields to be data-captured fluctuated during in-house processing;
 - the outsourcer is capturing greater quantities of data than had been captured in-house;
 - forms had never been data-processed in house; and
 - only “clean” forms are handled by the outsourcer with the “problem” forms retained in-house.

4.3 Approach to the Evaluation of Outsourcing in Revenue

The outsourcing of data processing is a relatively new development in Revenue. The decision to endorse outsourcing as a corporate strategy was made in 2003. Accordingly, our approach to the management of outsourcing is at a developmental stage.

Based on an analysis of the available data and extensive interviews with a wide range of stakeholders, Revenue’s data-capture outsourcing operation is evaluated below under each of the terms of reference for this Review. An analysis of broader issues such as the tendering and procurement procedures and the actual experience of the outsourcing programme, in terms of issues raised and lessons learned, are also outlined.

4.4 Identify the Objectives of the Outsourcing Programme

The key objectives of Revenue's outsourcing strategy are as follows:

- improved alignment of resources with risk by the deployment of skilled staff to perform higher value work in Revenue's core business of managing and promoting taxpayer compliance;
- availability of additional data to enhance risk evaluation and audit case selection;
- utilisation of information supplied by our customers which previously had not been recorded/processed;
- improvement in the delivery of customer services;
- attainment of organisational efficiencies; and
- cost savings.

4.4.1 Assessment of Objectives

Examine the current validity of the objectives of the outsourcing programme and their compatibility with the overall processing and outsourcing strategies of Revenue.

The objectives of Revenue's outsourcing policy make a direct contribution to the attainment of a number of Goals/Strategies in Revenue's Statement of Strategy 2005-2007:

Goal 1 – Strategy 1.1. – Facilitate and encourage compliance through the provision of top quality customer services.

The outputs required to achieve the enhanced delivery of customer services are:

- The provision of new and/or improved e-filing channels for a range of taxes by end-2006;
- Attainment of an increased percentage of returns and payments received electronically by end-2007. Targets for the increased take-up of on-line business have been set at 75% of all taxes and duties and 50% of business returns by the end of 2005;
- Reduction in filing frequency for small/medium enterprises;
- Achievement of our customer service standards. There are differentiated standards for e-filed and paper based returns, declarations and applications, as follows
 - Commitment to processing returns, declarations and applications filed through ROS within 5 working days;
 - Immediate response in respect of Customs import/export declarations lodged through the Automated Entry System;
 - Other returns, declarations and applications according to the following standards: 80% within 10 working days, 100% within 20 working days.
- The speedier and more accurate processing of returns leading to quicker response times contributes to better customer service and also reduces the number of customer contacts.

Goal 1 – Strategy 1.2. – Confront and reduce evasion, avoidance and non-compliance.

A key performance indicator under this strategy is the redeployment of staff to achieve a 30% increase in the number of staff engaged in compliance work by 2007. Outsourcing of data processing activities has increased the number of staff available for redeployment to compliance duties.

Central to identifying non-compliant customers is the deployment of risk profiling tools and providing for the capture of relevant data to support risk identification. Data captured by outsourced service providers from paper returns is sent electronically to Revenue where it is used, *inter alia*, in risk analysis. Our recently released knowledge-based risk analysis system contains a profile of the customer drawn from returns and payments over a number of years together with data on their own background and lifestyle in addition to other data from a range of other sources.

Feedback from the four pilot regions where the system was released suggests that the system is proving effective in identifying non-compliant customers;

Goal 2 – Strategy 2.2 – Continue the ongoing assessment of organisational structures and processes to improve our organisation.

A key performance indicator is the identification and exploitation of outsourcing opportunities that can enhance efficient concentration on our core business. Revenue has identified outsourcing as one of the key deliverables on modernisation and improvements under the *Sustaining Progress* agreement.

Finding

The objectives of Revenue's outsourcing policy are valid and compatible with the goals and strategies set out in our Statement of Strategy 2005-2007. Many business areas are actively examining opportunities and potential for outsourcing of data-processing functions. These projects have the potential to contribute significantly to the goal of substantially increasing the proportion of staff engaged on compliance duties.

4.4.2 Definition of Outputs

Define the outputs associated with the operations' activities and identify the level and trend of those outputs.

This section analyses both the outputs and outcomes of the outsourcing programme.

Tables 4 and 5 overleaf show the **returns/forms/records** dealt with through outsourcing for the years 2002 to 2005 and the anticipated volumes for 2005 to 2007 respectively.

Table 4: Type and quantity of forms outsourced 2002 - 2005

Year	P35	P45	ST21 ⁴	Form 11/CT1	DWT
2002	590,000 ⁵	580,094	155,000	Nil	Nil
2003	620,000 ⁶	612,367	105,684	Nil	45,622 records
2004	591,000	592,795	¹ Nil	168,149	Nil
2005 (to 30/6)	82,000 (est.)	263,610	Nil	61,994	Nil

Table 5 Type and volume of additional forms under consideration 2005 -2007

Year	Vies	Intrastat	VAT RTD	Other third party Returns.
2005	38,587	66,150	185,000*	520,379
2006	40,516	69,457	89,250	546,398
2007	42,542	72,930	93,713	573,717

*includes a backlog of 100,000 returns

In 2004, and as a result of the promotion of e-filing there was an increase in the number of forms P35 and P45 filed via ROS. This trend is expected to continue.

Finding

The review team found that 23% of paper-based returns in 2004 were data captured by outsourcing service providers. A number of additional forms are being actively considered for outsourcing. Based on the estimated volumes for additional forms, the percentage of paper based returns data captured by outsourced service providers is expected to increase to 45% by the end of 2007.

In addition to the tangible outputs outlined above, the outsourcing strategy had also led to a number of further positive outcomes for Revenue. Most business cases explored a number of potential data-processing solutions. In a number of cases, the decision was made that outsourcing was not the optimal decision and that efficiencies could be achieved by form re-design or amendment or the introduction of improved business processes.

⁴ The contract for the Form ST21 expired in 2003. Data capture of this form is to recommence shortly as an add on to the Form 11/CT1 Contract

⁵ The figures quoted for P35 refer to the number of records to be processed. The corresponding number of forms for the year 2002 was 167,580

⁶ In the case of the Form P35, compliance rates increased from 92.6% to 95.7% in 2003 resulting in a higher number of returns

4.4.3 Assessment of Effectiveness

Examine the extent to which the objectives have been achieved, and comment on the effectiveness with which they have been achieved.

The availability of additional information, the release of staff for higher value work, and the improvement in customer services arising from quicker and more accurate data-processing are the key objectives for Revenue's outsourcing programme. Post-implementation reviews were not performed in all cases. Therefore it was not possible to definitively establish metrics for results from all outsourcing projects.

It should be noted that a number of these objectives are not relevant to all outsourcing programmes. For example, the issue of the release of staff does not arise for forms which had not previously been data-captured in-house.

Finding

On the basis of the available data and interviews with stakeholders the review team found that each outsourcing operation has realised some or all of the objectives of the outsourcing strategy. The position on the achievement of objectives is summarised in Table 6. Details of the achievement of specific objectives by different outsourcing projects are at section 4.4.4.

