

Topic 2.3      **ADEQUATE STANDARDS FOR EVALUATING THE MANAGEMENT  
OF THE TAX ADMINISTRATION**

**General Directorate of Taxes  
(France)**

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An in-depth modernization of the tax services management was undertaken in 1990 based on a triple plan.

a) Initially, there was an almost total decentralization of the missions and resources management. Currently, the departmental director (director of tax services) is a true "*master*" fully responsible for all the activities of his jurisdiction, who has a group of officials and resources for such purpose. Simultaneously, three levels of global responsibility were determined: the General Director, over the entire territory; the Tax Services Director, over the department; and the Head of a local office (tax centre, tax collection office...), over a part of the department.

b) In view of such fundamental reform, it was necessary to provide the central administration with management control, particularly based on a series of fully redefined indicators.

c) In sum, the administration of the entire General Directorate of Taxes (DGI) was redefined through the generalized application of a form of participative administration by objective (internally known as "DPA management")<sup>1</sup>.

**I. THE GUIDING AND MANAGEMENT CONTROL INSTRUMENTS**

**A. The indicators for measuring the results of the services' activity**

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<sup>1</sup> Diagnostic, Action Plan.

## 1) The principles

### a) *Importance of the indicators and acceptance thereof*

The restructuring of the indicators was undertaken through *common agreement*. The working groups associated to the mission offices of the central administration and the departmental services were able to establish a series of indicators wherein the modes of calculation and importance are not determined by person.

### b) *Simplicity*

The management control indicators are *simple*. There are *forty results indicators*, and half a dozen indicators of context. Such simplicity must certainly be measured in relation to the diversity of the missions that are the responsibility of the General Directorate of Taxes (registration of individual and corporate taxation, tax control, legal action, cadaster, real estate advertising, net worth, VAT collection ...). To arrive at the figure of 40 results indicators, it was necessary to apply strict selectivity and accept that certain activities were not included within the framework of global management control.

### c) *Reliability of the indicators*

Reliability is crucial. It conditions all of management control. To guarantee maximum reliability it was determined that, whenever possible, the indicators would be a *subproduct of the computerized processes* required for the normal exercise of the missions. Such option was likewise motivated by the need to avoid generating a complementary activity for the services: ideally, the statistical compilation should be transparent for the agents.

The DGI applies the *global coherence controls* following the reloading of the information. The most disproportionate inconsistencies may be diagnosed through routine verifications and referred for complementary investigations to the territorial directorates. Thereafter, an internal control group performs investigations.

### d) *Stability of the indicators*

The device had not been modified in five years. Its evolution takes place on the occasion of reviews that allow for initiating a new period of stability. The protection of the performance measurement instrument from excessive instability responds to a double concern:

- Allow its adaptation to the local services which through the years become ever more familiar with the indicators and their interpretation, thus reinforcing credibility and effectiveness;
- Acquire a historical perspective that may allow for measuring the progress achieved and strengthen the action of the services for determining future objectives.

## 2) The global management control indicators

### a) *The structure of the measurement system*

The device was structured on three components: activity, quality, and efficiency.

#### *The activity indicators*

These measure the production of the services based on the workload determined by the nature of the tax component (population, number of enterprises, level of real estate market, etc...).

With respect to the registry of income tax issues, for example, the activity indicator interprets the real proposed objective, the capture of the largest possible number of income tax items in the tax database up to September 15, based on the returns received at the beginning of March of each year. The *pace of progress of accelerated issuance* thus measures the percentage of taxed items through September 15, as compared to the cumulative number of taxable items during the year.

With respect to *office control of the returns* (as compared to controls performed in the enterprises), whether individual or corporate taxes, the activity indicator relates the number of corrected files to the total number of files handled by the services, which is expressed under the form of *frequency of rectification* (% of files that have been the object of a new revision). This is a very synthetic indicator, which simultaneously covers the impact of the number of files examined, the selection methods used, as well as the professional effectiveness of the agents with respect to control.

