Mail-Returns Process Optimization Using Lean Thinking Principles
At The Swedish Tax Agency

Thesis Submitted to

Kungliga Tekniska Högskolan - KTH
'Royal Institute of Technology'

School of Industrial Engineering and Management
Department of Production Engineering

In Partial Fulfilment of the Requirements for the Degree
of
Master's of Science in Production Engineering and Management

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Acknowledgment

I would like to express my appreciation to all those who made it possible to complete this thesis, without their help it would have been so hard for this project to see the light.

I would like to thank my supervisor Ove Bayard for his help and guidance throughout the project duration and my colleague Tafazzul Mahmoud for his remarkable efforts in this project.

I am thankful to Ljúfa Elfwing for her help in organising most of the meetings and interviews, also, Skatteverket staff whom we met and were very helpful and resourceful, namely; Margareta Kraft, Yvonne Lindström, Birgitta Holmqvist, Eva Sallstedt, Victoria Björklund and Viveca Scherman Johansson.

This is a great opportunity to express my gratitude and appreciation to Gamal Abu-Taleb for his encouragement and inspirational comments.

My acknowledgement will never be complete if I do not mention my mother, for her endless support and love.
Abstract

Lean Thinking has been widely implemented in various industries in the production context. Lately a number of companies in the service sector have developed lean systems within their organisations to improve efficiency, productivity, and quality of their services. In our study we are putting forward an approach for operational excellence using Lean Thinking principals in the public service context.

The study was performed at the Swedish Tax Agency and the main process examined was mail-returns handling process, the main goal was to improve business process by eliminating non value adding activities within the mail-returns handling process.

A thorough investigation of the Swedish Tax Agency process was carried out, primary (core) business process was identified. We examined the supporting processes and how they can affect the primary process performance, and we defined the activities associated with mail-returns handling process and the costs incurred, which led to having a fact-sheet that examined the entire process.

Process mapping for the current state was carried out and Root Cause Analyses was performed. We identified root causes of the problem and process elements with high improvement potential, and we presented an optimisation proposal for the current state. Based on the optimisation proposal, an improvement proposal for the whole process was developed.

Some of the notable attributes of this redesigned strategy were substantial cost savings and reduced process time. The proposal was approved by the Swedish tax agency and practical implementation is initiated.

Keywords: Lean Thinking, Public Sector, Service Organisation, Process Optimisation, Operational Excellence, Best Practices, Process Mapping
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1. Introduction and Background

1.1. Introduction

Skatteverket (SKV) is the Swedish Tax Agency; it is the administrative authority responsible for national tax collection, property tax, recording and registration of population. SKV issues Swedish identification cards for individuals registered in Sweden.

The main operation conducted in SKV offices is receiving and reviewing tax declarations, in addition to handling various tax matters for citizens and businesses. Some offices also handle registration matters, such as migration and birth certificates.

Knowing that Skatteverket reviews around 4 000 000 tax declaration per year, we can imagine the impact of any hitches or delays in its process; therefore, maintaining a high level of process quality is essential for Skatteverket success. With such variety in segments and distribution across the country, Skatteverket operations affect every citizen and resident in Sweden.

The process of handling tax declarations includes sending and receiving thousands of letters every year, mainly between Skatteverket and tax payers and also tax applicants, the accuracy of the postal process is vital in holding a continuous communication with tax payers. In some of the cases, Skatteverket receives mail-returns due to failure of delivery of mail.

The mission of this project is to propose ideas on how to eliminate the number of mail-returns received in Stockholm region and to maintain an accurate business register which is considered one of the challenges facing Skatteverket staff for so many years.

We used Lean Thinking methodologies for process optimisation; we looked at this project as an opportunity to implement lean principles in Public Service Sector, which is not a widely used technique, so far. Our main goal was to eliminate waste in Skatteverket operations; we analysed the activities associated with the mail-returns handling process and we identified all non value-adding activities within the process using the “7 wastes” Lean tool.

In this report we will discuss the current situation (as-is) at Skatteverket and we will describe the current state of handling mail-returns process, then we will propose our recommendations for process improvement based on our analyses, and the information we received from Skatteverket employees during the several meetings, workshops and interviews we had with the staff.

Due to confidentiality, names and some exact figures will not be mentioned in this report to ensure security and integrity.

1.2. Skatteverket (SKV)

Skatteverket (Swedish Tax Agency) deals with National Population registration, collecting taxes from individual tax payers and businesses, performing audits, in addition to real estate and inheritance registration and criminal investigation records.
Skatteverket employs around 10,800 employees, out of these around 400 are at the head office in Solna. Skatteverket reviews tax on 100 locations across Sweden. The proportion of women is 66 percent and the proportion of female managers is 55 percent.

The fundamental task of Skatteverket is to finance the public expenditure, its policy is to “ensure the financing of the public sector and contributing to a well-functioning society for citizens and businesses, and minimize fraud and crime”. Skatteverket’s vision is "A Society Where Everyone Wants to do Right for Themselves”.

Skatteverket is supervised by Advising Council that consists of 11 members appointed by the Swedish Government and one General Manager.

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**Skatteverket Organization**

As illustrated in figure 1.1, Skatteverket Organisation is divided into 7 tax regions across Sweden and one central Large Tax Payers Office (LTO) acts as a fully-fledged department with the sole purpose of administering tax matters affecting large tax payers. In addition to the department of Operations Support for Tax and Enforcement.

Below, in figure 1.2, an illustration of the regions of Skatteverket and the different divisions it is consisted of; IT department, Production department, Business Support department...etc. In addition to, illustration of the 7 regions across Sweden; Stockholm region, Northern Region, Southern Region, Eastern Region, Western Region...etc.

Skatteverket is led by a Managing Director, who receives support from an Advisory Council, Internal Audit Unit and Supporting Staff, such as Public Relations...etc.

In figure 1.2, an illustration of the organisation chart, where we can see departments of Production, IT, legal...etc. and the description of 7 offices for tax regions in addition to Large Tax Payers department
As illustrated in figure 1.3, Stockholm region is headed by the Regional Tax Superintendent, it consists of 3 departments, and each department represents a number of different Tax offices;

- Department 1: consists of Tax offices number 1, 2, 3 and 4
- Department 2: consists of Tax offices number 5, 6, 7 and 8
- Department 3: consists of Tax offices number 9 and 10, in addition to the International Tax Office and National Population Tax Office
1.3. Bolagsverket (BV)

Bolagsverket is the Swedish Companies Registration Office, its main operations are

- to register business enterprises and associations
- to receive and store annual reports
- to register corporate mortgages
- to make decisions in liquidation
- to make information from our registers available
- to register announcements in Post and in the Official Gazette and make them available to the public

BV assignment is to prepare good conditions for the trade and industry, to create a good infrastructure for growth and give enterprising people the information they need to fulfill their dreams.

BV trying to make it easy to start an enterprise; for this purpose BV has several e-services, the e-service www.verksamt.se allows companies owners to apply for registration of their business enterprise on the web site. Through the e-service, authorised personnel can buy and download annual reports, certificates of registration, articles of association and other documents. Näringslivsregistret (the Trade and Industry Register) contains information on more than one million business enterprises and associations.

Bolagsverket vision is – the best authority for entrepreneurial activities, their operations are not financed by public funding; and therefore charge for they charge for products and services provided.
Bolagsverket examines registers and informs to ensure easy entrepreneurial activities and legal security for the trade and industry.
2. Project

2.1. Project Overview

Correspondence with tax payers depends, to a far extent, on written letters, failing to receive or sending these letters is considered a problem since it represents loss of money, time and efforts. Receiving thousands of mail-returns every year is considered a real challenge for Skatteverket staff.

This project will examine Skatteverket mail-returns handling current state (as-is) and will propose an improvement proposal for the desired future state (to-be). In this project we will analyse the root causes of receiving mail-returns and we will identify the key measures that can be taken in consideration in the future to overcome this problem.

Through our research, we wanted to find out answers to the following questions;

i. what is the current state of mail-returns handling process
ii. how mail-returns are handled at Skatteverket’s different tax offices
iii. is mail-returns handling process a standardized process across Skatteverket’s offices
iv. what are the root causes behind receiving this large amount of mail-returns
v. what can be done to eliminate mail-returns; can lean thinking be implemented in the Public Service Sector

To find out information about mail-returns handling process and to learn answers to these research questions, we had a plan to read about Skatteverket’s operations, its process and we focused on Stockholm region, since it is the region we will work on.

We had received brief orientation from the staff, explaining how operations are carried out here and read reports about Skatteverket and we had conducted several meetings with many employees who handle mail-returns, some of them were handling mail-returns for several years.

Interviews were conducted with employees from different tax offices in Stockholm region and also with the internal post office personnel, meetings with executives were held on a periodic basis. In addition to the mentioned, we had developed an employee survey to be dispatched to employees who handle mail-returns in order to know their feedback regarding this issue, and to know the reasons they think are behind this issue, also to investigate their suggestions for improvement.