Recommendation

The review team consider that evaluation of the effectiveness and economy of future outsourcing projects would be greatly facilitated by the development of a standardised approach to business cases. The business case should specify:

- the objectives of the outsourcing project;
- an exploration of the alternative options to capture the information including relative costs and benefits of the range of options to capture data;
- estimated volumes;
- evaluation of business process changes and form redesign requirements to achieve optimal results, and identification of key performance indicators.

A recommended standardised approach to the business case is set out in section 5.

Table 6 Achievements of Outsourcing Strategy

Objective	Outsourcing Project- P45	P35	ST21	Form 11	CT
Release of staff	Yes	Yes	Yes	Yes	Yes
Enhancement of Risk Analysis	No	No	Yes	Yes	Yes
Improved Customer Services	Yes	Yes	Yes	Yes	Yes
Cost Savings	Yes	Yes	N/A	N/A	N/A
Additional Data captured and available	Yes	No	Yes	Yes	Yes

*The impact of the outsourcing of the data capture of the forms 11 and CT1 will not become apparent until the end of the current year. Some of the results under the various categories of objectives for these two forms are therefore estimates.

4.4.4. Indicators of Effectiveness

This section gives details of the achievement of specific objectives by different outsourcing projects.

Objective: Availability of additional data to enhance risk evaluation and audit case selection

The use of data captured by outsourcing service providers on Income and Corporation Tax Returns for risk assessment purposes has been operating on a pilot basis in four areas since April 2005. Initial reports from the pilot areas confirm that the availability of this data has been very useful in terms of the selection and screening of cases for audit/compliance purposes and in improved targeting of compliance and audit activities.

Most of these audits were not finalised at the time of writing of this report and accordingly comparative data relating to the outcomes of audit activities for all pilot areas is not currently available. However, initial results from one pilot area which benchmarked cases selected for audit using the risk analysis system against cases previously selected using traditional approaches indicate that the new system produced significantly better results in terms of scale of Revenue risk identified and tax yield from audit activity.

Future enhancements such as the bulk name and address matching system, planned for release in 2006, and the capture of a range of third party information (scheduled for late 2005/early 2006) will enable staff to use a wider variety of data sources in risk analysis.

Objective: Attainment of organisational efficiencies in the delivery of high quality services

Outsourcing has yielded benefits in the area of real time access to information. In the customer service area, information from the Form P45 is now available on-line to PAYE customer service staff throughout Revenue whereas previously the data was held in paper format. This has yielded savings in filing, storage, retrieval, transfer of forms between regions, time spent looking for lost or misfiled returns and inter-office communications.

It has also enhanced the level of customer services in terms of speed and accuracy. Data from the Form P45 is now available throughout Revenue within 4/5 days of the receipt of

forms whereas the average number of days for in-house processing was 10 days. The earlier availability of this data means that employers are notified more promptly of their employees' entitlements to tax credits. This permits the deduction of the correct amount of tax and ensures that the employees receive any tax refunds which may be due.

The achievement of consistent levels of service in meeting data entry targets which are governed by legal time limits presents challenges to maintain a consistent level of data-entry punching throughput. For example in the case of the Intrastat returns, Revenue is obliged to provide statistical reports from the information captured to the European Central Bank every forty days. Outsourcing represents an option of meeting the data entry challenge.

Objective: Release of staff to higher value work

An estimated 40 staff have been released to higher value work arising from the outsourced data processing of forms P35 and P45.

In the P35 Unit, the outsourcing of the data capture operation and the elimination of certain pre-processing checks⁷ permitted the deployment of 8 staff to quality control activities on paper based returns – work which had not been previously carried out. This led to a marked improvement in the quality of the returns being submitted and a consequential reduction in the number of “problem” returns – returns which previously could not be handled by the outsourcer. Six of these staff have since been re-assigned to debt management activities.

An estimated 32 staff who were previously engaged on P45 processing have been re-assigned to other customer service activities and compliance functions.

The overall figure for release of staff is estimated to increase to 120/130⁸ when the data capture for the full range of forms and returns listed on page 15 is outsourced.

4.4.5 Assessment of Efficiency

Identify the level and trend of costs and staff resources associated with outsourcing and comment on the efficiency with which they have achieved their objectives.

The measures of efficiency in this report relate to timeliness, accuracy, cost, procurement, contract management and volumes.

Findings

Measures of efficiency in terms of costs, timeliness, accuracy of data capture, procurement and contract management varied across the various outsourcing programmes;

⁷ work now carried out by the outsourcing contractor at no extra cost

⁸ Figure based on staff resources already freed up and an additional resource of 80 to 90 to be free for re-deployment to other duties as calculated by the LINKS project report.

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- A number of business cases failed to factor in all associated costs such as the staff resources required to manage contracts, the in-house costs of bundling and preparation of forms for transmission to the outsourcer, the development of front-end IT systems by the outsourcing company and the download interface for Revenue's mainframe;
 - There were deficiencies in project planning for a number of projects with inadequate and unrealistic estimations of the time, costs and resources required for individual components of the project; and
 - Failure to consult with all interested stakeholders at the preliminary stage for some outsourcing projects gave rise to delays in identifying difficulties and obstacles (such as industrial relations issues, differences between paper and e-based forms, the extent of "fixing" of forms carried out by Revenue staff) which impacted negatively on the delivery of the outsourcing project.

The views of stakeholders on the standard of service provided by outsourced service providers in terms of timeliness, accuracy and cost varied. For some outsourcing projects the outsourced service provider was judged to have exceeded the levels of timeliness and accuracy that in-house data processing could attain and at a very competitive cost.

In one outsourcing project unexpected difficulties with the form itself and IT issues were encountered which led to serious delays in form processing and a failure to meet specified customer service standards.

A number of stakeholders questioned the outsourcing projects in the context of Revenue's objective of promoting e-filing. However, in the short to medium term a balance has to be struck between the realisable level of take-up of electronic channels and the practicalities of dealing with significant volumes of paper returns.

Generally, the review found that there are too few measures being monitored on a consistent basis and that some projects are not as administratively efficient as they could be.

Details on the achievement of specific efficiency indicators for different outsourcing projects are at section 4.4.6.

Recommendation

As with the assessment of effectiveness (Section 4.4.3) the review team found that an evaluation of the efficiency of outsourcing projects would be greatly facilitated by the development of a standardised approach to the development of the business case including, *inter alia*, a detailed cost benefit analysis of the proposal and of alternative options. To facilitate increased sharing of information and the maximisation of outsourcing benefits each business case should contain a comparison of costs and services from existing outsourcing contractors.

Post-implementation reviews of each outsourcing project should be carried out by the relevant business areas to establish the costs and benefits arising from the contract. These reviews should be considered by the Management Advisory Committee on a periodic basis. A recommended standardised approach to post-implementation reviews is set out in section 5.4.

