

Care and management of the taxes: A conceptual evaluation

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Introduction

This paper traces the progress of an evaluation from a little understood phrase in legislation to the provision of concrete information for managers. It illustrates how the disciplines of evaluation can be usefully applied more broadly than to 'programmes' as such. The evaluation consisted of 3 major phases

- Developing a shared understanding through conceptualisation and clarification
- Data gathering/Ascertaining current practice
- Transfer of information and findings

The challenge of this evaluation was that there was no 'programme' as such to evaluate in the sense of a set of related actions or activities to bring about some outcome. The evaluation was of a principle or standard which applied to all areas of how an organisation functioned. Not only was there no easily recognised programme, initial research, through interviews, demonstrated there was no shared understanding of the concept within Inland Revenue.

The care and management responsibility was incorporated into legislation following a wide ranging and fundamental review of Inland Revenue in the early 1990s. Care and management is defined as 'Managerial discretion as to the use of independent statutory powers in a cost effective manner. The incorporation into legislation recognises that it is neither possible nor desirable when operating within limited resources to ensure that every cent of due taxes is collected. It gives explicit recognition of the management of limited resources required in the efficient and effective collection of taxes. The phrase 'care and management' was adopted from the United Kingdom taxation system.

Phase 1: Clarification/conceptualisation

As a consequence of the undeveloped nature of a topic a large proportion of time was spent in the initial phase of clarification and conceptualisation. In many evaluations this phase is much shorter. The understanding continued to be tested and developed throughout the data gathering phase. The research scheme for this phase consisted of a number of activities which are described below.

Internal consultation

Internal consultation with staff showed there was no shared position amongst those who had views, and that many were not aware of the topic.

Literature Search

The evaluation started with the normal stage of a literature search by interrogating library catalogues, Inland Revenue's library and the Internet. This stage was singularly unsuccessful in uncovering new material. Apart from a scant handful of mainly

legal cases and references that we were already aware of we had little success, unless you count numerous references to care and management of horses or lawns, including a number of offers of franchises for lawn care. The statements that were found were stored in a computer database to allow ready referencing and analysis of themes.

Programme logic

We traced back working papers relating to the development of the legislation and sought the rationale and assumptions that led to the introduction of the care and management responsibility into legislation. From this a program logic diagram was developed. The logic model set out the elements that contribute to an outcome that conforms to care and management principles and the assumptions about the interactions with other goals of the tax system. This logic diagram was key in allowing us to move forward. Aspects of work in all phases of the tax system were able to be tested against the logic model to determine if they conformed to care and management principles.

Workshop - Validation of the model

A major facilitated workshop was held attended by approximately 30 people with roles in which they exercised care and management. Participants included senior managers, middle managers and tax technical specialists involved in interpreting and applying the tax laws.

An important decision for the workshop was the use of an independent external facilitator with both tax and legal knowledge. This reflected the key insight that care and management, due to its place in legislation must be understood as an element of law rather than as a purely managerial activity. This understanding of the law was essential as the workshop aimed to arrive at the correct interpretation of the law rather than reaching a compromise to accommodate all views. In legal interpretation there is just one interpretation that is correct at any time. This is in contrast to the evaluation stance, where all views are held as valid and divergence of opinion is possible. An effort is normally made to accommodate all views, however in interpretation of legislation there is a 'right' and 'wrong'.

At the conclusion of the workshop although there was not complete agreement there was sufficient unity on the aims and characteristics of care and management in practice to move to the next phase of the evaluation, testing of actual work

Phase 2: Data gathering

In this phase of the evaluation the team explored where care and management principles were used in the work of the department and how overt the practice was - did people recognise what they were doing as 'care and management'?

Design of data collection strategy

This phase of empirical field work addressed the requirement for practical information about how the care and management responsibility was fulfilled in Inland Revenue. The nature of care and management results in it being an element of all activities of Inland Revenue, consequently it was necessary to narrow the scope and choose which activities to consider in detail. To aid this selection the team formulated an information grid of characteristics of Inland Revenue's work. Possible activities to research were rated against the grid and three selected to ensure representation of key characteristics. The three very different activities selected for research were:

- Finalising investigations, large pieces of in-depth work
- Default assessments, a estimation process used when a tax return is not available
- Account review, a verification process carried out when processing tax returns.

The information grid as applied to the three selected work areas follows.

Table 1: Information grid

Work Area	Complexity of work	Extent of policy / guidance	Degree of automation	Number of cases per year	Impact on taxpayer	Impact on highest net revenue over time
Finalising Investigations	High	High	Low	Moderate	High	High
Default Assessment	Low	Initially unknown	High	High	Moderate	Unknown
Account Review	Moderate to low	Low	Moderate / low	High	Low	Low

Inland Revenue is a dispersed organisation with around thirty customer service sites and three processing centres where large scale processing of taxpayers returns and payments is carried out. Key characteristics of the two types of sites were identified to aid selecting appropriate sites. Using these characteristics five customer service sites and two processing sites were selected to indicate the range of work practices in Inland Revenue.

Three types of work

Inland Revenue work is hierarchic; three types of work relevant to this project were identified:

1. National policy
2. Local management
3. Specific case relating to individual taxpayers.

A project was developed for each of the three levels to assess the role care and management plays as illustrated by each of the three selected activities as performed in the geographic sites. The research methods were tailored according to the nature of the work done at that level, collecting quantitative and qualitative information.

In carrying out the national policy and local management projects mainly qualitative techniques were employed. The third project of examining specific cases at the taxpayer level took a quantitative approach.