2.2. What is a Mail-Return?

A mail-return is any mail that the sender has sent out through postal services and due to inability to reach the recipient, the mail is returned back to the sender.

Reasons for mail-returns are many and they vary, they could be;

- Address of recipient is not correct
• Name of recipient is not correct
• Address is correct but the Recipient is not living in the mentioned address
• Recipient name is not written on the mailbox
• Care of (c/o) mail errors (name of c/o person not correct)

Among many reasons behind mail-returns, we will focus, in our research, on the above mentioned reasons since we believe they represent a huge percentage of SKV mail-returns.

2.3. The Story of Mail-Returns at Skatteverket

Errors in SKV registers complicate the management and control efforts in the departments, they increase costs for other government authorities and impedes social planning.

In tax offices there are employees who handle mail-returns on a daily basis; they have to search in nearly 6 to 8 software systems in order to acquire correct address, which consumes long time. The software used mainly in Skatteverket offices is Basregister which is considerably an old platform.

These employees have been doing this task, beside their main job tasks, for years and for them it is a frustrating process since in most of the times it is hard to obtain a correct address of the authorised person of the company, it became a very tiring and time-consuming process, and mostly, with no success at the end of their searching journey.

2.4. Project Mission

Analysing the current situation of mail-returns handling process by identifying the tasks to be carried out in order to improve Skatteverket records in addition to updating the business register.

Identifying root causes of the problem under study, and propose the necessary measures to improve the current state and eliminate waste in the process. Improving the quality of Skatteverket register, by mapping the current structure of the process and the internal procedures used in Stockholm tax offices.

In other words, the mission of this project is not correcting the wrong addresses, but finding practical, simple means to avoid receiving mail-returns, by using the current resources and personnel, to sustain a high level of process quality.

2.5. Drive Behind This Project

The main drive behind this project is to reach an operational excellence in Skatteverket process, as mentioned previously since Skatteverket processes affect every person living in Sweden; it is a must to have an efficient, productive and seamless process with minimum defects possible, and no waste.
Eliminating waste in terms of decreasing the time and efforts spent in handling mail-returns (man hours) by decreasing the number of mail-returns received and decrease the cost of their stamps (non value adding expenses) can lead to an outstanding impact on Skatteverket image among Swedish citizens and tax payers, and it also represents a high potential for cost savings.

2.6. Project Realisation

The mainframe of project realisation was driven by the famous DMAIC problem solving methodology, which has five phases to root out and eliminate the causes of defects;

D Define a problem or improvement opportunity.
M Measure key aspects of the current process and collect relevant data.
A Analyse the process to investigate and verify cause-and-effect relationships.
I Improve and optimize the current process by attacking root causes to create a future state process.
C Control the future state process to ensure that any deviations from target are corrected before they result in defects.

Figure 2.1 DMAIC Problem Solving Methodology
3. Research Methodology

3.1. Lean Thinking

Lean is a methodology evolved in the 1990’s, it grew out of years of practice and experimentation at the Japanese gigantic cars manufacturer; Toyota. The core value in Lean manufacturing system is to focus on eliminating waste across the process and creating customer-focused value process. The term “Lean” came from using fewer resources (machine, tools, energy...etc.) to produce the same product with high quality, with a main goal of having the Perfect Process.

The Lean methodology of managing an organisation to improve the efficiency, productivity, and quality of its services was developed through the practice of manufacturing high-quality products and services in Toyota Production System. Lean Thinking focuses on eliminating non value added activities (waste) that obstruct the process flow. The concept of a "lean" operating system has been implemented in countless manufacturing companies with its focus on standardization, quality improvement, cost reduction, and efficiency. It is a continuously progressive way of producing what customers want, when they want it, at a price they can afford it using the least resource possible.

Toyota introduced “just-in-time” manufacturing principle in the 1980’s, which enabled Toyota to decrease its inventory to a zero level and increase its process flexibility, consequently this gave Toyota a high competitive advantage over its western counterparts, in Europe and the United States, who were still adopting the 1930’s “Mass Production” techniques and suffering from massive inventories, process variability and final product irregularities.

The majority of Japanese manufacturing companies followed Toyota’s lead in adopting the Toyota Way (Toyota Production System), and by time, the idea of Lean production spread to
aerospace industry, logistics, military, construction, and finally to the service industry such as insurance and healthcare. Principles of lean thinking are universal and have been applied successfully across various disciplines and in different contexts.

In our project we will try to implement and follow Lean Thinking as a comprehensive approach to solving business problems and creating value for customers. Daniel T. Jones (2011), one of the Lean gurus, defines the core lean skills as “…not just the tools and techniques, but the use of the scientific method to define and diagnose a problem, understand the facts, try several countermeasures and check which of them solved the problem…”

3.2. Basic Principles of Lean Thinking

Mary Poppendieck (2002), defines the four basic principles of lean thinking which are most relevant to software development, which we think will be very similar to the case in our project,

- Add Nothing But Value (Eliminate Waste)
- Centre On The People Who Add Value
- Flow Value From Demand
- Optimise Across Organisation

Where she defines that the first step in lean thinking is “…to understand what value is and what activities and resources are absolutely necessary to create that value”, once this is understood, everything else is to be considered as waste

She also highlights that the “..Focus in Lean is on the people who actually add value to the process” and “..As in lean production; maximizing flow does not mean automation. Instead, it means limiting what has to be transferred, and transferring that as few times as possible over the shortest distance with the widest communication…”

She defines lean organisations as “…usually structured around teams that maintain responsibility for overall business value, rather than intermediate measurements such as their ability to speculate and pad estimates…”

3.3. Lean Thinking Tools and Definitions

3.3.1. What is The “Process”

In Lean context, a process is any group of activities or tasks performed in proper sequence to add value and contribute to the transformation of raw materials (in our case reports and documents), leading to customer satisfaction, Daniel T. Jones (2011).

James P. Womack (2004) defined processes types as primary, that serve an external customer, i.e. the organisations core business and supporting process to the primary process, such as hiring employees.

Womack suggested that in order to have the Perfect Process, the organisation has first to identify what are the primary processes, the supporting process and what are the process that actually add value and represent great importance to the customer.
3.3.2. **Lean Thinking Key Concepts**

Key lean concepts are;

- Standard Work; minimise process variability, the process has to be uniform and be able to be performed repeatedly in the same sequence with the same outcome

- Flow; Preserve a smooth rapid continues flow in your process to avoid stocking or inventories

- Pull; don’t produce unless there is demand, i.e. receive an order to avoid overproduction

- Levelling; level workload and your demand so that equal amount and mix are being made each day

![Figure 3.2 Illustration of using Lean (Toyota's 4 P Model)](source: The 14 Principles of the Toyota Way – Jeffry Liker (2004))

3.3.3. **Lean Thinking Tool: “5 S” Technique**

**Sort, setting in order, sweeping, standardize, sustain**

Its main purpose is identifying the best practices of housekeeping a workplace. 5 S is mainly used as a tool to help the management to eliminate waste in their organisation; whether it is the space in the shop floor or in the office environment, “5 S” is one of the main principles behind Lean thinking.
5S is a teamwork facilitating tool; it produces a workplace that’s clean, uncluttered, safe and organized. People become empowered and engaged. As the workplace begins to encourage and enhance internal communication by linking people together with processes.

The 5S’s stand for 5 Japanese words that are considered now the pillars of the 5 S technique, roughly translated as:

- Sort (Seiri)
- Set in order (Seiton)
- Shine (Seiso)
- Standardize (Seiketsu)
- Sustain (Shitsuke)

Figure 3.3 How Lean Can Eliminate Waste in the Process

Jeffery Liker (2004) describes the last and fifth stage of the 5 S; Sustain as “…In this improvement method, the fifth S, sustain, is arguably the hardest. It’s the one that keeps the first four S’s going by emphasizing the necessary education, training, and rewards needed to encourage workers to properly maintain and continuously improve operating procedures and the workplace environment. This effort requires a combination of committed management, proper training, and a culture that makes sustaining improvement a habitual behavior from the shop floor to management…”
3.3.4. **Lean Thinking Tool: Value Stream Mapping**

The most famous Lean tool; Value Stream Mapping (VSM) is a methodology used to represent all activities and processes executed at a company to fulfil a customer demand. It starts from the time a customer places an order until the customer has received that product at his premises. The “value stream” (VS) refers to all activities and processes in the organisation – simply it is everything that an organisation must carry out to design, order, produce and deliver ordered products.

The main target is to represent the product, information and material flow across the organisation, which required producing and shipping the product to the customer, which will help in identifying the non value adding process, i.e. waste.

VSM starts usually by understanding the process then afterwards mapping the current state of the process, with all its details; time frame and associated costs, afterwards we will be able to create a future state for our value stream and then will develop an action plan of transforming the current state to the future state.