4.4.6 Indicators of Efficiency

Timeliness and Accuracy

In one outsourcing project, the service provider data processed in excess of 10,000 Dublin Region “return of income” forms in 10 days and a further 3,000 similar returns for Galway in 4 days. No data capture errors were identified in any of the cases tested. The service provider was judged to have exceeded the levels of timeliness and accuracy that could have been achieved in-house.

Cost

In 2004 a total of 1.352 million returns/records were data-captured by service providers at a cost of €1.569m giving an average cost per form of €1.16. Cost comparisons for in-house and outsourced data processing operations show savings of €1.89 per return for a simple return and €0.62 per return for a mid-range return based on the full economic costs of both options. Total savings achieved from outsourcing for two high volume returns in 2004 amounted to €1.219m.⁹ For the reasons specified at section 4.2 (data deficiencies) it is not possible to give an overall assessment of the ratio of inputs to outputs and determine efficiency in terms of costs for all outsourcing projects.

Table 7 Outsourcing Costs

Year	Paid to Contractors	Contract Mgt	Form Preparation	Transport	IT Developments	Total €
2002	611,988	258,084	272,573	6,578	179,629	1.328m
2003	777,864	125,926	276,043	9,284	4,600	1.193m
2004	1,116,145	115,518	260,741	6,234	71,246	1.569m
2005-30/6/05	366,183	42,639	130,370	3,117	152,139	.694m

⁹ Detailed cost comparisons were carried out in respect of the two forms in question. The material was examined by the external evaluator who found the figures to be soundly based. The costings have not been included in the report due to commercial sensitivities.

Procurement and Contract Management

Competitive tendering and procurement procedures were followed for all outsourcing projects except for two cases where the outsourcing involved a once-off exercise to clear a backlog. In these cases an existing contract was extended to cover these *tranches* of returns. Each contract identifies the quantity of forms and frequency of delivery, the number of records to be captured and verified, the expected turnaround time, the transfer and testing of data, arrangements for the secure storage of Revenue data, etc. The development of a standard contract with variables as regards service level agreements, timing factors and costs being covered in schedules or annexes to the main contract, would streamline the tendering and procurement process. Proposals for a standard contract are contained in section 5.

Contracts with outsourcing service providers have been limited to periods of one to two years with provision for review. This facilitates a re-evaluation of the requirement for outsourcing in the light of the volume of paper forms currently being submitted and an assessment of any technological developments which may deliver more efficient and/or more cost effective solutions/opportunities.

Revenue has awarded contracts to a total of three data-capture service providers, two of which have been providing services at any given time since 2002. Accordingly, Revenue has followed best procurement practice by not being reliant on a single service provider.

Incomplete/incorrect forms

A number of outsourcing projects highlighted the significant number of incomplete or incorrect forms submitted to Revenue by both taxpayers and their agents. As each outsourcing contractor is required only to input the data as it appears on the form and not to interpret or amend the data, significant numbers of forms could not be data-processed by the outsourcer. The results of the screening out of forms deemed unsuitable for outsourcing has highlighted the extent of the assistance and form-fixing services provided by Revenue staff. Proposals are being considered for a filer education programme and agent information campaign to improve the standard of forms submitted.

4.4.7 Is current and future expenditure justified?

Degree to which the objectives warrant expenditure on a current and ongoing basis and examine the scope for alternative approaches.

The continuing requirement for outsourced data-capture services will be largely determined by the volume of paper returns being processed.

This volume will be progressively driven down by the level of success achieved by Revenue in maximising the use of e-filing channels. The Statement of Strategy 2005-2007 specifies the following e-filing targets for returns and payments by end-2007:

- Vehicle Registration Tax – 98%
- Customs – 95%
- Income Tax – 75%

➤ Corporation Tax – 85%

On the other hand, the experience of the risk analysis project has demonstrated the advantage of maximising the data available to support the targeting of compliance and audit resources. This requires the capturing and processing of more data fields.

Finding

Having regard to the volume of paper based returns still submitted to Revenue and the extent of the work involved in re-designing many of these to make them amenable to in-house capture solutions (e.g. scanning) there will be an ongoing requirement for data processing from paper returns/forms in the short to medium term.

In the light of the contribution which outsourcing makes to the attainment of a number of our key corporate objectives, the allocation of funding for outsourcing on a current and medium term basis is justified.

Recommendation

The established practice of awarding contracts with outsourcing service providers for relatively short periods should continue. The business case for outsourcing projects should be rigorously reviewed, using the framework set out at section 5, at the expiry of each contract to ensure that economic advantage continues to accrue to Revenue.

Furthermore, any proposed significant investment in IT or equipment to facilitate data-capture should be assessed in the light of the current and projected volumes of paper forms being received.

Business areas should explore the potential for synergies with other outsourcing projects with a view to achieving economies of scale and ensuring that best value for money is achieved in all outsourcing projects.

4.4.8 Specify Performance Indicators(PIs) for the future

The review team suggests PIs under a number of headings against which future outsourcing projects should be evaluated. This list should be taken as a guide to best practice rather than a prescriptive template.

Strategic Indicators- The extent to which the outsourcing project supports strategic corporate objectives. Identify progress made on the targets set for each objective. For example, the quantum of additional data to support audit/compliance work, the number of staff available for higher value work, and the delivery of enhanced customer services. To assess progress on the optimisation of the take-up of e-filing channels, a comparison should be made of the number of paper and e-filed returns at regular intervals.

Effectiveness Indicators

- How many forms were data-captured by outsourcers?
- How does this number compare to the estimated throughput?
- What productivity gains have been achieved?
- How many additional fields of data are available to Revenue?
- How is this data being used?
- What results can be attributed to the availability of this additional data?
- Quality measures – to what extent are the expectations of our customers and stakeholders being met? For example, has outsourcing impacted on the time taken to issue repayments? Has timely processing led to a reduction in the volume of contacts from customers?

Efficiency indicators

- What are the overall costs of the outsourcing project?
- What are the constituent elements of those costs?
- How do outsourcing costs compare with in-house data capture costs?
- What is the unit cost of outsourcing per form? (based on the total cost of outsourcing including all ancillary expenses);
- What levels of accuracy are being achieved?
- Have the required turn-around times for processing been met or exceeded?
- What is the average timescale for complete processing of a form from date of receipt in Revenue to uploading of data on our mainframe systems?
- What impact has outsourcing made on the achievement of our customer service standards?
- What proportion of the total volume of forms cannot be outsourced due to erroneous or incomplete form filling?
- What steps have been taken to reduce this number?
- What resource is devoted to the management of the contract?

5. Proposed Outsourcing Framework

This review found a lack of uniformity in the approach adopted by the various business areas involved in outsourcing projects. This draft framework outlines steps from the development of the business case through to post-implementation reviews designed to streamline the operation, facilitate the assessment of the outcomes and outputs of outsourcing and inform decision making.

5.1 Outsourcing Framework Document

5.1.1 Statement of Principle

As a general principle data capture should be automated to the greatest extent possible.

The preferred option is through the electronic filing of returns/forms. Processing of paper forms/returns may be achieved either by in-house solutions such as scanning or by outsourcing, where economic considerations justify this. In general, outsourcing of the processing work should be restricted to those tasks that only require the mechanical capture of information and do not necessitate the exercise of tax expertise or judgement.

