

High-tech tax man

By Maggie Elliott

At the South African Revenue Service, pioneering use of technology has revolutionized the way the agency does business by redefining customer service and helping to boost revenue collection.



It was clear almost from the day in November 2002 that he took the job of chief information officer for the South African Revenue Service that Ken Jarvis had his work cut out for him.

The agency, which is responsible for enforcing all tax and customs legislation in South Africa, had been making significant progress in improving revenue collection before Jarvis's arrival. But there remained a major obstacle to maximizing the effort: chronically outmoded information technology. Jarvis knew that only a radical change in direction would solve the problem, and by July of the following year the revenue service had embarked on an ambitious project that has revolutionized the way it does business.

In May 2003, Accenture suggested it could design and implement a simple, but elegant, technology-driven business solution that Jarvis initially thought was almost too good to be true. Jarvis was intrigued—but also in a hurry: He gave Accenture and its alliance partners, Siebel Systems and IBM, just six weeks to put together a live, working prototype. And once a contract was signed, he allotted only another four weeks to roll out the real thing.

At the heart of the solution delivered by the Accenture consortium is SingleView, which is built around Siebel Universal Application Network technology. Accenture and its partners had the first release up and running two weeks ahead of schedule.

Separately, Accenture set up three call centers, and today, 720 employees are using Siebel technology to handle all telephone queries from taxpayers as well as to make outbound calls for specific education or collection campaigns. That's a far cry from 18 months ago, when customers phoning the revenue service would have no way of knowing whether they had been connected to the right

South African Revenue Service

Head office: Pretoria

Commissioner: Pravin Gordhan

Employees: 12,265

Revenues: R305 billion
(\$50 billion)

Net surplus: R419.6 million
(\$66.4 million)

All figures for the year ended
March 31, 2004

SOURCE: SOUTH AFRICAN REVENUE SERVICE 2003 ANNUAL REPORT

department within the agency, or indeed whether their phone call would be answered at all.

As for the SingleView platform, by giving revenue service employees a unified, comprehensive real-time view of all the records for a single taxpayer on one screen, it is saving the agency as much as \$90 million a month. "It wasn't hard to see why technology had to be the way forward," notes Jarvis.

Prime objective

SARS, as the revenue service is known in South Africa, employs more than 12,000 people across the country and collects in excess of \$50 billion in taxes each year. Even before the implementation of the SingleView taxpayer project, it had been making great strides in meeting its prime objective: to enhance revenue collection, which had increased by more than 50 percent in the previous four years.

To continue this trend, however, a number of IT issues had to be addressed. SARS was running eight legacy systems (containing more than 9 million taxpayer records), none of which could communicate with one another. This mirrored the activity of the agency itself, where staff involved in value-added-tax collection had no idea what was happening with customs duties or collection of pay-as-you-earn income taxes, known as PAYE.

Taxpaying organizations and subsidiaries were registered separately for each type of tax they paid; one company had 196 different points of tax registration. It could take SARS personnel up to three weeks to consolidate the information associated with a major South African company. Businesses telephoning the agency with questions had to

make a separate call for each kind of tax they wanted to discuss.

While this lack of information integration was frustrating for customers, it had a more insidious effect. It is common in tax departments in other countries for businesses to offset taxes in a process known as tax debt equalization. That means, for example, that a VAT refund won't be returned to the customer, but instead will be held against, say, a PAYE bill. Before SingleView, this wasn't possible in South Africa; the customer got a refund for one tax, and the government would have to collect the other separately.

Without access to comprehensive information, it was also difficult for the department to detect noncompliance or identify suspicious behavior. Overall, it was clear that the inability of its systems to share information was costing South Africa a bundle in lost revenue.

Pitfalls

So the department was faced with side-by-side problems: ineffective customer relationship management and a significant, if unquantifiable, loss of revenue. Jarvis needed a partner that could develop an integrated business solution that would improve the department's interaction with its customers, while facilitating communication between the different taxation areas. The solution would need to integrate existing systems using new technology, while understanding the aim of providing one comprehensive view of each taxpayer. Most important, it needed to be fast.

In Jarvis's experience, traditional integration remedies often end up being costly, complex, inflexible and ultimately ineffective. So when Accenture approached Jarvis with an

idea that involved Siebel's standards-based Universal Application Network integration solution, which would sit on top of existing programs, he was initially skeptical. "I thought that it was too good to be true," recalls the CIO. "I didn't see how it could avoid the usual pitfalls."

For one thing, although SingleView had been implemented in a number of industries, no other government revenue department was using it. Jarvis required convincing. Then a chance meeting with Tom Siebel at a technology conference in Cannes changed his mind, and the SARS project became the first Siebel Universal Application Network installation at a government agency.

Upon returning to South Africa, Jarvis says, "I could see how it would work. I felt comfortable with the alliance proposed by Accenture and was happy to present the concept" to the agency's management. Within 72 hours, SARS Commissioner Pravin Gordhan had approved the initial request—a six-week plan to produce what was effectively a mini-rollout.

The team took a "follow-the-sun" approach to the project, coordinating vendor teams in the United States, Europe, Asia and South Africa working in shifts. Both IBM and Siebel had to customize and further develop their software to meet the needs of the revenue service; Accenture facilitated the process by passing work from teams based in the United Kingdom to others in the United States and then on to Asia to ensure that no working hours were lost.

The prototype demonstration was a success, with a phase-one rollout to 200 people in November 2003. With the technology proven, the business case for the project was, if anything, even more convincing. Explains

Jarvis: "We could demonstrate that once the full rollout was complete, we would be saving \$3 million a day, and the return on investment was very quick, just three days."

By early December, the first tax advisors and case managers were able to view unified information on a single taxpayer through six easily accessed screens; each advisor needed only 90 minutes of training. This first phase focused on SARS's mainline businesses—PAYE, VAT and employee insurance. Representatives in these departments had access to detailed customer profiles, complete tax histories, payment records and outstanding tax inquiries. Early in 2004, the second phase was completed, bringing on 520 additional staff and adding another location.

Looking to the future

Today, 65 percent of callers to the agency have their queries answered and problems solved on the first call, compared with 3 percent before SingleView and the national call centers were implemented. SARS is working to raise this percentage as additional systems are integrated onto the SingleView platform. Information on a single taxpayer can now be assembled and viewed within 30 seconds, an immense improvement over the weeks it used to take.

The SingleView project has been a success by every measure—in terms of tax raising, in terms of speed of return on investment and, most important, in terms of serving the 4,800 regular users of the system within the agency. Plans for the future include extending the system to bring customers further into the department through electronic and Internet communication. Within the next year, SARS hopes to be able to allow business customers to view all their transactions on a single account via the Internet.

But the agency is not resting on its laurels. Its mission is to raise more revenue to improve the ability of South Africa to meet the myriad needs of its citizens. In this quest, it is currently putting together its long-term strategy. After its experience working with Accenture, which shared its worldwide resources during the SingleView project, SARS asked the company to assist the agency in developing its 2010 Transformation Strategy.

Says Jarvis: "After 30 years in IT, I have to say that although this project wasn't as easy as it comes across, it was pleasurable. We faced technology challenges, but we solved them—ahead of schedule and under budget." ■

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