The care and management factors framework

To assist with assessing the role care and management played in each work area, a framework was developed identifying characteristics of care and management, including how care and management would show itself in practice. This was a further development of the logic model discussed above. Relevant items from the framework were then identified for each of the three activities and levels. From this a checklist that enabled assessment of the work activities was created. As a by-product tax

officers have found this framework useful when endeavouring to reach an appropriate solution for the quandaries they occasionally face when applying tax legislation.

Project 1: National policy

All statements of operational policy, both those published in a formal manner and those less formal were gathered together and the content analysed for care and management principles in the three selected work areas. The information was approached from several directions:

- For each of the care and management items in the framework the policy statements were examined for the presence or absence of discussion of care and management factors;
- The history of each policy statement was collected and the changes and enhancements tracked over time;
- The authors and developers were interviewed, where possible, to gain insight into their thinking and intentions.

Project 2: Management/Supervisory

Managers in the 5 selected sites responsible for any of the three selected activities were interviewed about the role of care and management in those activities, especially the process of balancing the available resources against the need to carry out the work to acceptable standards. Structured interviews with open questions were combined with seeking specific instances of the exercise of care and management. The care and management elements in what interviewees said were cross-referenced to the framework.

While the information gained was qualitative sufficient numbers were interviewed to provide assurance that most of the variations within the organisation were represented. The information was validated against other 'hard' data such as budgets, resource data and statements of strategic intent.

Project 3: Specific cases at the individual taxpayer level

The three selected activities were analysed and decision points where care and management factors came into play were identified. From this a checklist was developed to record the assessment of each of the cases examined.

Subject matter experts, with in-depth knowledge of each area, were brought in to carry out the assessment work. The information recorded was classified as factual/objective or as subjective/opinion based. This distinction made the experts more comfortable in assessing the work, and recording their intuitions, particularly in the most complex activity where 'gut feel' and 'nose' are important when making judgements.

Samples

A sample of work of each of the three work activities was selected from each geographic site. The samples were designed to be sufficiently large to provide enough information to detect the role of care and management in that work area and to indicate any regional variation. The sample size was determined in part by the expected level of occurrence of care and management issues and in part by the resources required to carry out the work. Sample sizes ranged from 175 to 1200. The smallest sample was also the most resource intensive - requiring 6 experts to examine the written and electronic records. The other 2 activities were less resource intensive as the work itself is much more contained. However as the frequency of occurrence of care and management issues was low for these less complex activities larger sample sizes were essential.

Transfer of information and findings

Briefing sessions with managers and work groups were used to transfer the evaluation findings to the business owners. To support these verbal briefings information kits were provided as a resource for future use. The kits consist of:

- a bullet point presentation of summary of findings
- a text version of these concepts in a form suitable for inclusion in training material or newsletters
- a paper summarising the findings in relation to three work areas, with issues identified; and
- a copy of the relevant legislation.

Profiles of each of the three activities studied with detailed analysis of the interviews and case level data have been provided to the relevant subject areas.

At the time of writing the work units have plans to use this information in a number of business strategy development workshops. The evaluation team will speak as required at any of these sessions.

Strengths of research design and methods

Coherent design

The overall design allowed a coherent assessment of the role care and management plays in the three activities at all levels within the organisation, in various types of work site, and geographically. Development of coding systems and the care and management framework, combined with preparation of analysis plans, ensured that the research design answered the evaluation questions.

The design assisted reporting of results in ways which catered to the interests of the stakeholder groups, by activity, by managerial level and operationally or conceptually. The range of reports catered to these interests – ranging from detailed findings about the operation of specific functions, to consideration of policy development and at the highest level the concepts of care and management and implications for the tax administration at large.

Multi-stranded

The combination of qualitative and quantitative data allowed the analysis to move beyond what participants in the tax system believed happened to a fact-based assessment of what does happen and how this impacts on taxpayers.

The research used a multi-stranded approach in a number of ways – 3 activities were studied, at 3 levels of the organisation. Information from multiple sites was collected and contrasted, at least 2 experts assessed each activity and team members – with their diverse research and tax backgrounds peer reviewed each evaluation component.

Feedback

The data about actual processes and knowledge of what happens in the exercise of care and management fed back into the concepts developed in the first phase testing and further developing the theories about the nature of care and management in administering the tax system.

An ongoing feature of the evaluation was the reliance on legal judgments and legal opinions, with the interpretation of the care and management requirement shifting as case law grew. As care and management is an aspect of law judicial decisions carry greater weight than deductions informed by other disciplines such as programme evaluation. As the case law develops this will be incorporated in the understanding of care and management.

Database flexibility and discipline

The use of computer databases developed using Microsoft ACCESS for storage and analysis of both quantitative and qualitative information at each stage of the evaluation added to the range of analyses possible. The discipline of entering the information into the databases and of using the classifications and coding the data acted as a quality assurance mechanism. The team became familiar with the verbatim answers from interviews and tested the appropriateness of the classifications. Memo fields, allowing entry of pages of text held responses to questions. Key themes could then be identified and recorded.

ACCESS also allowed input screens to be quickly developed to allow data entry specialists to input the quantitative data, freeing the evaluators for other tasks. The PC database greatly aided the summarising and interpretation phases. Once information was entered and stored in the databases production of reports and tables was possible. The ease of use allowed an exploratory data analysis approach to be taken, as it was possible to follow threads of potential interest.

Validation and Organisational learning

The use of subject matter experts allowed the complexities of the work to be dealt with which external researchers could not have done without extensive and time-consuming training. The subject matter experts also benefited by their exposure to the ideas of experts from other locations in Inland Revenue and from learning research techniques. They were also in a position to take the issues identified and enhance processes in their home offices. Organisational learning is fostered by utilising internal resources.

At all stages of the evaluation a steering committee tested assumptions and provided input on what would be useful to management and a strategic view of the realities of Inland Revenue's work.