All outsourcing projects should include the following stages:

- A fully justified business case (Section 5.2.1);
- A cost/benefit analysis (Section 5.2.2);
- A technical/IT specifications (Section 5.2.3);
- Procurement and tendering procedures (Section 5.3); and
- Post implementation review (Section 5.4).

The extent of analysis conducted at each stage should be commensurate with the scale and cost of the proposed project.

5.2 Business Case

The following material should be included:

5.2.1 Business and Operational Position/Requirements

- Statement of business issue being addressed, the objectives of the outsourcing project and how these fit with the strategic objectives in the Statement of Strategy;
- Why is the information required, for example for assessment and/or risk management purposes or to fulfil statutory requirements;
- Are there alternative options to capture the information. e.g. merging with other forms or collating from other information;
- Are there opportunities to redesign the form to facilitate easier completion and processing. For example, marks to improve scanner registration, data fields positioned for easier location, size optimisation to reduce folding in envelopes, bar codes, graphic symbols to allow audit throughout processing, etc.;
- Details of workflows and processes and the necessity or opportunity to rationalise or re-engineer those processes;

-
- The current and estimated future volume of forms to be data processed and the impact on volumes arising from an increased usage of ROS and/or other electronic filing methods;
 - Identification of subsets/tranches of forms which cannot be outsourced and state the reasons. What action can be taken to reduce this number of forms to be worked in-house;
 - Indicate which other Divisions/business areas have been consulted; and
 - Identify any potential industrial relations issues and show outcome of consultations with HRD.

5.2.2. Cost/Benefit Analysis

The following data should be supplied where appropriate/relevant:

- Specify the costs, including opportunity costs and resource requirements for in-house processing (including the cost of storage, retrieval);
- Specify the volumes processed, turn around times, quality of standards achieved, and the tangible and intangible benefits from in-house processing;
- Identify the service levels required from outsourcing. e.g. required turn-around times, frequency of reporting, quality standards and the acceptable overall rejection rates; This required level of service should generally exceed the current levels being achieved in-house;
- Map out both tangible and intangible benefits arising from outsourcing;
- Identify the scope for potential impact on customer service standards;
- Identify key performance indicators;
- Research on guideline costs charged by outsourcing contractors for comparable forms through consultations with other business areas and/or other Government Departments and Offices who have experience in this area;
- Provide an estimate of the potential costs of outsourcing. This should include in addition to the cost per form, any associated IT development costs and the cost of contract management and transfer of forms to and from the service provider;
- Identify the number of staff freed up as a result of outsourcing and how they will be re-deployed;
- Estimate the costs of the alternative options considered for carrying out the task; and
- Recommend a preferred option.

5.2.3 Technical Specification

Prior to tendering, IT requirements and technical specifications should be determined to ensure easy transfer and update of data onto Revenue systems. These may include:

- file format(s);
- languages supported;
- method of data capture;
- schema definition;
- PPSN validation;
- text, date and amount formats; and
- data transfer mechanisms and interfaces.

5.3 Procurement and Tendering Procedures

The proposed procurement process should ensure:

- Compliance with the Department of Finance and EU guidelines;
- Minimization of cost and maximization of value from suppliers;
- Minimization of dependency risks, i.e. ensuring that data processing services are being provided by at least two service providers at any given time in order to avoid undue reliance on any one supplier and minimise risk;
- Continuation of practice of short-term contracts which allows Revenue to respond flexibly to developments in e-business, emerging technologies or enhanced/better value offerings from service providers.

There are two stages involved in tendering, viz

- Formulation of a Request For Tender (RFT) (Section 5.3.1)
- Tender evaluation and award process (Section 5.3.3)

5.3.1 Formulation of a Request for Tender

The RFT should contain information on the following issues:

- Description of the services required (Section 5.3.2)
- The required format for responses (Section 5.3.3)
- Terms and Conditions (Section 5.3.4).
- Qualifying and Award Criteria (Section 5.3.5).
- Tender Evaluation and Award (Section 5.3.6)

5.3.2. Description of the Services Required

- Details of the data to be captured and objectives to be achieved including:
 - the primary purpose of the contract,
 - type of form,
 - current and estimated future volume of forms to be data-processed; and
 - annual spread.
- Reference should also be made to Revenue's requirements where the tenderers may wish to develop their own input interface or where the solution offered may entail the imaging of forms prior to data capture;
- The required turn-around times and acceptable overall rejection rates;
- The requirements involved around collection and return of forms, capture of data and transmission to Revenue, quality, contingency arrangements for continuity of service and the security and confidentiality of data;
- The time scales in respect of the various stages of the Tender process;
- Pinpointed dates should be shown for:
 - Date of Notice of Request for Tender,
 - Final time/date for submission of queries/clarification requests,
 - Final time/date for receipt of responses and award of contract.

5.3.3. Required Format

- Tenderers should be advised that the responses to the RFT must be made in English or Irish;
- The responses should explain how the proposed solution addresses

-
- The data capture process
 - The backlog of forms
 - The time constraints
 - Confidentiality
 - Secure destruction of data
 - Location of the proposed service
 - Controls (physical and IT security and personnel measures)
 - Data Security.

The RFT should also:

- Request the Tenderer to provide a brief description of the company including the customer base, financial details, technical capability, specific skills/experience and details of management personnel;
- Describe the costing requirements preferred by the Office , i.e. quote in Euro, VAT shown separately and cost quoted on the basis of the VAT exclusive cost per form based on an estimated annual throughput;
- A caveat should be inserted in the RFT that the stated volume of forms or returns provided by Revenue are a best estimate and do not constitute an undertaking by the Office on specific throughput;
- The tenderer should be asked to quote an overall price, which should be the tenderer's best and final offer, and to confirm that the tender, including all costs, holds good for not less than 4 months from the final date for receipt of tender responses;
- Specify that all payments will be tied to deliverables and associated time frames;
- Request a specification on the level of accuracy proposed on the input of data and the quality control procedures that will be implemented to ensure that the data has been accurately processed. The RFT should clearly state that this information will form part of a binding service level agreement;
- Seek information on training requirements;
- Look for three reference sites for which the tenderer provided relevant services. This section of the RFT should include an addendum that reserves Revenue's right to make contact with any of the organizations referred to in the response;
- Request a draft service level agreement;
- Request a draft implementation plan for the duration of the contract which addresses:
 - Activities
 - Tasks
 - Time-frames

-
- Deliverables
 - Methods
 - Tools
 - Standards
 - Controls
- Request the tenderer to specify the contingency plans that would be put in place in the event of hardware, software or communication failure and what procedures would be applied for data recovery.

5.3.4 Terms and Conditions

The following terms and conditions are an example of Revenue's requirements for insertion in the RFT and do not constitute an exhaustive list.