Jeffery Liker (2004) defines VSM as a tool that helps the organisation to,

- Diagram current value stream (i.e. process);
- Identify the bottlenecks in the process
- Develop a vision of the future lean system

3.3.5. **The 7 Wastes**

A key concept in Toyota Production System “TPS”, Lean practitioners always aim to improve their organisations by focusing on the elimination of all waste, following is a description of the famous 7 wastes that can be found in a production system;

**Transport**: unnecessary movement of materials => minimise the amount of movement by designing a flexible shop floor layout.

**Inventory**: unnecessary raw materials or finished goods => implement "Just in Time" (JIT) manufacturing technique to expose problems and reduce cost

**Motion**: unnecessary motion of equipment and people => improve the ergonomics of workplace

**Waiting**: idle or waiting time => minimise idle time and maximise "value adding" time

**Overproduction**: producing unnecessary products, or early production

**Over-Processing**: unnecessary processing of your product

**Defects**: rework and scrap items

3.4. **Applying Lean Thinking in Public Service Agencies**

Lean Thinking has been widely implemented in automotive, aerospace and food processing industries, some service industries have developed lean systems within their organisations, especially in the health care and insurance services. Time proved that Lean can be transferable
to the public sector, to develop more seamless processes, reduce waste and improve efficiency.

Most of the top manufacturing companies; especially Toyota, have benefited, improved, and profited by implementing lean production system, however, we are still anticipating to see the same major benefits for service industries applying lean principles.

In their extensive research of evaluating using Lean Approach in the Public Sector, Zoe Rander et al (2006), have specified the main, wide range of factors related to the successful implementation of Lean principles in the public sector as follows;

− Organisational culture and ownership
− Developing organisational readiness
− Management commitment and capability
− Providing adequate resources to support change
− External support from consultants in the first instance
− Effective communication and engagement through the organisation
− Strategic approach to improvements
− Teamwork and joined-up whole systems thinking
− Timing to set realistic timescales for change and to make effective use of commitments and enthusiasm for change

They defined the organisational factors that affect the ability of an organisation to implement an effective improvement programme as follows;

− An awareness or realisation for the need for improvement
− Developing or planning capacity within the organisation to deal with change
− Developing an organisational culture which understands the customer, processes and uses data to drive improvement

Various Lean approaches were identified to be implemented in the office environment, one of the most used approaches is “a plan for every process” i.e. each activity a person is expected to complete, has to be scheduled at a particular time.

In our project, we are trying to implement and adopt Lean approach at the Swedish Tax Office i.e. public service sector; hence we believe the 7 wastes exist in the office environment as they are on the shop floor, they can be explained as follows;

**Transport:** unnecessary movement of people (employees / postman / courier ) and papers (envelopes)

**Inventory:** unnecessary storage of paper (e.g. envelopes storage area, archive room)

**Motion:** unnecessary motion of people in the office space to search for correct data or a document

**Waiting:** unnecessary time spent on phone calls, searching on websites for correct addresses, waiting for signatures, waiting for tax payer response and ineffective meetings/working groups
Overproduction: producing unnecessary reports, documents or information
Over-Processing: unnecessary steps in the process of handling documents or tax accounts
Defects: Working with badly designed IT systems, working errors, data entry mistakes...etc.

3.4.1. Challenges of Service Lean Implementation

One has to bear in mind that applying Lean Thinking in service agencies underlie major challenges, Lean has been developed and implemented mainly in manufacturing industries until recently some attempts were made to apply Lean in service industry and they had proved immense success and drastic decrease of waste (waiting times, process costs...etc.) which led to a greater customer satisfaction, hence more profit to the organisation.

The main challenge of implementing Lean Thinking in service agencies is simply the differences in context, in terms of process identification, process complexity, controlling process flow and levelling workload, different information flow and difficulty in waste identification. Unlike manufacturing, in which one can actually observe the processes getting executed, in service organisations processes are often not visible, usually processes that are not visible result in wastes that are not visible.

In service agencies, the process is often executed by employees, however in manufacturing, there are huge machines that do the job and workers usually manage and observe the process and try to control the flow, thus when implementing lean in service industry we have to take into our consideration that the process is a human-dependable process, it depends on “who” is executing the task, the mood of the employees and how they are feeling at different points of time.

There is also another challenge in implementing Lean in service industry which is the information flow that can cause process variability, for example, orders in service agencies are not the same orders in manufacturing, quotes are not the same quotes, and consequently the designs are not the same.

Zoe Randor et al (2006), define a key difference between implementing lean in manufacturing or in service organisations “… In manufacturing, the emphasis is on a set of management tools and techniques that are used to standardise processes. Within the public sector, however, there is engagement with the principles of Lean, but less with the full range of tools and techniques. Most organisations, for example, used just a few tools, such as value stream mapping …”

They concluded that “…many of the tools and techniques used in a manufacturing context are currently not immediately and obviously applicable to service environments. Instead, some of the tools need to be adapted to cope with the need for greater process flexibility that is found in the public sector to meet the needs of the customer …”

In our Optimization Proposal, we discussed in details in how we adopted Lean Thinking in facing the challenges of mail-returns handling process, how to use the “5 S” tool in our process optimization and how to implement lean thinking in Public Sector Service Agencies.
4. Data Collection

This project examined Skatteverket current state (as-is) and proposed an improvement proposal for the desired future state (to-be), we had carried out several meetings with employees who handle mail-returns, some of them were handling mail-returns for years, interviews were conducted with employees from different tax offices in Stockholm region, meetings with executives were held on a periodic basis.

Hereafter we present our attempts in collecting data in order to have an accurate representation for the current state and our pursuit of accuracy in mapping the desired future state.

4.1. Interviews

We conducted interviews with Skatteverket personnel who handle mail-returns on a daily basis. The main purpose was to gain knowledge regarding the current mail-returns handling process, to identify the procedures they follow, and finally to map the current process and then identify key improvement areas that will enable us afterwards to propose a desired future state. Also, we had interviews with Bolagsverket executives who are involved in the process with Skatteverket. Interviews lasted from one to two hours and some key personnel were interviewed multiple times, extensive notes were taken during all interviews.

In total around 18 interviews were conducted.

4.2. Meetings

Meetings were held with Skatteverket staff and personnel working in business development, IT and at the headquarters in Solna. We had meetings periodically with executives who were following up and supporting the project.

In total around 10 meetings were held.

4.3. Visits

We had two visits during our research period in order to better identify the current state, first one was to an archive room in one of the tax offices, where we were introduced to the archiving system of mail-returns and how they are organised and sorted in order and how long they can be kept in the archive.

The second visit was to the internal post office in Stockholm region, where we observed the process of automatic stamping and automatic envelopes opening by machines. We also have checked the shelves made especially for each tax office in Stockholm region and we monitored the process of receiving post from the post company and were introduced to the process of receiving post from tax offices and also dispatching the post to the different tax offices.

4.4. Workshops

We had the idea of organizing a workshop with all the employees who handle return in order to get their feedback regarding our work, and to have their say regarding the improvement
process and to know their suggestions, we had two workshops, one was after the completion of the current state map and the second one was after the completion of the desired future map.

Most of the employees were resourceful and cooperative and we have to state that the feedback we received was invaluable.

4.5. Employee Survey

Employee survey was just another tool to receive feedback from employees, but this time it was anonymous feedback, we developed a survey and it was not an obligation for employees to mention their names or their job titles.

The purpose was to gather more information from employees who work with mail-returns among Stockholm region in order to help in improving the work process. The survey was designed to keep their privacy, no personal data whatsoever was required and we highlighted that they can answer all the questions in Swedish language.

Questions mentioned in the survey;

1. Do you have a team in your office who handles mail-returns? If Yes, please state approximately how many?
2. Please describe how you handle mail-returns in detailed steps
3. Do all the team members follow the same routines? If No, why?
4. Do you have written instructions in your tax office?
5. Are you aware of the availability of written instructions in any other tax offices?
6. Do you think these instructions are helpful in your work with mail-returns? If No, why?
7. In your opinion, how we can reduce the number of mail-returns?
8. Do you receive support from your manager regarding mail-returns? Do you have team meetings? Follow up meetings?
9. How many hours per day do you work with mail-returns, and how many days per week

4.6. Data Representation

4.6.1. Process Flow Charts

To better understand the process, we developed Process Flowcharts for every single operation at Skatteverket that can affect the mail-returns handling process. This helped us to a far extent to digest the whole process of Skatteverket tax payer relationship.

We developed process flowcharts to;
1. Internal Post Office in Stockholm Region
2. Bolagsverket – Skatteverket updating file
3. Tax Declaration process
4. Two Tax Offices mail-returns handling process

These process flowcharts are a graphical representation for the process taking place in reality, they can be found in chapter 6 in this report.

4.6.2. Mapping

Mapping the current state (as-is) and then suggesting and mapping of a desired future state (to-be) was one of the main missions of this project.

Mapping enabled us to define all the activities associated with mail-returns handling process (our primary process) and to identify the time frame, the costs incurred that led to having a business-process fact sheet which examined the entire process. Mapping helps in identifying the activities that represent the biggest opportunities to be improved, to eliminate waste and time spent on these processes that can yield to greater results for the organisation.

