

## **Report back to AAT on**

### **CRF Visit to HMRC Scanning Centre at Netherton , Liverpool on 10 November 2011**

#### **HMRC:**

Paul Lovegrove, Director Support from HMRC's E&C Change Programme

David Aspinall Senior Compliance Manager Local Compliance (Change)

Christine Jenks, HMRC Exception Team Leader on-site at Netherton.

#### **CRF:**

Ronnie Fell, Chairman CIOT Merseyside branch

Con Kelly, AAT

Paul McLachlan, ACCA

John Stockdale, Technical Officer (Succession Taxes) CIOT

**Welcome:** The purpose of the visit was for HMRC to explain their scanning procedures and plans to members of the CRF. We were met by the HMRC Representatives Paul Lovegrove, Director Support from HMRC's E&C Change Programme, David Aspinall Senior Compliance Manager Local Compliance and Christine Jenks who supervises the On-Site HMRC staff at Netherton. Our overall impressions were that the scanning standards and the caution exercised by HMRC were reassuringly impressive, although some questions were raised by the professional representatives concerning overall turnaround times and the preservation of original documents.

#### **Background**

The Centre at Comben House Netherton Liverpool belongs to Fujitsu, who have years of experience in scanning and are HMRC's IT partner - part of a collaborative process. Fujitsu staff work on similar confidential lines to HMRC staff and are vetted. The Centre already handles (via dedicated post codes) Tax Credit renewals, SDLT returns and the Short Tax Return. Phase 1 for compliance checks was rolled out in January 2011 as a Test & Learn stage for which over 150,000 documents have been scanned and successfully delivered to around 1,000 caseworkers. Caseflow – the name of the system - will eventually be extended to all types of compliance work, rolled out in later stages. The future expectation is that there will be 15,000 to 16,000 compliance caseworker users with 25 million scans per year.

### **Advantages and aims of the scanning project**

HMRC gave these as:

- to cut down on the amount of paper handled and stored by HMRC.,
- to cut down on time taken to move paper about.
- any officer, if the caseworker is otherwise engaged, should be able to talk about the case, where the enquiry is up to etc.
- minimum data loss.
- resolve problems with paper, for example files locked away during absence, and paper is liable to be misfiled.
- The system will allow for the destruction of scanned documents after a set period. This should also assist HMRC to comply with its data protection obligations to retain information no longer than is absolutely necessary.
- Caseload management overview affords greater case management supervision.

### **Compliance Check procedure in outline**

An **element of team working** may be involved. In simpler “batch type” enquiries, different people may send the initial letter. In complex cases there will be a designated case director who will take responsibility for the case with initial questions tailored to the requirements of the case.

As **Caseflow** is applied, customers and agents will be required to send reply documents through to the dedicated PO Box addresses for scanning.

Full details of the return addresses will continue to be included in letters sent out by HMRC. HMRC will return valuable items and any items which have been requested specifically for return. HMRC’s letter to taxpayers asks them to state in their covering letter if they want anything returned.

The professional representatives felt that it would give comfort if HMRC did not destroy records during the bedding in period (confirmed by HMRC that during the pilot no documents are currently being destroyed). They also urged HMRC to improve communication about destruction of documents: a prominent note in the body of the letter (a paragraph emboldened, perhaps) rather than in an enclosed leaflet which may easily be ignored, to the effect that the centre is a scanning organisation and that paper records will be destroyed after a time. HMRC agreed to bring wording back to CRF for discussion.

As part of test and learn the project team will review what has been returned and what has not been returned; there will be a further check on retained documents to

see whether HMRC are holding originals which should be returned, as against, for example mere photocopies of bank statements. Documents which should obviously be returned, such as passports, already are returned immediately after scanning. The professional representatives suggested that it would be helpful to taxpayers if HMRC's internal list of "automatically return" documents were published. [HMRC subsequently said that when secure destruction of original documents is implemented, all paperwork will be held for 3 months before it is destroyed].

Letters to taxpayers will include a unique identifier number and a specific postal address to which documents should be sent. Use of a range of PO boxes for various areas of work will result in some pre-sorting by the post office on delivery. When the response is scanned if it contains the correct unique identifier reference (commencing with a "C") it will automatically be sent to the 'enquiry file' for the individual. The professional representatives stressed that the importance of using this number (in addition to the UTR) should be made clear on HMRC correspondence.

## **The Process: Step 1 Document preparation**

Fujitsu receives the post. There is a Managed Service Post room. "Exception" listed items (e.g. passports, birth certificates, cheques) are extracted and passed to HMRC. As the 'productivity' level of a worker is monitored, any significant deviation (an indicator of potentially fraudulent activity) should be picked up.

Preparation involves guillotining booklets, such as paper tax returns, to remove the stapled spine. Returnable documents and multi-paged documents, such as deeds, are passed to HMRC as "Exceptions" to photocopy relevant pages and return for scanning.. Small or awkward documents (e.g. receipts and chits) are similarly treated.