- Where it is proposed that the service will be provided by more than one tenderer, responsibility for delivery and management of all aspects of the service must be documented and agreed between the prime tenderer and Revenue. The prime tenderer will assume overall responsibility for the delivery of the service and the signing of the contract;
- All data, forms and images in whatever format relating to Revenue and its customers will at all times remain the property of Revenue. In the event that any form is duplicated or imaged, such duplicates must be returned to Revenue on completion of the data capture process;
- Revenue will not be liable for any costs incurred by tenderers in the preparation of responses to the RFT or any associated work effort;
- An Irish resident tenderer must be in possession of a valid Tax Clearance Certificate for the duration of the contract and quote the Certificate reference number in the tender response. Each sub-tenderer who is expected to receive more than 6,500 Euro in payments from the tenderer must also possess a Tax Clearance Certificate throughout the course of the contract. Where a number of individuals / firms / partnership jointly submit a tender, each participant will require tax clearance;
- If the tenderer is not resident in Ireland, a Statement of Suitability must be obtained before the contract is awarded but is not required for the purposes of responding to the RFT;
- This document is copyright and remains the property of the Revenue Commissioners;
- Revenue undertakes to hold any information provided in response to an RFT confidential subject to obligations under law, including the Freedom of Information (FOI) Act. Should the tenderer wish any of the information supplied not to be disclosed because of its sensitivity, the tenderer must, when providing the information, identify it and specify the reasons for its sensitivity. Revenue will consult with the tenderer before making a decision on any request;

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- If a tenderer considers that none of the information supplied is sensitive, a statement to that effect should be made as such information may be released in response to a request under the FOI Act;
 - Revenue reserves the right to seek clarification or verification of any information supplied in the RFT response;
 - Information supplied by tenderers will be treated as contractually binding;
 - Any contract awarded shall be governed by and interpreted in accordance with Irish law and the successful tenderer will be required irrevocably to submit to the jurisdiction of the High Court in Ireland but the contract may be enforced in any Court of competent jurisdiction in Ireland;
 - Payment for all goods and services supplied will be made on the submission of appropriate invoices, in accordance with the Prompt Payment of Accounts Act 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002 (SI 388/2002). Invoicing arrangements will be agreed with the successful tenderer following selection;
 - Revenue retains the right to withhold payment, where a contractor has failed to meet his or her contractual obligations in relation to the delivery of goods/services to an acceptable level of quality;
 - Responses to the RFT will be evaluated in their own right. No recognition will be given to information previously submitted;
 - In the case of a service provider based outside of the European Economic Area, Revenue will not permit the transfer of data to a point outside the State unless it can be clearly shown that the terms of S.12 of The Data Protection (Amendment) Act, 2003 are met;
 - The Official Secrets Act, 1963 will apply to the contracting party, its servants and agents. Any breach of confidentiality for which Revenue may be held liable in damages will be attributed to the contracting party, its servants or agents.

5.3.5 Qualifying and Award Criteria

In this section of the RFT, tenderers should be advised that before tenders will be admitted to the evaluation process they must first meet the following **qualifying criteria**:

- Tenderers to whom any of the circumstances listed in Article 29 of EU Council Directive 92/50 (Co-ordinating Procedures for the Award of Public Service Contracts) apply will be excluded from the competition;
- Tenderers must be of sound financial and economic standing;
- Tenders must be submitted in English or Irish;

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- Tender documentation must be completed in the format specified in the RFT including all of the details requested;
 - The tenderer must demonstrate in the response a proven ability to provide the services specified in this document;
 - The tenderer must demonstrate in the response a proven ability to provide the requested level of confidentiality and security of Revenue's data;
 - The tenderer must demonstrate in the response the ability and intention to meet all of the mandatory requirements specified;
 - The tenderer must demonstrate in the response the existence of a proven track record for all aspects of the RFT.

The RFT should then describe the award criteria and clearly indicate that those tenders which fulfil the qualifying criteria will be evaluated on the basis of the most economically advantageous tender which fully complies with the requirements as set out in the RFT.

The following is an example of award criteria shown here in descending order of priority.

- Compliance with the specified security, confidentiality and Data Protection requirements;
- Compliance with the specified functional requirements;
- Compliance with the time scales specified in this document;
- Compliance with the specified quality assurance requirements;
- Suitability of the tenderer;
- Level of expertise;
- Overall experience of the management team;
- Merit of the proposed solution;
- Ability to provide the required data by a specified date.

The RFT should state that tenderers may be required to attend meetings with and/or make presentations to appropriate Revenue personnel or conduct site visits either to reference sites or to proposed contract venues. It should also indicate that unsuccessful tenderers will be notified accordingly.

5.3.6. Tender Evaluation and Award

Before tenders are admitted to the evaluation process they must first meet the qualifying criteria as outlined in the RFT. Those tenderers who fail to meet any of these requirements will be disqualified and should be advised accordingly. The remaining tenderers should be invited to meet with the evaluation team, if considered necessary. Any clarification required in respect of the RFT should be sought at the meeting with the evaluation team. The evaluation team should complete a marking sheet for each remaining tender under each of the award criteria in line with a scoring mechanism and/or weighting system to be decided in advance of the issue of the RFT.

The evaluation process should be fully documented to ensure transparency and to provide a record of the decision making process in the event that future queries arise.

5.4 Post Implementation Review

A review should be scheduled approximately six months following the date of the award of a contract. The objective of the review is to establish the extent to which the service provider has met the primary purpose of the contract by assessing the accuracy and quality of the data captured and measuring volume, time scales and error rates. Invoices should be examined to ensure the cost per form matches the contract price.

The review should also look at the management of Revenue's relationship with the service provider, how it has progressed, how snags and successes are handled and the impact of outsourcing in terms of business processes and Revenue staff. As an integral part of the review, feedback should be sought from the key stakeholders involved in or affected by the outsourcing project. Features of a project which proved to be particularly successful and/or problematic should be documented to build up an expertise in this area and to apply the lessons learnt to future projects.

Appendices

Appendix 1 Framework for Expenditure Review Initiative (ERI)

1. Programme of expenditure reviews to be carried out over a three year period, to be agreed with Department of Finance
2. ERI process is overseen by the Central Steering Committee on Programme Evaluation, chaired by the Secretary General, Department Finance.
3. Objective of reviews:
 - To provide a systematic analysis of what is actually being achieved by expenditure in each programme; and
 - To provide a basis on which more informed decisions can be made on priorities within and between expenditure programmes.
4. Criteria for selection of reviews:
 - Programmes reflecting Government priorities or Strategic Result Area;
 - Programmes involving significant levels of expenditure;
 - Programmes where expenditure has been growing unusually fast;
 - Programmes where the external environment has changed substantially since the programme was introduced; and
 - Programmes whose objectives are proving to be particularly difficult to achieve.
5. A Steering Group chaired by the relevant Department/Office should oversee expenditure reviews. Department of Finance representation on joint Steering Groups will be confined to those reviews that involve major policy issues or significant levels of expenditure. Department of Finance should, however, be kept apprised of progress on all reviews.
6. Terms of Reference for reviews to be drafted by the relevant Steering Committee, approved by the Head of the Department/Office following formal consultation with Public Expenditure Division of the Department of Finance, and then copied to the ERCSC for information. A standard template is to be used in drawing up such terms of reference.
7. Reviews are carried out by working groups, chaired either by a member of the Steering Group or the PO responsible for policy in the area under review. In the latter case, there should be sufficient external representation to ensure that objectivity and distance is achieved. Each working group has a lead person with primary responsibility for the review, usually at AP level.
8. ERI reviews are required to be submitted for external assessment before being forwarded to the ERCSC. The ERCSC have established a panel of Independent Evaluation Experts. Each Department/Office is required to select an appropriate

evaluation expert from the Panel to assess its report prior to completion. Departments/Offices also have the option to contract the evaluation expert to offer specific advice at the initial stages of the expenditure review in relation to terms of reference, planning the review, performance indicators and evaluation methodology. All costs associated with the evaluation expert will be met by the Department/Office concerned. In recognition of its own independent role in relation to quality assessment, the ERCSC will ask evaluation experts to prepare periodic reports for the ERCSC on the operation of the ERI within Departments/Offices.