In this report, we presented the current state process map in section 6 and desired future state map in our optimization proposal in section 9.
5. Project Findings

In this section we will present the information we had recorded throughout the project period, the data collected through our meetings and interviews with Skatteverket staff who deal on a daily basis with the mail-returns and also who use the IT systems, and with Bolagsverket staff, in addition to the 2 collective workshops we had with them and the employee survey that was dispatched to them to have their say in the development and improvement of the mail-returns handling process.

Due to confidentiality, names and figures are not mentioned in the report

5.1. Current State

A large number of mail-returns is received every month at Skatteverket various tax offices, employees described this as ‘problematic’, ‘time consuming’ and ‘expensive’.

Hereafter, we will try to illustrate all the information gathered and collected data through out all the meetings and interviews conducted with Skatteverket staff.

5.2. The Bolagsverket Connection

First step to register a company in Sweden would be by contacting Bolagsverket (BV), or by using the new e-service www.verksamt.se where you register online for certain types of organisations. It takes from 2 days till 2 weeks for BV to enter the data of a new company application to the electronic system, depending on the accuracy of information provided in the application.

Bolagsverket is the main source for the companies contact details and all the related information, therefore, by law, in order to be able to update their database, Skatteverket has to request this information from Bolagsverket.

Skatteverket employees are not entitled to change/modify companies information unless they receive a signed request from the authorized person in the company, also, Bolagsverket personnel cannot update their database based on a request from a Skatteverket employee due to tax law regulations, It has to be requested by the company authorised person.

Skatteverket and Bolagsverket have a signed agreement, by this agreement Skatteverket pays a certain amount of money annually to Bolagsverket and in return, the tax office IT department in Solna receives a daily update “unique file”. This file, received from Bolagsverket through secured channels, contains all the changes took place in companies information all over Sweden, in addition to other data and reports related to the taxation process.

If Skatteverket employees seeking information from Bolagsverket and this information is not available in this file, then they have to access Bolagsverket website and Skatteverket has to pay per ‘click’, and this is considered very expensive.

The two organisations held meetings on a regular basis to discuss mutual issues and during these meetings, usually they decide what kind of information is to be included in the ‘unique file’.

It is worth noting that Bolagsverket doesn’t cross check the address data provided by a company, so whatever the address a company provides in its formal application it will be entered to the system without checking.
A Free-lancer registration is done only with Skatteverket, so the tax applicant applies at the tax office and Bolagsverket has no control on their data.

5.3. Types of Business Enterprises

There are various types of companies registered with Bolagsverket, the type of the company is important because each type has a unique Organisation Number;

- Sole proprietors [single owner]
- Trading partnership [at least 2 owners]
- Limited partnership [at least 2 owners]
- Limited Company [at least 1 owner]
- Economic Association [at least 3 owners]

5.4. Types of Post

Mail A is the high-priority mail, it is costly and it can be delivered within one day from sending, usually this type of post is used with all international mail.

Mail B is regular mail, cheaper than Mail A and can be delivered within 3 days from sending the letter.

5.5. Forms of Letters

Two forms of letters;

**First type;** Automatic mail which is sent automatically by the system without human interaction, employees cannot track it and they have no authority to change data, mostly this kind of letters include the Tax Declarations, it is either sent monthly, quarterly or annually.

**The second type** is letters sent by employees themselves, where they write down their names and contact details as senders on the letter, this correspondence is mainly queries from tax payer and replies from tax officer, or vice versa.

Usually, this correspondence can be tracked since employees have to scan and document all the correspondence received from companies to software systems called ‘Magi’ and ‘Tina’. Problems may appear in case employees start to use only word processing software (e.g. Microsoft Word) in writing their letters. Microsoft word letters have a reference number from a system called “Diarätt” but ‘Tina’ and ‘Magi’ generates an automatic reference number.

In most cases, employees don’t keep records on the letters sent/received from each company per year and also they don’t ask for a “confirmation of receipt” from the post company to make sure that the letter has been actually received by the authorized person.
5.6. Post Company

Skatteverket has a contract with a private post delivery company; sometimes also employees use the Swedish Post, which is more expensive.

We were advised by most of the employees whom we interviewed that Swedish Post is far more reliable in delivering mail correctly from the first time and usually it is more efficient than other companies, however no records available to be accounted as proof to support this claim.

5.7. Types of Correspondence

Types of letters sent by Skatteverket to tax payers;

- Company letter of registration
- Tax declaration ‘VAT’ (sent either monthly, quarterly or annually)
- Proposed Tax Assessment
- Final Tax Statement (sent once per year)
- Regular correspondence (queries...etc.)

Date, and in some cases a reference number, should be printed on any sent letters from Skatteverket, whether it is automatic mail or employee mail, and there are no restrictions on employees regarding the number of letters that can be sent per company per year, it totally depends on the case.

5.8. Internal Post Office

Internal Post Office starts working at 8:00 am, employees of the office start by receiving post from the post delivery provider (i.e. Post Company), afterwards incoming mail-returns have to be opened by a special machine, where they open all the envelopes they have received and then it will be put on special shelves if it has an employee name on it.

If the mail-return doesn’t have any employee name on the envelope, then they just check which tax office has sent this mail and afterwards they categorize it in mail A and mail B and place it in blue boxes and then dispatch it to each tax office twice per day; usually after 8:00 and after 14:00, where the internal post messenger puts the mail-returns on a specified table for this purpose in the tax offices.

Regular mail is also received early in the morning from the post company, employees put it on shelves, and each tax office has its own shelf.

Also, internal post office messenger collects letters from all tax offices twice per day, and then delivers it to the office, envelopes are collected together then they are put in the stamp machine where they get stamped and meanwhile, the cost of the stamp is also being calculated by this machine.

All envelopes collected from employees or dispatched to tax offices within Stockholm region don’t have a receipt of confirmation or internal stamp of date and time of collecting or dispatching
Internal Post Office Process Flow

Internal Post Office receives returns from the Post Company – it takes 2 weeks to receive returns from the date of sending.

Envelopes are opened and returns are stamped on the same day of arrival with the date.

Returns are then forwarded to each department twice per day (at 8 am and at 2 pm), this process takes from 1 week till several days.

No stamp by the Dept.

Returns are then received by the dept, no routine who specifically receives them.

Usually they are just put on a tray or mail table.

Figure 5.1 Internal Post Office Process – Stockholm Region
5.9. Accountability

Each employee has to handle his/her own returned mail if it has his/her name and contact details as the sender.

Otherwise (i.e. automatically sent mail), most tax offices in Stockholm Region have a team of employees who work with mail-returns as one of their job tasks, they spend around 2-3 hours daily on solving this issue, the number of employees in the team depends on how frequent the tax office receives mail-returns, it also depends mainly on the number of the received mail-returns, some offices has only one employee and other offices have a team up to 5 employees working on this issue.

It is worth pointing out that there is no clear liability on the employee to handle the mail-returns; it is also not considered as a ‘task’ that they will be assessed against from their line managers.

5.10. Time Frame

In most cases, it takes around 2 weeks, to receive the returned mail from the post company; therefore, there is no clear significance if the tax declaration was sent via mail A or mail B i.e. costly/fast mailing service or inexpensive/slow one.

Employees handling the returned mail can take minimum 1 week and up to indefinite period of time depending on the work load and the complexity of the case.

5.11. Records and Statistics

During our research and as a conclusion from the meetings we have conducted with employees from various tax offices and also from the internal post office, it was clear that there is no trace of any recording activity in the tax offices of Stockholm region regarding:

- the number of mail-returns, and their percentage with respect to the total number of sent mail
- how many of these wrong addresses were corrected
- after corrections, how often they receive mail-returns from the same company
- Time line for corrections (how long does it take?)

In addition, it was obvious that there is lack of statistics regarding;

- Which type of mail is usually returned, is it mail A or mail B?
- Which type of Companies usually return mail? Sole proprietorship, freelancer, large enterprises?
- Efficiency of the contracted post company,
- Which type of companies is the most ‘problematic’

It is worth mentioning that statistics from the Post Company were never requested, most of the information regarding statistics, records, time frames...etc. mentioned in this report are rough estimation from experienced employees.
5.12. Archiving

Failing in finding the correct address results of receiving thousands of mail-returns and hundreds of returns-of-mail-returns!, this situation requires archiving activity from tax offices staff, where they specify a space for keeping the returns and returns of returns.

Usually they categorise the envelopes with respect to the company type, and then they sort them in chronological order, they keep mail-returns in the archive room and specify another place for returns-of-returns, which usually represent few hundreds of envelops.

Some envelopes that contain fiscal data and tax declarations have to be kept up to 10 years and some envelopes are kept only for one year, all depends on the Tax Law regulations.

5.13. IT Role

IT has a major role in Skatteverket process, all the taxation systems, data entry processes, correspondence process are computerised, Skatteverket also provides some e-services for tax payers that need acquiring an electronic identity before using.

