For discussion **EC(2000-01)16**
on 15 November 2000

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 76 - INLAND REVENUE DEPARTMENT
Subhead 001 Salaries

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Inland Revenue Department for a period of 24 months with effect from 1 December 2000 -

1 Chief Systems Manager
(D1) ($98,250 - $104,250)

PROBLEM

The Inland Revenue Department (IRD) needs dedicated support at the directorate level to plan, manage and co-ordinate the implementation of three major projects under its five-year Information Systems Strategy (ISS) Plan.

PROPOSAL

2. The Commissioner of Inland Revenue proposes to create one post of Chief Systems Manager (CSM) (D1) ($98,250 - $104,250) on a supernumerary basis for a period of 24 months from 1 December 2000 to 30 November 2002.

JUSTIFICATION

Implementation of projects under IRD's five-year ISS plan

3. The primary objective of IRD's five-year ISS Plan (1999-2000 to 2003-04) is to enable its technical infrastructure to cope with changes in business needs, the technological environment and workload since the completion of

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its previous five-year Plan. It comprises two infrastructure projects and ten application system projects as detailed at Enclosure 1.

Encl. 1

4. The Finance Committee (FC) approved at its meeting on 23 June 2000 a new commitment for implementing the following two infrastructure projects and one application system project under the five-year ISS Plan -

(a) System Infrastructure Enhancement (SIE) Project;

(b) Data Management Enhancement (DME) Project; and

(c) Assess First Audit Later (AFAL) System Phase I Project.

5. The SIE project aims to put in place a capable and reliable network to cope with IRD's latest Information Technology (IT) needs and enable it to implement various application system projects in the ISS. It will also lay the requisite foundation for future growth. The DME project seeks to enhance IRD's data infrastructure through the establishment of a corporate-wide data model, and a new database management system platform. The AFAL system project seeks to put in place a system which will enable the cases for post-assessment audit to be selected automatically through pre-set criteria.

Existing manpower support

6. IRD's IT support services are currently provided jointly by its Information System (IS) Division and a team from the Information Technology Services Department (ITSD). The ITSD team looks after all IT systems in IRD. The division of responsibilities is as follows -

(a) The IS Division, with an establishment of 159, is headed by a Chief Assessor who reports to the Deputy Commissioner of Inland Revenue (Operations). The primary responsibilities of the IS Division are to operate and support the day-to-day application of IRD's mainframe and minicomputer systems; transcribe information received for input into various database systems in batches; formulate functional requirements for new systems and enhancement to existing systems; and co-ordinate user acceptance testing for new and enhanced systems.

(b) ITSD's team is responsible for providing professional guidance to IRD on IT matters in general, and specifically on the development, implementation and on-going support of IT systems. This team is currently led by a full-time Senior Systems Manager (SSM) and

/comprises .....

comprises about 30 members of staff in the Analyst/Programmer grade. The SSM reports directly to a CSM in ITSD. This CSM is responsible not only for IRD's IT development but also for providing IT advisory and management support to some 20 other bureaux and departments.

Need for additional manpower

7. The implementation of the three ISS projects mentioned in paragraph 4 above entails significant changes to IRD's existing IT infrastructure. It calls for closer monitoring of IT developments, more intensive deployment of new technologies, as well as a much higher degree of systems integration than that required under IRD's existing computer systems. Specifically, it will give rise to a substantial increase in responsibilities in several major areas of IT management in IRD, as analysed in the following paragraphs.

(a) IT Strategic Planning and Deployment

Both the SIE and the DME projects involve a fundamental overhaul of IRD's IT infrastructure, as well as a substantial enhancement of its data management system. They will build a very huge and complex IT network which supports some 3 000 servers and workstations/ personal computers, whereas the existing system comprises only some 2 000 servers and workstations. The AFAL system project will also bring about a significant change to the existing system for processing tax returns. The concurrent implementation of these three projects requires a more focused and dedicated leadership in IT strategic planning and development, at least during the initial two years of project implementation, so as to keep the department abreast of changes in IT, and optimise the use of the appropriate IT tools.

(b) IT Security Management

With the existing computer systems, there has been limited connection or interface between IRD's mainframe computer and computers located outside the department. It only has external connection with its two sub-offices. The implementation of the SIE and DME projects will increase the extent of external communication through more extensive use of IT, Internet and Intranet in IRD, and the use of digital certificates for conducting electronic transactions and processing confidential mails. In addition, with the enactment of the Electronic Transactions Ordinance and its commitment under the Electronic Service Delivery Scheme, IRD is obliged to provide for electronic lodgement of tax returns and notifications, and an interactive tax enquiry system, for easier and more direct access to

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tax information by the public. As such, there is a pressing need for IRD to put in place a proper and more sophisticated security infrastructure. This requires the formulation of an effective security management policy which conforms with Government's standards and practices.