Two-sided documents can be scanned (duplex scanning facilities). HMRC explained that there will be robust processes in place to ensure that scanned documents are connected to the right record. Stated later that HMRC's scanned documents will be in pdf-a format and to BIP0008 standard so the scanned images cannot be amended – thus giving evidential provability for Tribunal and Court purposes.

The process does not pick up colour. Where this is important, for example a plan of a field with coloured indications, the document will be pulled out and be returned to HMRC as an exception. Will scan image & send original back to caseworker. The bulk

of post that is not Exceptional is batched, with an interleaving sheet separating each piece of post, and each batch is put through a high speed scanner. The originals are retained in batched containers. Documents that are rejected by the scanner machine are physically checked and a further attempt made to scan. Rejections are

few as the scanner quality is very high. An operator glances at each image from a batch as it streams before him, as an initial quality check.

**Step 2: Scan & Index.** Scanning using Caseflow Reference.

All start with C. If casework reference is identified by scanner operator as a working case the image is transmitted to a HMRC caseworker for an initial acceptance or rejection, as a matter of urgency.

At this stage the target for post to be actioned is 5 days. This is sifting rather than caseworker action – akin to the morning’s post arriving on one’s desk – an initial look to see for example, if complete, if an immediate action rather than routine is required, or it contains a cheque or “returnable” document. Would also identify if duplicate information is relevant to another case. Concern was expressed that 5 days is a long period before the scanned document is transferred to the caseworker responsible for the case. The 5 days refers to a maximum target limit under the Service Level Agreement and is designed to cover the situation where a caseworker is unexpectedly absent and their work needs to be re-assigned.

HMRC assured us that the process from receipt of the unopened mail to the scanned images reaching the caseworker’s desktop should not exceed 72 hours but on a day to day basis is being achieved in 48hours or less. Where a valid Caseflow reference is not identified and the images require manual indexing by HMRC staff this will typically add a further 12 to 24 hours.

The Customer Relationship Manager can intervene to bypass the scanning process. High quality industrial scanners used. Fully text searchable image meets evidential weight requirements. PDF reproduces at exact facsimile “approved by courts”. Search case capability enables documents to be searched, including a particular page in a long document.

**Step 3: Standard process.** We were talked through the training package for a Caseworker Standard Process and a repeat of the mechanics is not appropriate here, but basically a notification of new scanned document arrives in the Team Manager’s worklist basket and is then assigned to an individual caseworker to deal with the

case. The caseworker accesses the notification and opens the document from within the New Documents area. Everything has a target date, by a default setting, and the turnaround time for the caseworker is 15 working days from receipt by HMRC - the “dealing with post” target. The caseworker reviews the scanned document, confirms that a reply is required and types the reply.

Concern was expressed by the professional representatives that this ‘target’ culture may lead to HMRC giving ‘holding replies’ whereas what the taxpayer and their agent requires is the timely resolution of the issue raised. Scanning may assist the handling of paper but that is only part of the problem currently experienced by taxpayers and their agents.

After checking the document the caseworker selects “submit” to clear the task, the caseworker is taken to the Case Document Store where they can now see the accepted image.

**Exception Handling Teams.** 100% HMRC Staff. Two types of team.

There are circumstances when the scanning process will be bypassed, such as where a document cannot be identified by the scanner, where the post team identify a document which should be sent direct to the caseworker, such as a letter of offer or in a range of other circumstances where scanning is not possible or appropriate. On-site at Netherton. This team deals with the handling of non-standard items. These include cash and cheques, passports, bound books, till rolls, payslips and PAYE documents, letters of offer etc.

The team also deals with document Retrievals and Searches

The Off-Site team at Stratford on Avon. This deals with un-indexed images (items received without a caseflow reference) and Rejections (items not relevant to caseflow).

**Management Overview.** Worklist Management tightly controls casework. The manager can see immediately where correspondence is not worked by the target date. Certain functions such as deletions can only be done by a manager.

## **Final thoughts**

Over the years there has been a progressive move to online working. Ongoing technological change does mean that HMRC, as with certain other organisations, must embrace scanning. HMRC’s objective is to extend this to Compliance Work. If

this will improve efficiency Agents would not object. HMRC are carefully monitoring the introduction. Agents need to share in the monitoring by positive feedback and the Netherton visit was a useful and transparent. Initial concerns over security and taxpayer confidentiality appear to have been met.

The main concerns raised by the professional representatives for HMRC to address are:

- Clarity of communication with taxpayers and agents, particularly on the importance of the Unique Identifier and destruction of document
- Risk that processing time targets may inadvertently be perceived as more important than resolution of a case
- Certainty that the search and indexing capabilities are sufficient to ensure that all documents scanned into the system can be identified and retrieved subsequently.