As regards *collection*, the activity is measured, for example, through *the evolution of the number of debtor accounts* actually paid at the end of the period. Evidently, one also determines the rate of collection in relation to the amounts owed by the enterprises that have not spontaneously paid their taxes.

#### *The quality indicators*

These are defined in accordance with the nature of the mission performed.

#### *Quality indicators that respond to internal concerns of the administration*

- *Strict handling of the spontaneous filing and payment system.*

In this respect, and without being exhaustive, one may mention two very important indicators in the analysis of the performance of the services.

The first measure is the *quality of the VAT debtors files*, through the proportion of enterprises that are in an *"anomalous"* situation (nonfiling of return, incomplete returns, unsuccessful notices,

etc...) for more than six months. This indicator allows for evaluating the quality of the file, which is essential for the series of VAT management tasks, and also provides information on the actions carried out by the services in that field.

The second is an indicator of the accounting network and *measures the delay in entering the tax payment*, as compared to the date on which it is demandable. This indicator exists in two versions, one unweighted and the other weighted, due to the importance of the unitary amounts of payment, which allows for measuring the selectivity of treatment of the checks by the agents.

\* *Credible* presence before the taxpayers with respect to control

In a filing system, the credibility of the presence of the administration before the taxpayers is linked to the quality of the investigations performed by the auditors. It is mainly perceived through the financial results of said control — either in office audit, or field audit within the very enterprise —, and by the stability of such controls in the subsequent phases of the procedures (legal objections by the taxpayer).

The yield resulting from the controls is measured through average payment per case. It is certainly clarified through the information available with respect to tax context and wealth.

Besides, some indicators contribute information on the manner in which the services attack tax fraud. Thus, *the weight of financial sanctions* as compared to taxes recovered, allows for measuring the participation of the services in the detection of deliberate frauds. Likewise, *the proportion of cases that result in judicial procedures before the correctional jurisdictions* allow for informing the general directorate about the quality of the policy applied locally in the struggle against large organized tax frauds.

\* *Effective and speedy action as regards recovery from delinquent taxpayers, either following control, or due to lack of spontaneous payment.*

The quality of the recovery action is essentially measured through the *average time required to obtain the final result, that is, recovery* of the delinquent amounts under the responsibility of the tax accounting service. Such indicator is expressed in months. It synthesizes the aggressiveness of the inspector, the timeliness of selection of inspection methods, and legal and technical ability of the agents.

### ***Quality indicators showing satisfaction of taxpayers' expectations***

The quality of action of the tax services, as may be perceived by the taxpayers is based on two purposes: commit the minimum possible number of errors and to respond as promptly as possible to inquiries or claims.

\* *Minimum of errors*

Errors by the administration in management or control (at least those that are harmful to the taxpayer) are found in an essential quality indicator: *the rate of exemption*, which indicates the taxes waived in the series of taxes applied.

*Also controlled is the percentage of noncollection of delinquencies as a result of a tax control operation.* It takes into account all the exemption decisions made after the correction notice sent to the taxpayer.

In addition, the jurisdictional decisions that are totally or partially favourable to the administration are likewise determined in accordance with the files that have been subject to legal action before the courts.

The combination of the two indicators affords a significant amount of data for determining the original reason of the rectifications notified to the taxpayers.

*\* Prompt response*

The prompt response to taxpayers filing a claim is an essential concern within the services. Therefore, *many indicators* allow for recording the rates of response of the services at different intervals: 1 month, 3 months and 6 months. Such intervals are not identically applied to the different structures within a departmental directorate, since they are adapted to the complexity of the issues handled in the different services.

***The effectiveness indicators***

These provide information on the production of the services, in accordance with resources, essentially the staff used for achieving results.

*The effectiveness indicators* are associated to the majority of missions. In this respect, two examples may be given:

With respect to *control*, the results are stated according to case, although also by agent, which allows for measuring the average individual productivity.