In our case, IT and software systems are key players in mail-returns handling process, it starts from the early beginning, when the IT department in Solna receives the daily updated “unique file” from Bolagsverket, then the file updates Skatteverket’s system automatically over night. Skatteverket keeps data received from Bolagsverket starting 1989

The data in the received file is transferred to a readable format to Skatteverket system and the system starts giving companies a code depending on the region and company type, the entire process is automated and the execution time frame is few minutes.

If any error took place, or the file failed to update the system, a note will be sent to the responsible employee at Bolagsverket and she/he will track the errors and if the file is not sent everyday a note will also be sent to the responsible employee to track it.

The fields included in the file (address, name...etc) is predefined by an agreement between SKV and BV and usually these fields are decided by SKV Production dept. in Solna, also, if any additional fields are required they have to be ordered through the Production Dept.

Quality Control procedures in controlling the updating of this file is non-existent, there is no written routine on how to deal with this update or what to do if the updating process failed, the technician responsible for updating the file just keeps an eye on his computer to react if he receives a failure note from the system, but for example, if the file sent was empty, or the same file is sent everyday with no changes, no one will notice and no failure note will be sent.

We were advised by an IT executive at Skatteverket that Basregister needn’t to be upgraded, but employees need to know how to use it, and when we enquired regarding the training for these employees, it was not clear when was the last time the employees received a formal IT training.
5.14. Software Systems

Skatteverket employees are using various software systems in their daily operations, in addition to websites and online portals, some of these systems are owned by Skatteverket, such as;

- Basregister: the main software system used to search for companies contact details, we will discuss in details its function and features in point 5.14
- NAVET: provides National Population Registration data, (i.e. personal information)
- Skattkonto: provides data regarding taxpayers tax accounts, (i.e. fiscal data)
- MAGI: provides data regarding Moms and VAT (i.e. fiscal data)
- InfoVis: provides contact details and fiscal data

There are systems owned by other organisations, and in most cases, Skatteverket employees have to access these systems to obtain missing data, accessing these resources is expensive and costly (see cost estimate in section 7);
– Bolagsverket: provides companies contact information and taxation reports
– Svenska Aktibolag (Infotorget.se): provides companies contact information
– Tina: new online platform started in 2008 that includes scanned copies of all tax declarations
– Näringslivsregistret: the Trade and Industry register contains information on more than one million business enterprises and associations in Sweden.

Although employees use all these software systems daily, there was no clear sign on any formal training sessions held for them, to help them in using these software systems, we were told they know how to use it through “learning by doing”, also some of them complained of the technical support they receive.

5.14.1. Bas Register

Is the main software used at tax offices by thousands of employees to handle companies contact details data, if there is any change in a company address it gets updated daily from Bolagsverket system, the system was deployed and has been in use since 1998

Basregister Tree

Basregister Tree shows the sources where Basregister gets information from and where to it sends information. In Figure 5.1, we can see on the left-hand side the sources where Basregister receives its information (e.g. Bolagsverket..etc.) While on the right-hand side a list of information that Basregister exports to different taxation systems.

On the top level we can find the National Population Register (Folkbokföringen) where Basregister gets the core of its contact details for individuals and then it exports all the information to Statistics Sweden. Hereafter a list of the organisations and authorities where Basregister receives data from;
Figure 5.3 Basregister Tree, where it gets information from & where it delivers information to

Basregister Sources of Addresses

- National Population Registration (FF)
- Bolagsverket (BV)
- Swedish Church and religious bodies
- The Legal, Financial and Administrative Services Agency (KK)
- NGO’s
- Swedish mapping, cadastral and land registration authority (LMV)
- Statistics Sweden (SCB)
Illustrated below a list of the kind of data you can find on Basregister;

**Basregister Contents**

- Input PIN/organisation /registration/coordination number
- Name
- Address (several is possible)
- Form of tax
- Vat-registration
- Branch of industry
- Shareowner in companies limited by shares
- Membership in the Swedish church and seven other religious bodies
**Basregister limitations:**

The software lacks the following features that could affect the efficiency of handling mail;

- if the address is wrong, the software doesn’t provide the feature for employees to make a note about the situation, in order to prevent the automatic mail to be sent
- no email field in the data entry page in the software, so if the employee needs to communicate he/she has to go through the paper applications
- no clear evidence on troubleshooting activities

5.15. Communication

Receiving thousands of mail-returns is a problem that every region suffers from to a certain extent, however, every region deals with this problem in a different way, sometimes even the tax offices in the same region deals with it differently.

Stockholm region consists of 10 tax offices, most of them suffer from mail-returns problem, however, it is rare that they carry out collective workshops or periodical meetings to discuss the issue together.

The same company can receive mail from different tax offices in the same region, if one employee notices that the address is wrong, usually they cannot inform others with this hitch since they cannot post this information, resulting in keeping sending to a wrong address.

5.16. Legal Situation

An illustration of the legal-related notes we have recorded throughout the project period;

- It is a legal requirement that tax payers receive tax declaration notifications from Skatteverket by mail on a periodical basis
- Tax payers are not charged for post, nor they are charged for modifying their contact details
- It is included in the tax law that companies should inform BV with any change in address
- Companies have to pay fees in order to change the name of the authorized personnel in the BKV system, that’s why some of them don’t inform BV of change in address because they think it costs money too, while it is for free
- Any change in the address must be requested by the authorised person in the company
- There is no clear legal liability on the company to inform the Skatteverket about its change in address, only to Bolagsverket
- Skatteverket employees do not have the right to modify, correct or delete a wrong address to prevent the system from automatically dispatching hundreds of wrong mails every month, in order to modify and correct an address in Skatteverket database a request has to be filled in and signed by an authorised person from the company
The Tax law is now under reconsideration, and there is a possibility it will be changed in 2012

5.17. Standardised Procedures, Work Instructions, Routines

During the project period, we were trying to identify any set of written instructions on how to deal with mail-returns in Stockholm region, we managed to find only one employee who is aware of the existence of a written routine on handling mail-returns, which we thought can be good enough as a start.

However, in other tax offices, there was no written procedure or work instructions for employees to handle mail-returns.

5.18. Skatteverket Quick-Fix

Skatteverket management is aware of the negative effects of mail-returns issue; they tried to solve the problem through a quick-fix by developing improvement projects where they hire temporary employees to look out for correct addresses.

Project team members looked through national population register, they talked over the phone and used every possible way to fix this problem, most of their efforts in these projects were successful and they managed to correct a large number of incorrect addresses, however due to lack of funding these projects were put on hold.

For more information check appendix (1) History of improvement projects.
6. Mail-Returns Handling Process

We started by identifying the primary process and supporting processes in our project, James P. Womack (2004), mail-returns handling process is one of the primary processes of Skatteverket since it directly affects the collection of tax money; which is Skatteverket’s main function.

Prior to going into details in discussing the “Current State” or “as-is” process, we have to bear in mind that this process is not normalised across the various tax offices in Stockholm region, there is lack of uniformity of how employees dealt with mail-returns, we have tried to gather all the data related to the process and formulate a current state that is very similar to what is taking place in reality.

The first stage (Figure 6.1) regarding company registration and receiving an organisation number, this process is a standard process and doesn’t have differences since it doesn’t have involvement from any tax office in Stockholm region

- Company has to register first at Bolagsverket (Companies Registration Office) then afterwards, the company can obtain an organisation number, OR, tax applicant registers directly with Skatteverket as a freelancer
- Then, the data of this company is sent to Skatteverket through a daily file that updates Skatteverket’s IT system automatically with the company’s details
- The registration is done at Skatteverket to obtain Tax number
- Skatteverket sends out a registration letter to the applicant
- Tax Payer starts to receive tax declarations from Skatteverket (annual, quarterly or monthly), these are sent automatically from the Skatteverket and get stamped in the internal post office machine
- Tax Payer receives Tax Assessment from Skatteverket
- Tax Payer send out his feedback regarding the Tax Assessment
- Skatteverket reviews the feedback, then sends out the Final Tax Decision

The Second stage is when the company has been registered in Skatteverket system and has been given an organisation number, starting from this stage we can notice some inconsistencies in mail-returns handling process, since it totally depends on the tax officer handling the case and his/her way in performing this task;

In addition to the above, every point in the stage may include regular correspondence between the company and Skatteverket tax officers
Figure 6.1 Tax Declaration Process
6. Mail-Returns Handling Process

Hereafter, we will examine the mail-returns handling process in two different tax offices in Stockholm region. Office real number is hidden for confidentiality purposes

6.1. Office X

Mail-returns handling process at office X:

- Process starts by the tax office receiving mail-returns envelopes put in blue boxes, all envelopes are opened, they receive it twice per day
- Mail-returns are then classified, depending on the kind of return (tax declaration...etc)
- Employees start handling mail-returns by first checking, Basregister, trying to find the company’s correct address or the owner’s personal address
- if the correct address still not found, they start checking Svenska Aktibolag or NAVET (National Population Registration)
- if the address not found, then the mail returns will be archived in the Archiving Room

6.2. Office Y

Mail-returns handling process at office Y:

- Process starts by the tax office receiving mail-returns envelopes put in blue boxes, all envelopes are opened, they receive it twice per day
- Mail-returns are then put on a table or a tray
- Employees start handling mail-returns by first checking, Basregister, trying to find the company’s correct address or the owner’s personal address
- if the address was found they forward a formal application along with a note to the authorized person to update the company’s address
- if the correct address still not found, they start checking Svenska Aktibolag
- if the address was found they forward a formal application along with a note to the authorized person to update the company’s address
- if the address not found, they check Bolagsverket website, or Infotorget.se website
- if the address not found, then the mail-returns will be archived in the Archiving Room (Deklaration Arkivet)
Mail Return Routines: Tax Office "X"

Office X receives returns from the Internal Post Office (unstamped and uncategorized) twice per day.

