

KPMG takes an agile approach to improving tax compliance services



KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. KPMG in the UK has over 12,000 partners and staff working in 22 offices.

Traditionally, tax compliance was one of the activities carried out across KPMG's offices. This work helps their clients, both individuals and companies, to ensure their tax returns are in order and submitted on time. This means being fully compliant with applicable tax regulations and providing the necessary information to the tax authorities.

KPMG identified a compelling opportunity to improve the way in which tax compliance services are delivered by centralising this activity. This resulted in the creation of a Tax Centre of Excellence in Glasgow, which opened its doors in July 2013.

"Establishing a Tax Centre of Excellence was in itself an innovative approach which demonstrated real agility in meeting clients' needs," according to David Skinner, Partner and Head of the Centre; "consolidating the preparation of returns within an expert team freed specialist consultants across the country to spend more time, and strengthen relationships, with their clients."

However, much more was achieved than centralising service delivery. This innovation proved to be a catalyst for a shift in the relationship between KPMG and their tax compliance staff – a shift which has been able to deliver tangible benefits to KPMG as a business, their staff and most importantly their clients. It is also a good example of the fact that, somewhat counter intuitively, to realise the benefits of agility requires tough decisions being made and establishing clear ground rules. This was one of the findings of the [Organisational Agility Index research](#) conducted in 2014.

Matching resources to demand

The driving force behind changing the working dynamics was that tax compliance work, especially for clients who are individuals rather than companies, has significant seasonal peaks and troughs in levels of demand – with June to the end of January being the period of highest demand.

This meant that resources were stretched for part of the year, and underutilised at other times. This scenario raised numerous issues such as staff motivation and retention, the efficiency of the operation and being a viable model which could grow as the operation grew in scale; which was very much the ambition.

Flexible full and part time working options were already in place, but were not able to meet the workforce demands during the periods of peak activity. A more radical structure with supporting governance was needed to ensure that resources available reflected the peaks and troughs of client demand.

Acknowledging the challenges faced, it was at this point that KPMG engaged with the Agile Future Forum's (AFF) Business Value Assessment process; a day-long workshop to look at opportunities to work in a more agile way. This process provided innovative solutions to the strategy of the centre and provided the business case for changing working patterns and enhancing home working roles to support the seasonal nature of the business.

What KPMG now terms 'Intelligent Working' was introduced. A central part of this was the introduction of annualised hours' contracts, where an agreed number of annual working hours (not days) are defined. Longer hours are required to be worked at peak times and time is taken off during periods of lower demand – while staff continue to receive a regular monthly income. This enabled KPMG to better utilise its workforce and enhance efficiency, while also providing an attractive proposition for employees. KPMG also considered this offering alongside home working roles, as certain activities were particularly well tailored to remote working. A significant number of employees within the Centre are either on flexible working contracts, annualised hours contracts, or glide time arrangements. For example, January's busy season saw staff working longer hours for two or three months, followed by time off until late in the spring.

Overcoming barriers

These new ways of working did pose challenges, such as integrating the management of annualised hours contracts into existing KPMG processes. For example, IT systems had to be adapted to record the new extended or reduced working hours during certain parts of the year.

Also, processes such as staff appraisals had to reflect the fact that members of staff may potentially be away from the business for months. In addition, people-related policies had to consider how training and development, as well as sickness and other absences would be affected.

Success through agility

KPMG's Tax Centre of Excellence soon exceeded its growth target by 10% and submitted over 6,000 income tax and corporation tax returns in its first year of operation. A satellite Tax Centre of Excellence for corporate tax compliance has now also been opened in Birmingham, recruiting from current employees and new employees and they too replicate remote working and other practices where they provide benefit.

Today, the model and processes used by the Tax Centre of Excellence are being considered by other parts of KPMG's business. The icing on the cake is that positive 'employee engagement scores' in KPMG's People Survey show that staff have embraced this agile approach to delivering tax compliance services. Fourteen out of the 16 People Survey category scores were above average. Of those 14, seven were over 10 percent better than the UK firm's average – the categories included areas such as engagement, leadership, innovation and collaboration.

Further details about KPMG's involvement with the AFF, including KPMG's Organisational Agility Index, can be found in Simon Collins' [blog](#).

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