9. The ERCSC has initiated a process of regular meetings with Secretaries General/Heads of Offices to discuss the impact of reviews, the quality of reviews carried out and the views of Secretaries General/Heads of Offices on the expenditure review process generally.
10. The Secretary General/Head of Office is required to sign off on each review before it is forwarded to the ERCSC.
11. All completed expenditure review reports will be published by Departments/Offices using their websites and laid before the Houses of the Oireachtas. All future submissions of completed reviews to the ERCSC should include a statement to the effect that this publication policy has been followed.
12. The ERCSC will publish an Annual Report on the Expenditure Review Initiative.

Appendix 2 Membership of the Revenue Steering Group

Mr Christopher Clayton, Deputy Secretary, (Chairman) retired May 2004.
Replaced by Mr Liam Irwin, Deputy Secretary.

Mr Brian Boyle Principal Officer

Mr Paddy O'Shaughnessy Principal Officer

Mr John Clohessy Principal Officer

Ms Fiona O'Shea Principal Officer

Ms Audrey Fleming Assistant Principal

Ms Pearl Kelleher, Higher Executive Officer (Secretary)

Appendix 3 Membership of the Revenue Working Group

Mr Brian Boyle Principal Officer (Chair)

Mr Michael Murphy Assistant Principal

Ms Rosemary Tiernan Assistant Principal

Gearoid Uas Mac Ruairi Assistant Principal

Ms Audrey Fleming Assistant Principal

Ms Niamh Behan Higher Executive Officer

Ms Denise Behan Higher Executive Officer

Ms Elizabeth Dempsey Assistant Principal

Mr Michael Rossney Assistant Principal

Ms Pearl Kelleher, Higher Executive Officer (Secretary)

Appendix 4 Data-capture rationale for two business forms.

Forms P35

Description

- Each registered employer in Ireland is obliged by law to account every year for the PAYE/PRSI deducted from his or her employees.
- The Form P35, which is used for this purpose, is an annual return and must be submitted by the 15th of February of the following year.
- The return is made up of three parts, a declaration and two employee listings (P35L & P35 LT).
- The declaration may be submitted in electronic format or on paper.
- The employee listings may be submitted on-line, on diskette or on paper.
- The paper format is submitted to the Office of the Collector General, Limerick.

Employee listings submitted by disk are processed in-house. Employee listings submitted in paper format on forms P35L and P35 LT are processed by an outsourced service provider. The P35L Form is used to record the PAYE/PRSI payment particulars of employees who have been assigned PPS numbers and the P35LT Form is used to record the PAYE/PRSI payment particulars of employees who have not been assigned or do not know their PPS numbers.

A total of 179,405 P35 forms comprising 708,000 employee listings were received in 2004 of which 160,678 were paper returns comprising 591,000 employee listings.

Work flow

- When the Form P35 is received, the declarations and cheques are separated from the employee listings.
- The P35Ls and LTs for each employer are prepared in their own separate file and associated to the set number already allocated to the P35 declaration.
- Forms with significant data missing are withdrawn for follow up with the employer.
- Listings are then placed in sets of 30 files and forwarded to the relevant area to be scanned.
- The scanning process, using Intelligent Character Recognition (ICR) software, includes correction and validation of data.
- Following the scanning operation, paper forms are returned to the preparation area for subsequent re-association with the relevant declarations for each employer.

Decision to process in-house or to Outsource

In 2000, The Collector General's Division of Revenue conducted a study to determine whether the listing data capture operation could be carried out more cost effectively by an outside agency. Considerations for the study included:

- The costs of additional scanning equipment;
- Anticipated take up of electronic submission of forms;
- Potential reduction/elimination of overtime; and

-
- Potential release of staff for higher added-value work

Based on the research carried out, it was considered that outsourcing was the most cost effective option.

The process was first put out to tender in May 2001 and has been done annually since. In the first year, an agreement was also reached with the contractor that in addition to the forms covered by contract, a backlog of 4,000 P35/P60 forms (now obsolete and replaced by the employee listings) would also be processed. A new contract has been entered into since the start of this year. This contract incorporates the imaging of the declarations, a function previously carried out in-house.

Forms TRSI/TRS1a

Description

- Tax Relief at Source (TRS) was first introduced in 2001 and applied to qualifying Medical and Dental Insurance. This method of relief was extended in January, 2002 to cover interest paid in respect of secured loans for the purchase, repair or improvement of an individual's sole or main residence.
- The customer uses the Form TRS1 to provide Revenue with his/her mortgage particulars. Revenue in turn advises the mortgage lender of the customer's tax relief entitlements.
- Under the TRS system either the mortgage repayment is reduced by the amount of the tax relief, or a credit is lodged into the customer's account from which the mortgage payments are made. The lender in turn claims this amount from Revenue.
- The TRS return is submitted on paper or via the TRS application facility on the Revenue website.
- It is filed with the Collector General, Limerick.

Approximately 108,000 Forms were received in 2004

Workflow

- When received, all TRS 1s are recorded for statistical purposes and stamped.
- The forms are visually scanned for errors. Incomplete/incorrect forms are returned to the customer.
- The forms are batched into bundles of 50 in Lending Agency order.
- The data on each form is keyed onto the TRS database.
- The monthly data is transmitted electronically to the Lending Agency before a set due date. There are sixteen major Lenders, each with a recognised monthly set due date for receipt of the data.
- The Lending Agency in turn inputs each customer's interest figure and electronically transmits the data back to the Office of the Collector General.
- The paper forms are held on file for one year approximately following which they are dispatched for storage.

Decision to process in-house or Outsource

In late 2001, data capture of information from 300,000 TRS forms was added to the P35 outsourcing contract as a once off operation. Since mid-2002, TRS forms have been data-processed in-house.

In 2004, a Working Group was established to review the overall structure and work practices within the TRS Unit with a view to achieving optimum efficiency and ensuring best practice.

The Group considered the outsourcing of the data-capture operation but ultimately decided against it on the basis that the turn around time, the probability of a high error rate given the quality of information returned by customers, along with the loss of local management control of form processing could have implications in respect of customer service and timeliness.