Returns are put in boxes classified into 4 categories (Tax Declaration, e-messages...etc).

Employees start to handle returns by first checking on Basregister and trying to find the Company’s updated address or the Owner’s personal address.

If Address was not found, they start to check the Svenska Aktbolag website, these correspondence should be recoded via Magi (VAT AG).

If Address was not found, the declarations will be archived in the VE.

Figure 6.2 Mail-returns Handling Process in Tax Office X in Stockholm Region
Mail Returns Routines: Tax Office “Y”

Office "Y" receives returns from the Internal Post office (unstamped and uncategorized) twice per day.

Same Day

Returns are put on to a table or a tray

1 Day – 1 week “undefined”

Employees start to handle returns by first checking on Basregister and trying to find the Company’s updated address or the Owner’s personal address.

If Address was found, they send address-change application and a (word document note) for the authorised person to fill in

If Address was not found, they start to check the Svenska Aktibolag website

If Address was not found, they may try to use BV website or Infotorg website (claimed to be cheaper)

If Address was found, they send address-change application for the authorised person to fill in

If Address was not found, they may try later, or in most cases, it is a dead end, some declarations will be archived (Deklaration Arkivet)

Figure 6.3 Mail-returns Handling Process in Tax Office Y in Stockholm Region
6.2.1. Current State (As-Is) Process Map

![Diagram of Current State Process Map]

**Figure 6.4 Current State Process Map – Page 1**
7. Cost Analyses

In this section, we will present a brief summary about cost estimation; we may highlight that there is a possibility to find additional costs (hidden) in the process, since our cost estimation was calculated according to the available information and based on the data we were allowed to access at Skatteverket, Stockholm region.

We will highlight the actual costs of mail-returns handling process and we will explain how mail-returns costs are not just the cost incurred in mail stamps but also involve other factors, that can cost organisations a huge lump sum of money every year.

It is worth noting that the fees Skatteverket has to pay as “Post Stamps” fees have declined by around 14% from last year, mainly due to the change of the Post Company, which gave a feeling at the top levels of management that there is no problem.

7.1. Cost Estimate (annually)

Basically divided into 3 main categories;

- Costs paid to external agencies to collect correct data
- Costs of employees spending time on collecting correct data
- Costs of lost money due to lack of collecting the tax money.

7.1.1. Costs Paid to External Agencies (Sweden)

- 1 million SEK paid to Bolagsverket according to a mutual agreement (mandatory)
- 12 million SEK paid to Bolagsverket for having permission to access their database (non value adding expenses)
- 6.3 million SEK paid to the Post Company as stamp and delivery fees (can be minimized)
- 0.5 million SEK paid to access Swedish Companies information on a privately owned website (Stockholm region only, non value adding expenses)

7.1.2. Labour Costs (Stockholm Region)

- average 5 employees spend 2 hours daily in each office
- around 6000 man hour per year (can be minimized)

7.1.3. Lost Money (Stockholm Region)

- 2 million SEK due to inability to collect tax money (Loss)

7.1.4. Example of Mail-Returns Costs

Mr. N had special address to receive tax notification to a destination abroad, he gave notice on April 2004 to the tax office that this address is not being used anymore, the system was not updated with the change in address, and his old address was kept in the local database
(Baseregister). This had the effect of N's tax notifications for the year 2004 was sent to the old address.

Mr. N was not reached by the tax office until Skatteverket had forwarded the case to the Enforcement Authority for tax collection. Enforcement Authority imposed on Mr. N a fee of 500 SEK.

Mr. N filed a complaint and requested reimbursement of the 500 SEK since it was not his fault, and he argued that the tax notification was sent to a wrong address that he already notified the tax office with. Mr. N was therefore awarded compensation of 500 SEK according to Skatteverket regulations.

This case demonstrates clearly the time and effort and also the money spent that can be wasted just because of a wrong address in the database for only one case.
8. Data Analyses

When a process goes wrong we usually witness the symptoms of the problem, and it is relatively hard to determine the root causes of the problems and the hitches in our process. Problems causes are not always so clear and far too often we jump to conclusions regarding what are those causes.

In the following section we will analyse the data collected regarding mail-returns handling process throughout the project duration and will try to find out the root causes of this problem using various brainstorming and root cause Analyses techniques.

8.1. Problem Description

− Skatteverket, Stockholm region tax offices are receiving numerous mail-returns
− a group of employees handle the mail-return at each tax office
− many factors affecting the mail-returns handling process, discussed in details in Project Findings section
− there are various reasons why Skatteverket is receiving mail-returns
− Skatteverket had previously adopted quick-fix projects
− Skatteverket is still receiving mail-returns, although improvement projects were implemented

8.2. Affinity Diagram

The Affinity Diagram organises a large number of ideas into their natural relationships. This method taps a team’s creativity and intuition. It was created in the 1960s by Japanese anthropologist Jiro Kawakita.

An affinity diagram helps to synthesize large amounts of data by finding relationships between ideas. The information is then gradually structured from the bottom up into meaningful groups. What an Affinity Diagram does is to start to group the ideas into similar groups or themes. It is considered by the Japanese Union of Scientists and Engineers as one of the "seven management tools."

We had a brainstorming session, and developed an Affinity Diagram for the mail-returns handling process in Stockholm region, Figure 8.1

We had 7 headings, and we sorted down the ideas under each heading, as follows:

− Human Factors (Employee Involvement)
  − Employee doesn’t have authority to update Base Register
  − Enhancement of Employees Empowerment
  − Data Entry Accuracy Issue

− Communication (Internal / External)
  − Internal Communication Enhancement
• Inadequate technical support for employees
• Lack of variety in contacting taxpayers (e.g. email, telephone...etc)

• Management (Management Commitment)
  • Priority of managing-returns is not high
  • No Accountability

• Post Company (Performance Assessment / Efficiency)
  • Assessment of the Efficiency of Post co.
  • Lack of records or logs from Post Company

• Records and Statistics (Recording and Documentation)
  • Recording and documenting returns
  • Difficulty to track addresses changes
  • Lack of proper recording on cost handling
  • Lack of Statistics

• Software used (Features)
  • No email field
  • Poor software integration between BV and SV
  • Lack of flexibility / user friendliness

• Procedures and Regulations (Information Flow Management)
  • Lack of standardized work instructions and procedures
  • Tax law plays a hindrance
  • Mail-returns are not traceable

• Tax Payers / Applicants (Awareness / Fraud possibilities)
  • People don't usually update their addresses
  • Low awareness from applicants
  • People don't provide box addresses
  • Intentions for Tax evasion
<table>
<thead>
<tr>
<th>Human Factor</th>
<th>Communication</th>
<th>Management</th>
<th>Post Co.</th>
<th>Records and Statistics</th>
<th>Software Used</th>
<th>Procedures and Regulations</th>
<th>Tax Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Involvement</td>
<td>Internal / External</td>
<td>Top Management Commitment</td>
<td>Performance / Efficiency</td>
<td>Recording and documenting mail-returns</td>
<td>Features</td>
<td>Information Flow Management</td>
<td>Awareness / Fraud possibilities</td>
</tr>
</tbody>
</table>

- Employee doesn't have authority to update Base Register
- Enhancement of Employees Empowerment
- Data Entry Accuracy Issue
- Employee doesn't have authority to update Base Register
- Inadequate technical support for employees
- Lack of variety in contacting taxpayers (e.g. email, telephone...etc.)
- Priority of managing mail-returns is not high
- No Clear Accountability
- Difficulty to track addresses changes
- Lack of proper recording on cost handling system
- Lack of Statistics
- Lack of Statistics
- No email field
- Poor software integration between BV and SV
- Lack of flexibility / user friendliness
- Mail-returns are not traceable
- Intentions for Tax evasion

**Figure 8.1** Affinity Diagram for Skatteverket Mai-Returns Handling Process
8.3. Root Causes Analyses

8.3.1. Fishbone Analyses (Ishikawa Diagram)

Fishbone Diagram is used mainly in Cause and Effect Analyses.

The fishbone diagram identifies many possible causes for an effect or problem; it sorts ideas into useful categories. The analyses suggests that in order to solve a problem an organisation is going through, the firm should try to find out the causes. Only when the causes are discovered and understood can you prevent the problem from occurring again.