Likewise, the effectiveness of the *investigation services* is determined through the number of controls made at the request of investigation agents, as compared to the staff of said structures.

***b) The level and classification of results***

To assist the directorates in evaluating the level of performance, the results of each indicator are classified. For lack of an objective production norm, this classification allows for determining the relative level of a result.

The level achieved by a directorate with respect to a given indicator should not be separated

from the analysis of dispersion of results: if there is little disparity, a difference of several levels may represent unimportant differences in absolute terms. One must also take into account the evolution from one year to another.

The directorates are divided into five groups, but the tax population may be different between one directorate and the other within the same group. Comparison should thus be made, to the extent possible, within homogeneous subgroups. For this reason, the indicators clearly include the name of the directorates so that each departmental director may choose the points of comparison he may deem pertinent.

## **B. The indicators of adaptation between the workloads and the resources**

### **1) The instrument: the "*elements of reference*"**

The instrument known as "*elements of reference*", allows for evaluating the *workloads/employment* proportion between the different departmental directorates, globally, as well as according to structure or by hierarchical level.

Such calculation responds to a RELATIVE positioning of the different services in relation to one another. The directorates are thus classified on the basis of a proportion expressed as a percentage of global employments.

Such approach goes beyond merely taking into account the numerical workload (number of files, number of tax debtors...) integrating in a very significant manner data from the environment which reflect the more or less difficult conditions for execution of the missions: mobility and wealth of the taxpayers, mobility of the enterprises, mobility of the agents, fiscal risk for the Treasury.

There is thus a quantitative as well as qualitative evaluation of the workload.

### **2) The applications**

The elements of reference intervene in two main types of procedures. They are useful in the first place, for the allocation by the central level, of resources among the departmental services. They also contribute useful information for the analysis of results achieved by the services.

#### **+/ *The allocation of resources***

The elements of reference are also an instrument for the management of jobs (location of reinforcements or elimination of officials, relocations among the services) and considerations about operation.

#### **+/ *Relationship with the analysis of results***

In the analysis of results, the elements of reference allow for taking into account the

unbalances observed among the departmental services in the adaptation of their workloads and jobs. This allows, in particular, the identification of services that achieve the best results with fewer resources.

## **II. THE EXECUTION OF MANAGEMENT CONTROL**

### **A. The contractual policy of objectives and the management consultation**

The well-structured policy of objectives between the central administration and the territorial services based on a two-year period consists of two important moments: the interview of the *"incoming director"* and the DPA meeting.

A written procedure allows the central administration to learn about the global performance of the service and, if necessary, requests for clarifications about the points that calls its attention.

#### **1) The incoming director procedure**

- *A new perspective and priority orientations*

Each recently appointed director has from 3 to 6 months to make a diagnosis of the situation of the services as of the time he takes over the position.

His analysis is then examined by the set of offices of the central administration.

He finally meets with the General Director for an interview during which they discuss the orientations he wishes to give his work. These orientations must be adapted to a precise series of numbered objectives as well as to a two-year calendar for their execution.

- *Transfer to the director and central services of the orientations validated by the General Director.*

The results of the interview are formalized in a list of decisions prepared by the General Director. It constitutes a contract of objectives for the new Director. Such document may contribute the central administration's commitments in terms of support (employment, budgetary credits, computerization...).

#### **2) The *"Diagnostic - Action plan"* meeting**

This is held two years after the director takes over his position. Carefully prepared by the central administration, it examines in detail the results of the directorate in question, allows for making an exhaustive and discussed evaluation of the strategy applied by the local director and his team.

It also affords the opportunity to consider in great depth, the problems found at the local level, with the pertinent offices of the central administration

### ***Preparation***

- The territorial directors send a summary to the central administration in preparation for the meeting, by establishing the point with respect to the execution of the missions. It includes a critical analysis of the results and must particularly show the eventual deviations in relation to the objectives. On these bases and in accordance with the new diagnosis, said summary should propose new orientations.

