

# National Audit Office Case Study

The recovery of debt by the Inland Revenue

Simulation saves the IR \$3 million



**SIMUL8's solution supported communication between National Audit Office and the Inland Revenue staff as it provided a common visualization of the process on which to base discussions and recommendations.**

The National Audit Office (NAO) scrutinizes public spending on behalf of the UK Parliament and are totally independent of Government.

The NAO audit the accounts of all government departments and agencies as well as a wide range of other public bodies, and report to Parliament on the economy, efficiency and effectiveness with which government bodies have used public money.

The NAO carry out sixty value for money studies each year and enlisted SIMUL8 to look at the Recovery of Debt by the Inland Revenue.

## The Challenge

The Inland Revenue (IR) collect a total of around \$300 billion of taxes and National Insurance Contributions.

For a variety of reasons individuals and businesses owe the department money which is treated as debt and which they seek to recover. The Inland Revenue's Receivables Management System (RMS) provides a "start to finish" debt management function.

The National Audit Office's study had to examine:

- The Inland Revenue's performance in collecting debt
- Whether the Inland Revenue could collect and enforce debts more quickly and at lower cost.



## The Solution

As part of the NAO study SIMUL8's proprietary software was used to produce a simulation of the Receivables Management System (RMS).

The simulation work was carried out in two phases.

The first phase built an "overall" simulation of the RMS to help the NAO further understand the RMS process.

The second phase gathered appropriate data to extend that computer simulation to answer the following questions:

- Where do peaks of debt occur?
- When do these occur during the year ?
- How long do these peaks take to clear ?

The simulation was initially based on a process map produced jointly by the NAO and the IR. A workshop session with IR staff was then carried out to validate the simulation structure and to involve them in the building process. Once validation was complete the simulation was ready to answer questions.

## The Result

The simulation showed that:

- Peaks on some tax types build up during September, January and March and can take up to 10 weeks to clear
- 50 additional staff would reduce those peaks and save around \$3 million net a year.
- For some types of tax debt, nearly 90% of debt cases are cleared within 90 days. This compared favorably with the Utilities Sector (which was considered a similar industry and hence suitable for comparison).

The simulation proved a great tool for assisting communication between NAO and Inland Revenue staff as it provided a common visualization of the process on which to base discussions.

The simulation was also able to contribute to the final report to the British Parliament by the Controller and Auditor General.

## About SIMUL8

SIMUL8 specialize in improving our clients' operational processes and service delivery through the provision of innovative, market-focussed business intelligence software and solutions.

Our experience spans across a number of industries and business sectors, where we have delivered multi-million pound cost savings, delivered tangible business process improvements and driven significant strategic change.

Our technology has been the catalyst for change in some of the world's largest and most successful organizations.

With up to 20 years in the industry, we have a wealth of experience putting the theory into practice. We work to deliver software and solutions that help our clients gain a better understanding of their business processes and enable them to make better informed business decisions that have real business impact.

Find out more:

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