The best way to view the cause and effect was to draw it out like a fish skeleton with the problem at the head of the fish and the bones, the causes. Causes of problems could be anything from:

- Manpower
- Machinery
- Materials the firm uses
- Methods of making the product

Or it could be down to one or some of the elements of the p’s in business;

- People
- Process
- Policies
- Procedures...etc

If we look at this diagram the problem for the company is errors in the business register data (mainly addresses), the causes of these errors when traced back can be from inefficient processes, to lack of training for staff. To address the problem, we need to address the causes.

The benefit of a fishbone analyses is it enables the problem to be traced back to the root causes, with the aim of trying to find long term solutions. A cause and effect analyses is usually completed in teams, where the fishbone is drawn out and team member brainstorm possibilities of the problem.

Fishbone or Ishikawa Diagrams are essential in mainlining Continuous Process Improvement, since continuous process improvement has to be planned and managed, and without a continual process of business improvement we can run a risk of failure of our business process.

In our cause and effect analyses, we had categorized the causes behind the problem into six main categories (causes), which has sub-causes;

- People
  - Internal Communication
  - Need for Training
  - Skills Development
• Policies
  – Top Management Commitment
  – Accountability Identification

• Law
  – Internal Regulations
  – Tax Law

• Procedures
  – Lack of Work Instructions
  – Lack of Statistics
  – Lack of Records
  – Lack of Cost Estimates

• Software
  – Need for Upgrading
  – Missing Features

• External Links
  – Bolagsverket
  – Post Company
  – Other Agencies

Based on this root cause analyses, we identified and addressed the key areas that hold a high potential for improvement, in our Optimization Proposal in Section 9.
Figure 8.2 Fishbone Analyses for Skatteverket Mail-Returns Handling Process
9. **Optimization Proposal**

In this section, we are presenting an improvement model that we believe can be the solution for the challenges faced by Skatteverket, Stockholm region employees in the mail-returns handling process.

Eliyahu M. Goldratt (1984) presented the management concept of Theory of Constraints; A chain is no stronger than its weakest link. Implying that organisations are vulnerable if they have uncontrolled (weak) process, the weakest process can always damage or break the organisation or at least adversely affect the general outcome.

Our ultimate goal is to create what has been defined as the “Future State” which is basically a lean flawless process with no waste and represents an added-value to the customer.

The proposal is divided into 3 main parts; first part is a set of recommendations for process improvement where we used our lean knowledge, Lean Thinking tools, some business process re-engineering principals and the root cause analyses performed to address the key areas with the highest potential for improvement. The second part of the proposal is an action plan where we are identifying the key improvement issues and a proposed time frame. The third and last part of the proposal is a process mapping for the desired Future State.

9.1. **Recommendations**

9.1.1. **Change Management**

To manage improvement projects, organisations have to develop a vision for the change management procedures that they will encompass to make a real process transformation.

Human beings are not so often flexible to changes, especially when it takes place in a process they have been doing in a particular way for so many years, it is very important to involve those who do the job in the transformation process. The experience of participating in process improvement initiatives contribute in changing people’s attitudes and prepares them for a future culture of continuous improvement.

A change management plan is highly recommended to be developed, and it can include;

- Assessment for the business culture within Skatteverket tax offices and to define what are the barriers preventing change
- Identifying employees skills and their training needs
- Develop and enhance internal communication

9.1.2. **Process**

- **Enhance accountability** by assigning and specifying personnel from each tax office to handle mail-returns, with periodical meetings and follow up from their management
− Each process has to have a responsible person, assign a person to receive mail-returns from the internal post office and each employee should record the number of addresses she/he had corrected

− Make the Process Visible, a process you can’t see is usually a process you can’t control. Specify a location for handling the mail returns, don’t allow mail-returns to be kept under desks, the responsible person should also be knowledgeable regarding the location of each envelop, use a tracking system for this purpose.

− Use a Visual Control Board (VCB) to highlight the status of the work in process, the line manager can place a sheet of paper in a central location with each team member’s name and daily mail-returns handling assignments for the week, and at the end of each day the team member highlights what percentage of the work she/he had completed. VCB provides benefits for both; management and team members, it offers information flow by creating one place to receive a work progress report, also it helps managers to split work into smaller tasks which helps in prioritising the work to be completed and enhancing the planning. Finally, it provides a self-diagnostic tool to assist with problem identification.

− Develop a simple, high-efficiency, tracking system for mail-returns;
  o Internal Post office to send out mail-returns, to the tax offices, stamped with date and time to ease the tracking process and help in calculating the actual process time
  o Internal post office to keep records regarding the number of mail-returns delivered to each tax office and who received it.
  o each envelope to have a reference number or a bar-code on the outer side

9.1.3. Procedures

− Developing and Implementation of a standardized set of Work Instructions for mail-returns handling process. Standardized work is a foundation to establish a Lean process and to eliminate waste; it also helps in setting measurement for performance. We would like to point out that there is already a work routine developed by one of the tax offices in Stockholm region and it can be a good idea to examine and develop these work routines across the whole region

− Employees have to maintain records and statistics regarding;
  o the number of mail-returns received, and their percentage with respect to the total number of sent mail
  o Percentage of corrected addresses
  o After corrections, how often they receive mail-returns from the same company/tax payer
  o Time line for corrections (how long does it take?)
Statistics and records should be requested from the Post Company regarding the main causes of mail delivery failure.

Tax law will be amended during 2012, grab the chance and perform an employee survey, including managers and all involved parties, to have their say regarding what they would need to change in the law to improve the process.

9.1.4. **Human Factor**

We need to ensure that all the staff is willing to get involved in the improvement initiative and to gain a sense of ownership. A key success element in Lean implementation is to engage the staff in the process as quickly as possible. By engaging staff, they become motivated in their work, they come up with innovative ideas and they contribute in making changes to the process.

Most employees, regardless their rank or salary, will always question how the process will affect them, “what is in it for me?!”, employees must be involved in the change of process taking place, they shouldn’t be just told or “informed” what to do, team work would be encouraged where employees share knowledge and leadership.

- **Enhancement of Employees Skills;**
  - Identify skills, gaps and training needs
  - Develop training workshops and courses to fill in the knowledge gap
  - Training on the various IT systems used within Skatteverket
  - Knowledge sessions regarding Lean process and techniques of eliminating waste

9.1.5. **Communication**

Communication with employees, communication with external agencies and communication with tax payer

**Internal Communication**

Effective communication is the success factor for most organisations, face-to-face communication is very important however being misused sometimes in pointless routine meetings.

- **Enhance internal communication**
  - Involve those who actually create the process (mail-returns handling employees), most of improvement ideas actually can come out from employees
  - Effective staff workshops for Stockholm region employees
Meetings with IT specialists to increase IT awareness among employees are highly recommended
Increase awareness of employees regarding the cost and expenses associated with the mail-returns handling process
Activate a communication channel with IT and Production dept. regarding the strategic decisions taken, that can affect mail-returns handling process

Communicate Top Management Commitment to employees, this is a critical success issue to any improvement plan, and it has a great effect on employees behaviour within the organisation and it can lead to better handling of mail-returns handling process.

External Communication

Present clear needs regarding tax returns, with Bolagsverket in annual meetings
Evaluate the effectiveness of the Post Company, it is very important to start receiving data on regular basis regarding mail-returns and ask for any available statistics at their side, the cooperation of the Post Company is vital. An officer from Skatteverket can held a meeting with them to discuss this issue and to highlight how important this process is for Skatteverket as their client.
Evaluate the requirements from Bolagsverket system, this can be achieved by dispatching employee survey so that each one of the employees, who are actually involved, can contribute to the decision-making process

Communication with Tax Payer

Spread Awareness among tax payers highlighting the importance of informing formally their tax officers of any changes in their address, this can be done through inserting a multi-lingual brochure or a guide with their tax declaration
Put a note on Skatteverket webpage, encouraging Tax Payers to inform their tax office if they will change their address
Use of all possible ways to find correct address; telephone, check company’s webpage...etc.

9.1.6. Information Technology Services

Information Flow

Information Management Review can be used to assess the current and the future roles of information technology services provided and to find out to what extent these IT services are providing support to the core (primary) business process
- **Evaluate IT functions of Base Register** and possibility of upgrading in the future to ensure better synchronization with the other systems

- **Evaluate the actual needs required from the “daily updates file”** received from Bolagsverket and which fields to be included, it is very important to listen to mail-returns employees who handle this process on a daily basis and have their say regarding this issue

- **Develop Quality Control Procedures** to check the quality of the received file from Bolagsverket; Does it include all the data needed, are all the fields completed, how to determine if it is sent blank with no data

- **Develop Quality Control Procedures** to check the quality of the process of updating Skatteverket system; how to determine if the system is actually being updated to the satisfactory level.