As an alternative, the Group felt that an in-house scanning solution would ensure that the timeliness of input could be controlled at local level and any required correction of data would be immediate.

In conclusion, the Group recommended scanning as the immediate solution for TRS1 input but that future consideration be given to outsourcing. The situation will be re-visited when the full impact of the scanning solution had been assessed. At the time of writing this report, new scanning equipment has been installed and the TRS1 form has been re-redesigned to enhance the capture of data by this method.

Appendix 5 Quality Assessment by External Evaluator

Ms. Carol Moore of C. Moore and Associates Limited conducted a quality assessment of this review. It is repeated in its entirety overleaf.



Assessment Report on
Revenue's Data Capture Outsourcing
Programme

C Moore & Associates Ltd

August 2006

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1. Executive summary

Introduction

C Moore & Associates Ltd were commissioned by the Revenue Commissioners to provide an independent assessment of the expenditure review initiative (ERI) on the Revenue's use of outsourced service providers to support forms/returns processing. This report outlines our findings based on reviewing the report and discussions with the Revenue.

Significant resources were committed to the ERI in a systematic and detailed manner. Substantial data was gathered by interviewing key management, staff and suppliers in various business and operational areas who are actively involved in outsourcing. The Revenue also reviewed relevant statistical material and documentation relating to outsourcing programmes.

The scope and methodology of the report is comprehensive and well organised. The objectives of the outsourcing programme were identified and key performance indicators, costs and benefits were evaluated. An external evaluator was retained in Phase I of the review to assess the approach taken, methodology utilised and also to provide advice on the proposed approach in Phase II. The objective of Phase II was to gain a broader perspective on the Revenue's experience and approach to outsourcing through interviews with stakeholders other than those from the business areas in question.

Findings

The report's findings and recommendations are firmly based on gathering evidence and are well balanced.

The report correctly concludes the programme has been largely successful in attaining the programme's objectives. The programme is being actively implemented via two strategies as follows:

1. The promotion / optimisation of electronic filing channels such as ROS
2. The use of outsourced service providers to perform manual data capture subject to a costs/benefits analysis

Each outsourcing operation has realised some of the objectives of the outsourcing strategy. The benefits and efficiencies have been evaluated in terms of the availability of additional information to support risk analysis and audit case selection, the release of staff from routine data entry activities, improved availability of information and cost savings. However it has been noted that outsourcing is not always the best solution as certain forms require more specialised and expert knowledge of the underlying tax and it is preferable to keep such cases in-house. In these cases other options such as in-house scanning is being considered.

The report correctly identifies the management of the outsourcing has been largely decentralised throughout the individual business areas. It recommends consideration should be given to increased sharing of information in the outsourcing programme to ensure benefits maximised.

It notes the major difficulties involved in the evaluation process including failure to document comprehensive business cases detailing the impact on the work processes, the lack of proper post implementation reviews to ascertain the costs/benefits and poor form design which have increased the complexity of the processing.

Recommendation

The report makes the following recommendations all of which we believe are reasonable and relevant:

- The range of e-facilities should continue to be enhanced and promoted
- The Manpower Advisory Service Unit should track the re-deployment of any staff arising from the outsourcing of data processing to ascertain the resource dividend gained
- A standardised framework for the evaluation, planning and management of outsourcing projects is required. (A sample framework is included in the report)
- Comprehensive business cases incorporating rigorous cost/benefit analysis should be prepared for each outsourcing project. Each business case should also include comparisons of costs and services from existing contracts vendors to ensure maximisation of outsourcing benefits
- Post implementation reviews to be considered by the Management Advisory Committee on a periodic basis
- The Revenue should continue to review form design and the possibility of simplifying returns especially for customers whose circumstances do not change year on year.

Conclusion

The Evaluation correctly concludes the Revenue outsourcing programme has been a success. However additional enhancements to the co-ordination and management of the process need to be implemented to further enhance the process and thus deliver additional benefits for the Revenue Commissioners.

2. Findings

No.	Area of quality assessment	Conclusion
I.	<p>Report presentation and layout</p> <p>1. Overall, is the report well organised and clearly written?</p> <p>2. Are features such as the description of the programme and the explanation of the research methodology presented transparently in the report?</p>	<p>Yes</p> <p>Yes</p>
II.	<p>Scope of report</p> <p>3. Does the report address the entire programme under consideration?</p> <p>4. Are links with other programmes discussed (cross cutting issues)?</p> <p>5. Are expected outputs and impacts examined?</p> <p>6. Are any unforeseen results and outcomes addressed?</p> <p>7. Is the sustainability of the benefits generated by the programme assessed?</p>	<p>Yes</p> <p>Yes. Notes that efficiency could be improved by improving sharing of information & post implementation reviews</p> <p>Yes. The elimination of manual data-capture and the subsequent improvement in efficiency together with the deployment of staff to more core compliance work are examined.</p> <p>Yes. Addresses difficulty of measuring outputs due to inadequate cost/benefit analyses, differences in templates, lack of post-implementation reviews, and difference in nature of various forms</p> <p>Yes. Acknowledges need to continue to research form design and to</p>

No.	Area of quality assessment	Conclusion
	<p data-bbox="370 453 954 558">8. Is a risk assessment performed e.g. what happens if the programme assumptions or social environment change?</p> <p data-bbox="370 894 938 999">9. Does the report deal with the question of whether the programme will still be relevant in the future?</p> <p data-bbox="370 1073 930 1220">10. Does the report examine the budgetary aspects of the programme being evaluated and its cost-effectiveness/cost benefit analysis?</p> <p data-bbox="370 1293 857 1545">11. Does the report attempt to identify objectives which are SMART? Specific Measurable Achievable Relevant Trackable</p> <p data-bbox="370 1661 922 1766">12. Are these objectives evaluated against broader Departmental or Governmental goals and strategies?</p>	<p data-bbox="1019 233 1304 306">improve co-ordination and management.</p> <p data-bbox="1019 453 1336 810">Yes. Examines possibility of long-term increased usage of electronic facilities, but acknowledges that short-term outsourcing contracts allow for greater operational, financial and staffing flexibility.</p> <p data-bbox="1019 894 1336 1031">Yes. Thoroughly examines cost/benefit of continuing programme in medium to long-term.</p> <p data-bbox="1019 1073 1304 1220">Yes. Cost comparison made for in-house and outsourced data processing operations.</p> <p data-bbox="1019 1293 1312 1587">Yes, identifies programme objectives, attempts to measure them, and makes recommendations for improved future evaluation and monitoring.</p> <p data-bbox="1019 1661 1320 1839">Yes. States that the objectives are valid and compatible with goals set out in Statement of Strategy 2005-2007.</p>

No.	Area of quality assessment	Conclusion
	13. Are the Terms of Reference appropriate to the Expenditure Review Initiative?	Yes, as outlined in section 2.4.
	14. Does the evaluation report comprehensively address the terms of reference?	Yes