- Upon its receipt said summary is transmitted to the different central services for their analysis and comments. The global management control service certifies the summary.

### ***Development***

- The chairman is the General Director.

- Present in the meetings is the management team of the local service in question (director and his close collaborators).

- Necessary for the coherent and exhaustive analysis, the offices of the central services are represented according to the specific aspects of the directorates; nevertheless, their number is determined, based on the need to reach an understanding that may lead to balance the number of participants of the DSF and the central administration.

- The issues to be considered in great depth certainly depend on the situation of each directorate. The analysis of deviations between the previous orientations and achievements, the use of every type of resources, the "*missions-resources*" relationship constitutes fundamental aspects.

### ***The starting points***

The purpose of the meeting is to rectify the balance of achievements with respect to the objectives and the actions carried out, as well as the coherence between local strategy and the national orientations.

After the meeting, a detailed list of conclusions is sent to the territorial director.

It is simultaneously evidence of the work carried out by the team, as well as the new mission letter of the director for the coming two years.

### **3) The participative dimension**

At the local level, the execution of this mode of management is based on the participation of the agents and their abidance by the objectives set.

In each service, the DPA is executed, jointly with the agents:

- Diagnostic phase: weak points/strong points;
- Identification of desirable axes of progress;
- Definition of concrete actions that may allow for overcoming the difficulties found;
- Adoption of quantified objectives that entail the commitment of the service in accordance with the preceding elements.

The indicators, the classifications, the comparisons are the raw material in this analysis between managers and agents. It must be a time for exchange and confrontation between professionals. These revisions, organized according to the daily activity and carried out at least once a year, should result in the reconsideration of the real priorities and the modification of the less productive behaviours.

#### **B. The material aspects of the determination of indicators**

Information is compiled once a year, at the beginning of the year, following the computerized closing of the fiscal period elapsed. In early February, a validation phase is undertaken to identify eventual deficiencies. The corresponding indicators and classifications are available by March 15 of each year.

### **III. THE SCHEDULED DEVELOPMENT OF MANAGEMENT CONTROL**

Based on the experience acquired, it has been decided to increase the support of global management control in the strategic decisions of the General Directorate with respect to:

- *The critical evaluation of results*, in order to improve the identification and diffusion of the success factors;
- *Rationalization in the allocation of resources*, in order to establish a relationship between results and the resources of the services.

Two axes of development are analyzed:

- ***Comparison of performance to identify the success factors*** ("benchmarking" approach).

Such approach could be applied with respect to the global results of the decentralized services, but likewise by mission or groups of mission. It consists of identifying:

- The directorates that have achieved the best annual results;

- The directorates that have maintained the best average performance for a long period of time

- The directorates that achieve the greatest progress from one year to another.

Thereafter, the central services must identify the factors that originate performances: modes of management, functional and hierarchical relations, level of participative administration, structural options, means used for eliminating psychological obstacles, methods for ensuring that the agents abide by the objectives.

In this respect, the General Directorate of Taxes wishes to take advantage of the results of the strategic decision made in 1990, of maximum decentralization of the execution of missions. The central administration must adjust the evaluation of the most effective initiatives of the area to its traditional missions of conception, regulation and management.

**- *Clarify decisions on resources allocation***

The in-depth analysis of performance should allow for establishing more precise criteria with respect to the real efficient use of resources by the decentralized services and the true nature of eventual difficulties.

The measurement of the "*performance/cost*" ratio will lead to clarify situations relative to underproductivity or inversely, greater effectiveness in the network.

Such information may be taken into account for the allocation of credits and employment.

Among the developments visualized, from this comparison there logically will result a better distribution of resources in keeping with precise commitments in terms of performance.

A working group formed by representatives of the central administration and eight departmental directors heads said process of reflection.