### Structured Data Management

Determine if the current business process is constrained or obstructed by the capabilities of the used Data Management system, a well structured Data Management system should include:

- Data Receiving and Transformation
  This includes receiving applications from tax payers and transferring the data to the organisation’s server, or database (Basregister)

- Data Integration
  Combining data from diverse channels, e.g. different branches

- Data Cleansing
  Filtering and checking data, getting rid of obsolete unnecessary or repeated data that can cause hitches in the data flow in later stages

- Data Distribution
  How the data is distributed from email, phone calls, or any communications tool to the server

#### 9.1.7. Pilot Project: Establishing mail-returns Central Office

During one of the workshops an idea was proposed to establish a Central Office to handle mail-returns, which we believe is worth to be tested as a pilot project since it can be an accelerator to process improvement and it will provide a good environment for achievement and performance measurement.
At the Central Office all the optimization recommendations can be implemented and a functional team of employees will be focusing only on this task, resulting in more effective and efficient processing of information. Therefore, waste can be practically eliminated and process quality will improve, the office will have the following features:

- A Central Office for handling mail-returns to be tried for 6-9 months, the team will be a blend of experienced staff who handles mail-returns and employees who didn’t deal with the same issue before, who can provide different ideas. The team main responsibility will be to find the correct addresses for tax payers.

- Implementation of all optimisation recommendations regarding the process visibility, tracking system, communication enhancement...etc.

- All mail-returns should be received at this office, from the internal post office, to overcome all challenges and integrate the various improvement plans.

- Central Office employees will be authorized to use telephone, check company webpage and all possible communication tools to find the correct addresses.

- Central Office employees will be empowered to request statistics from the post company.

- Central Office will keep records and statistics of their own.

- Central Office will also keep mail-returns with no correct address (Temporary Archiving).

- Assessment of project performance to be carried out every 3 months.
### 9.2. Process Optimisation Action Plan

<table>
<thead>
<tr>
<th>Short Term (&lt; 3 months)</th>
<th>Medium Term (3-9 months)</th>
<th>Long Term (&gt;9 months)</th>
</tr>
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<tbody>
<tr>
<td>Develop Standardized Work Instructions</td>
<td>Establish a Central Office for mail-returns handling</td>
<td>Evaluate the Effectiveness of External Agencies Contracts</td>
</tr>
<tr>
<td>Creating Functional Teams</td>
<td>Develop Employees Training Needs Assessment</td>
<td>Enhance Communication Channels with Bolagsverket</td>
</tr>
<tr>
<td>Implement Process Improvement Recommendations</td>
<td>Perform IT Services Assessment</td>
<td>Assess the Central Office Performance</td>
</tr>
<tr>
<td>Develop Tracking System</td>
<td>Enhance communication with Tax Payers</td>
<td>Tax Law Review</td>
</tr>
<tr>
<td>Develop Statistics and Records</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perform Data Management System Assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance Internal Communication</td>
<td></td>
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</tr>
</tbody>
</table>

**Table 9.1 Improvement Action Plan**
9.3. Future Desired State Map

Figure 9.1 Desired Future State – Page 1
Figure 9.2 Desired Future State – Page 2
Figure 9.3 Desired Future State – Page 3
10. Conclusion

Skatteverket mail-returns handling process is characterized by lack of uniformity, the absence of standardized work routines leads to major process variability, Improvements in many elements of the process are needed.

We formulated our study in the following steps;
- Identifying core business process
- Mapping of Current State
- Root Cause Analyses to identify improvement areas
- Using Lean Thinking to develop optimization proposal

The key areas of potential improvement in mail-returns handling process are;
- process control,
- communication enhancement,
- accountability identification,
- IT services review and assessment and
- Tax Law review.

Management must address these areas simultaneously if the organisation wants to overcome its present state.

We used Lean thinking in identifying waste, and to optimise the process, however, we have to bear in mind that implementing Lean in service organisations is quiet challengeable, since not all Lean principles that are applicable on the shop floor will be suitable for an office cubical.

It must be remembered that Continuous Improvement is a key factor in sustaining a Lean process that contributes to the success of the organisation.

High cost-savings potential in most of the expenses aspects, since Skatteverket mail-returns handling process has some non value adding expenses that can be totally eliminated and also the other expenses can be minimized since they are directly related to the number of mail-returns received, we believe we can see a significant cost reduction if the mail-returns handling process is improved.

One of the limitations of our study is the nature of Skatteverket as a government service agency, it has no competitor, and every resident in Sweden has to deal with it even with low ‘customer’ satisfaction.

Another limitation is due to time restriction, is that we couldn’t manage to meet employees who are involved in the handling of mail-returns in each office Stockholm region; we focused in our study on three tax offices that receive huge numbers of returns every week, we believes that a greater depth of understanding can be achieved by meeting all employees who are involved in the process.

Always keep in mind the golden rule of Toyota Production System: The Right Process will Produce the Right Result.

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11. References

15. Lesley E. Cawley, “Right from the Start; Research and Strategies at the Swedish Tax Agency” English translation by Interverbum Språktjänst AB, Skatteverket, 2005.
17. Mary Poppendieck, “Principles of Lean Thinking”, Poppendieck LLC, 2002
22. The Quality Portal Articles (www.thequalityportal.com)
Appendix 1: History of Improvement Projects

a. Tax Register Remedy Project at Tax Office Z – Stockholm Region

This project was carried out by a team of interns led by a team leader in one of the tax offices in Stockholm region, during the period of summer of 2010.

The main goal of the project was to develop a formal procedure for handling mail-returns, the main task was to search for correct addresses and send out mail-returns back to the recipient, but with a correct address.

Project Findings

In 2010, Tax office Z received around 1500 mail-returns, mainly income tax declarations, out of these 1500 mail-returns, there was;

- 40% for people who work temporarily in Sweden
- 20% people who sent their tax declarations, but still they have problems in receiving mail from Skatteverket due to incorrect addresses

Project Results and Conclusion

Correction of around 50% (700 taxpayers) addresses after contacting them

The team has categorized the main reasons behind the large number of mail-returns they receive annually;

I. Moving Abroad
   - People with coordination number; i.e. temporarily residing and working in Sweden for less than one year, notify the population register that they will return to their homeland or moving abroad, their Swedish address is erased from the records, however, no new foreign address is recorded.
   ✓ Improvement Suggestion: National Registration Authority (Folkbokföringen) to record the new address.

II. Migration Aboard
   - People who worked in Sweden for short time, then changed employer or moved out of the country. The taxes they paid have to be returned back to them since they didn’t work full time.
   ✓ Improvement Suggestion: Migration Board (Migrationsverket) involvement is needed since they have records of all the people who are deported or travelled abroad.
III. Moving locally (within Sweden)
   − Due to lack of knowledge, people move within Sweden without updating their registered addresses at Skatteverket
   ✓ Improvement Suggestion: Enclose with the coordination number verification letter; a multi-lingual guide to increase awareness of taxpayers

IV. Other
   − Employees have a care of (c/o) address of a company and when the company changes the address, their addresses get changed consequently while Skatteverket’s system (Basregister) is not updated

b. Remedy of Tax Register, Stockholm Region

This project was carried out in 2006, initial plan was to complete the project by March 2007 but afterwards it was extended for another six months due to the huge success achieved.

The main goal of the project was to improve the quality of the tax register by finding the correct addresses for the tax payers and data-entry into the used software systems (Basregister).

The project focused on those who receive pension income from Sweden, also worked with a list from the Immigration Service with regard to persons who have temporarily work in Sweden and with a known date of departure; those people who are not recorded in the population count. The project team cooperated with National Population Registration, Migration Board,

It is worth mentioning that the project team was working with 57,087 mail-returns.

Project Findings

During the project, the team succeeded identifying some categories more than others, are registered with the wrong address:

   − homeless
   − Non-participants; people who, for one reason or another is in hiding and do not contribute to follow the rules and laws set by society.
   − Young people; many young people who apparently have no knowledge of the notification of address is mandatory.
   − Emigrants; who for various reasons, intend to stay abroad for at least one year and hence should be deregistered. It consists in part of the category of migrants who return and who lack knowledge of legislation and partly by those who for various reasons, mostly related benefit, do not want it to appear that they are abroad.
   − Seniors who live in elderly homes; they often have a special address to a relative. When these trustees then moves they often forget to report the change of address also for the State of mail recipients.
**Project Results and Conclusion**

Quality of records has improved, the team managed to correct 40% of the wrong addresses of the target cases, the project report had the following notes and recommendations,

- Working collectively with the problem of mail-returns and the collaboration of other authorities can facilitate the process, also apart from correcting the addresses some procedures for how records searches for work to be carried out has been developed.

- A uniform practices create better conditions for better results leading to more updated records.

- Work with mail-returns from all over the country have given a complete picture of how many end fiscal notes that will be returned and how mail-returns are distributed between different regions.

- An extensive ongoing cooperation between government agencies, such as Insurance and Registration Office would help to keep the Tax records current and accurate.

This project was very effective as stated by one of the project team members, they saw drastic decline in the number of mail-returns during the project. However the project was halted due to insufficient funds and afterwards the number of mail-returns increased again to same previous situation.