No.	Area of quality assessment	Conclusion
III.	<p data-bbox="370 268 678 300">Research methodology</p> <p data-bbox="370 342 935 411">15. Is the evaluation analytical and based on recognised research techniques?</p> <p data-bbox="370 894 954 1035">16. Is the evaluation reliable and reproducible by a different evaluator with access to the same data and using the same methods of data analysis?</p> <p data-bbox="370 1077 984 1182">17. Did the evaluation design allow information (on outputs, impacts) to be obtained that can reasonably be attributed to the programme?</p> <p data-bbox="370 1224 974 1365">18. Is the evaluation issue-oriented addressing important issues relating to the programme, including its relevance, efficiency and effectiveness?</p> <p data-bbox="370 1444 964 1514">19. Were key performance indicators (KPI's) used appropriately</p> <ul style="list-style-type: none"> <li data-bbox="464 1518 769 1549">a. Were they relevant? <li data-bbox="464 1554 932 1623">b. Was efficiency and effectiveness measured? <li data-bbox="464 1627 958 1732">c. Was utility measured- (the programme's impacts compared to the needs of the population)? <li data-bbox="464 1736 984 1875">d. Was sustainability measured (the extent to which positive changes can be expected to last after the programme has terminated)? 	<p data-bbox="1013 342 1333 852">Yes. Information was gathered through a structured questionnaire and template, which was then reviewed and precipitated further information gathering. An external evaluation confirmed the validity of the approach. A second phase included interviews with stakeholders outside direct business areas.</p> <p data-bbox="1013 894 1073 926">Yes.</p> <p data-bbox="1013 1077 1073 1108">Yes.</p> <p data-bbox="1013 1224 1317 1365">Yes. Data collection evaluated objectives, costs, benefits, and key performance indicators.</p> <p data-bbox="1013 1518 1073 1549">Yes.</p> <p data-bbox="1013 1591 1073 1623">Yes.</p> <p data-bbox="1013 1627 1073 1659">Yes.</p> <p data-bbox="1013 1736 1338 1875">Yes. Assumption that programme will continue in the medium-term or as long as necessary.</p>

No.	Area of quality assessment	Conclusion
	<p data-bbox="370 457 966 520">20. Does the report attempt to identify KPI's where there are gaps in existing measures?</p> <p data-bbox="370 636 917 741">21. Were any weaknesses of the employed methodology pointed out? e.g. data accuracy weaknesses</p> <p data-bbox="370 1077 982 1182">22. Is there any comparison to external agencies including benchmarking and specific benchmarks review?</p> <p data-bbox="370 1476 982 1549">23. Are implicit as well as explicit assumptions identified and reviewed for appropriateness?</p> <p data-bbox="370 1696 950 1875">24. Is the evaluation user-driven – that is successful evaluations should be designed and implemented in ways that provide useful information to decision-makers, given the political circumstances,</p>	<p data-bbox="1015 457 1079 489">Yes.</p> <p data-bbox="1015 636 1331 1035">Yes. Some data deficiencies occurred due to the wide variety of forms used and business cases presented for each outsourcing project. In addition, in many cases cost comparisons failed to take all inputs into account.</p> <p data-bbox="1015 1077 1323 1402">Some research on international trends. Four different Irish organisations were contacted and interviewed on their outsourcing experience. Only one organisation provided costs.</p> <p data-bbox="1015 1476 1315 1654">No specific section but examines implied assumptions such as future increased electronic filing.</p> <p data-bbox="1015 1696 1331 1875">Yes, gives useful feedback about strengths and weaknesses of outsourcing programme which can be used in</p>

No.	Area of quality assessment	Conclusion
	programme constraints and available resources?	future decision-making.

No.	Area of quality assessment	Conclusion
IV.	Evaluation results 25. Does the report consider deadweight, displacement and substitution effects?	Yes. Does address issue of relevance of information captured and relationship to electronic filing.

No.	Area of quality assessment	Conclusion
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V.	<p>Recommendations <i>(Are the report's conclusions and recommendations credible?)</i></p> <p>26. Are findings based firmly on evidence?</p> <p>27. Are conclusions systematically supported by findings?</p> <p>28. Are recommendations made which identify potential savings or alternative delivery mechanisms or other options with related benefits?</p> <p>29. Does the report outline the steps required to implement the recommendations?</p> <p>30. Are recommendations adequately derived from conclusions and reasonable?</p> <p>31. Does the report conclusion provide a balanced view of successes and shortfalls in performance and underlying causes?</p>	<p>Yes.</p> <p>Yes.</p> <p>Yes. Recommendations are made for a template for business cases which would improve the evaluation process. In addition a list of KPIs is given for future project evaluation. An outsourcing framework document is given in Chapter 5 to improve the process which includes implementation of standard contracts and post-implementation review.</p> <p>Yes. See question 28.</p> <p>Yes.</p> <p>Yes</p>
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	Area of Quality assessment	Conclusion
	32. Does the report address potential future performance indicators that might be used to better monitor the performance of the programme?	Yes. Includes strategic, effectiveness and efficiency indicators.
	33. Are the conclusions and recommendations of the evaluation supported by the analysis carried out?	Yes.
	34. The assessment should include any recommendations identified relating to the process of evaluation of the initiative.	Yes. Recommendations made.



VI.	Constraints impacting ERI preparation	
	Data availability	<p>Issues of data deficiency discovered in course of evaluation:</p> <ul style="list-style-type: none"> • Forms vary greatly in complexity, numbers of fields, volume, frequency, and turn-around times making comparisons between forms difficult and time consuming • Business cases prepared for each outsourcing project varied depending on the complexity and importance of the form. • Often relevant data associated with in-house and outsourcing costs were not included in the business case. • There are specific circumstances where direct comparisons between in-house and outsourcing operations are not viable. • Lack of information from post-implementation reviews.

VII Notes on Findings and Recommendations

Note One: Managing the process of outsourcing and the centralisation of the process together with the implementation of a standardised frame work

The report recommends research on guideline costs when compiling a business case. It also recommends a uniform standardised framework be implemented with post implementation reviews. We strongly concur with these recommendations for the following reasons:

1. It will help to produce consistency in the decision making process as well as ensuring controls on robustness and detail of business planning.
2. Specialised knowledge of the potential inputs and outputs of outsourcing e.g. on contract costs, supplier service levels will be disseminated to key people in the organisation thus enabling improved procurement benefits.
3. The uniformity of the framework should lend itself to better comparability from both a quantitative and a qualitative basis.

Note Two: The continued promotion of E-facilities and the outsourcing of other manual data processing

The report recommends the continued promotion of E-facilities and the consideration of the outsourcing of all other manual data capture of paper forms/returns.

We strongly agree E-facilities must be actively promoted. The outsourcing of manual data capture very much depends on a case by case basis but on the evidence presented, if properly managed it is the most cost effective solution in most business cases thus freeing up staff for core Revenue Compliance areas.

Note Three: Cost Analysis

Detailed comprehensive cost comparisons were performed on a number of forms. These were examined by us and found to be reasonable. These costings have not been included in the report as they are commercially sensitive. We concur with this decision.

3. Recommendations as to future operation of the ERI Process.

No specific recommendations made, but if recommendations in section 1.4 of the report implemented this will greatly assist future evaluations.