



Extract from the report to the  
Public Accounts Committee on  
the merger of the Danish national  
and municipal tax administration (II)

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## I. Introduction and conclusion

1. This report is about the Ministry of Taxation's achievement of the objectives set for the merger of the national and municipal tax administration. The merger took place on 1 November 2005 when the administration of the legislation governing taxes etc. and the collection of debt to public authorities, etc. were merged into SKAT (the Danish Tax and Customs Administration) under the Ministry of Taxation.

The merger was part of the municipal reform and was aimed at establishing a single-tier structure so that the citizens and businesses would have one access point to the public authorities on all matters relating to taxes and collection of debt to public authorities.

2. Rigsrevisionen has previously examined parts of the merger in reports submitted to the Public Accounts Committee – most recently in report no. 13/2009 on SKAT's merger of debt collection and in report no. 13/2010 on SKAT's compliance strategy (II). This report, which was initiated by Rigsrevisionen, takes stock of the organisation and efficiency of the Ministry of Taxation with particular focus on its performance within settlements and guidance, i.e. two of SKAT's four core tasks. Rigsrevisionen has thus now examined how all four core tasks have developed since the merger.

3. The purpose of the examination is to assess whether the Ministry of Taxation is on the right track towards achievement of the objectives set for the merger in respect to organisation and efficiency, including in particular its performance within settlements and guidance. The report answers the following questions:

- Has the Ministry of Taxation adjusted its organisation and reduced staff in compliance with the objectives set for the merger?
- Has the Ministry of Taxation been focused on streamlining task performance?

4. Bill no. 110 of 24 February 2005 amending the Tax Administration Act (in the following referred to as L110) was part of the legislative basis for the municipal reform. The agreement entered between the government and the Danish People's Party in June 2004 concerning the structural reform and the subsequent implementation plan from September 2004 were both included in the explanatory notes to the bill. The implementation plan specified where the then existing 30 tax centres, secretariats of local tax appeals tribunals, the tax settlement centre and citizen service centres should be located. SKAT was thus, already prior to the merger, obliged to comply with a number of political decisions.

### SKAT performs four core tasks:

- Settlements
- Guidance
- Compliance
- Collection.

### L 110

Bill amending the Tax Administration Act.  
The bill was passed as act no. 427 of 6 June 2005.

## MAIN CONCLUSION

The Ministry of Taxation has come a long way towards achieving the objectives set for the merger. With the merger, the ministry achieved status as a single-tier administrative unit and its organisation has subsequently been changed on several occasions. The current organisation of the ministry is now largely function-based as opposed to the former geographically-based structure.

Outstanding tasks include consolidating units at fewer locations and transferring the many members of staff that are still not placed in physical proximity to their immediate manager due to the virtual organisational structure of SKAT. The Ministry of Taxation has stated that the number of virtual staff will be reduced to a minimum in 2013, i.e. 300 – 350 employees. In the opinion of Rigsrevisionen, the virtual organisation is not an appropriate long-term solution, partly because it is a source of management and development difficulties and partly because it is not contributing to the development of a professional environment. The virtual organisation should therefore be considered a temporary solution.

At the time of the merger, the Ministry of Taxation was instructed to reduce the number of staff through natural attrition without affecting task performance. The ministry has therefore been committed to streamlining work processes to ensure that a reduced work force would be able to perform the required tasks and at the same time develop the organisation as well as the work processes. Achieving this objective requires a focused effort by the ministry in respect to the implementation of and follow-up on streamlining activities. The ministry expects to achieve the original target set for staff reductions in 2014, i.e. two years later than planned.

The Ministry of Taxation has no overall knowledge of the scope, quality and effect of task performance in the tax area prior to the merger. It is therefore not possible to determine whether SKAT has managed to sustain or improve task performance since the merger.

The Public Accounts Committee and Rigsrevisionen have in previous reports pointed out various weaknesses of the Ministry of Taxation's debt collection and compliance performance. This examination shows that generally the ministry has been focused on streamlining the overall management, and streamlining has played a significant role in performance management. Rigsrevisionen has also established that since the merger, the ministry has implemented several major and minor streamlining activities and projects.

However, the examination also shows that achieving the objectives set for streamlining, including the objectives set for settlements and guidance, has represented a significant challenge for the Ministry of Taxation. Moreover, since the implementation of the merger, the ministry has not had access to a complete overview of planned and implemented streamlining activities and projects, i.e. the ministry has not had a complete overview of the outcome of and experiences gained from the various streamlining activities and projects. Rigsrevisionen therefore welcomes that the ministry in 2010 and particularly in 2011 took steps to generate knowledge of the many streamlining activities and projects.

The main conclusion is based on the following audit findings:

*Has the Ministry of Taxation adjusted its organisation and reduced staff in compliance with the objectives set for the merger?*

Since 2005 the Ministry of Taxation has adjusted its organisation and reduced staff on several occasions in compliance with the objectives set for the merger. Since the implementation of the merger, the ministry has operated under special conditions according to which the ministry has been required to reduce staff through natural attrition and at the same time implement a recruitment freeze. In reality the ministry has thus been prevented from recruiting new staff. Much is required from the development of staff competencies to cope with this situation. The ministry expects to achieve the original target set for staff reductions in 2014, i.e. two years later than planned. The original target set has, however, been adjusted since 2005 to reflect new tasks assigned to the ministry and organisational changes. Tasks outstanding include consolidating units at fewer locations and transferring the many members of staff that are still not placed in physical proximity to their immediate manager due to the virtual organisational structure of SKAT. The Ministry of Taxation has stated that the number of virtual staff will be reduced to a minimum in 2013, i.e. 300 – 350 employees. In the opinion of Rigsrevisionen, the virtual organisation is not an appropriate long-term solution, partly because it is a source of management and development difficulties and partly because it is not contributing to the development of a professional environment.

*Has the Ministry of Taxation been focused on streamlining task performance?*

The examination shows that since the merger the Ministry of Taxation has been focused on streamlining task performance in order to compensate for the reduced workforce.

The Ministry of Taxation has no overall knowledge of the scope, quality and effect of task performance in the tax area prior to the merger. It is therefore not possible to determine whether SKAT has managed to sustain or improve task performance since the merger. Rigsrevisionen has established that since the merger, the ministry has worked with the implementation of the efficiency objectives, for instance in relation with its strategic planning and allocation of man-hours for various tasks, and in 2010 and 2011, streamlining played a significant role in performance management. Rigsrevisionen has also established that the ministry has implemented several major and minor activities and projects through, for instance, organisational changes, the no-touch-strategy and establishment of the tax settlement centre. All of which contribute to streamlining the operations of the ministry.

However, achieving the objectives set for streamlining has represented a significant challenge for the Ministry of Taxation. Rigsrevisionen has established that in 2010 and 2011, the ministry failed to achieve the majority of the targets set for settlements and guidance, and the channel strategy does not at this point measure up to the expectations neither. The conversion to digital form that is meant to underpin some of the streamlining activities is characterised by problems and delays, but additional resources have been allocated to SKAT as compensation. Rigsrevisionen has also established that the ministry has not had any general knowledge of the outcome of and experiences gained from the specific streamlining activities and projects implemented by the ministry. Rigsrevisionen therefore welcomes the ministry's well-founded decision to take steps to provide an overview of the various planned streamlining activities and projects in 2010 and particularly in 2011, as this will make it possible for SKAT to follow up on the individual projects and disseminate examples of good practice to the entire organisation