(c) Supervision of an enlarged IT Project Team and External Contractors

To facilitate the implementation of the ISS projects in the coming two years, ITSD has strengthened the existing manpower support by engaging some 30 additional contract IT professionals. IRD also plans to create one additional SSM post to share with the existing SSM the extra responsibilities in respect of system infrastructure maintenance arising from the implementation of the entire five-year ISS Plan, and supervision of over eight external contractors. There is thus a need for a dedicated CSM to ensure effective coordination, management and control of this much enlarged project team and 13.5 man-years of services to be provided by the external contractors for the implementation of ISS projects in the coming two years.

(d) IT Outsourcing

At present, most of the development and support work for IRD's IT application systems are carried out by in-house staff. To maximise the benefits of outsourcing, IRD is prepared to adopt a more pragmatic approach in outsourcing IT services in the long run. The implementation of the above three ISS projects has made this task more imminent. There is a need for strengthened leadership in IRD's IT project team for the purpose of drawing up an IT outsourcing strategy in tandem with the implementation of the three projects, overseeing service acquisition, as well as ensuring proper administration and management of service contracts.

(e) IT Promotion and Training

At present, IT training for IRD staff mainly focuses on the operation of computer applications. Members of the staff are either trained in-house by the IS Division or the ITSD team, or attend courses provided by the Civil Service Training and Development Institute or service providers. With the extensive use of IT in IRD following the implementation of this second five-year ISS Plan, there is a need for IRD to enhance its overall computer literacy so that all members of its staff can make an effective use of IT in their work. This points to the need for a senior IT professional to map out a more structured

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training strategy, design tailor-made training programmes for the department, and motivate staff members to make optimal use of them.

8. The existing CSM in ITSD, who is supporting IRD on a part-time basis, is already overstretched with his existing workload arising from his responsibility of looking after the IT development of some 20 policy bureaux and departments. He therefore does not have the time required to steer the three important and complex ISS projects, and take up the extra management responsibilities emanating from their implementation. IRD considers it necessary to enhance the leadership of the current ITSD team by releasing the existing part-time CSM from remotely overseeing IRD's IT development, and creating a full-time CSM in IRD on a supernumerary basis. A dedicated and full-time CSM will ensure that IRD will be provided with the requisite IT professional advice, and the ISS projects can be implemented on time, within budget and in accordance with the relevant specifications. The job description of the proposed CSM post is at Enclosure 2.

Encl. 2

9. The proposal to create a full-time CSM post in IRD is also in line with ITSD's policy on IT management in bureaux and departments, which encourages bureaux and departments to strengthen their capacity in managing their own use of IT and to make IT management an integral part of departmental management. Subject to Members' approval of this proposal, ITSD will also consider transferring the entire project team in IRD, which is still under ITSD's staffing establishment, to IRD's establishment in due course. Following the devolution of IT management to the department, ITSD will continue to perform its role as the overall IT advisor for IRD and other government departments.

10. In order to realise the benefits of the ISS Plan as soon as practicable and to keep pace with the changes in IT, IRD has devised a fairly tight implementation schedule for the three ISS projects. It plans to commence development work in November 2000, and to implement the projects by phases from March 2001 to November 2002. The proposed CSM post will last for 24 months to tie in with this implementation schedule. IRD will review the manpower requirements of its new IS Division before the proposed post lapses by the end of 2002. With the creation of this full-time CSM post in IRD, the existing part-time CSM in ITSD who is currently looking after the IT project team in IRD, will be released from his responsibilities over IRD and can better concentrate his work in providing IT support to the other bureaux and departments under his purview.

11. Organisation charts showing the existing and enhanced structure of IRD's IS Division are at Enclosures 3 and 4. The departmental organisation structure following creation of the proposed post is at Enclosure 5.

Encls. 3&4
Encl. 5

/**FINANCIAL** .....

FINANCIAL IMPLICATIONS

12. The additional notional annual salary cost of this proposal at mid-point is -

Creation of Supernumerary Post	$	No. of Post
Chief Systems Manager (D1)	1,213,200	1
Total	1,213,200	1

The full annual average staff cost of the proposal, including salaries and staff on-cost, is $2,050,476. We have included sufficient provision in the 2000-01 Estimates to meet the cost of this proposal.

BACKGROUND INFORMATION

13. On 23 June 2000, the FC approved vide FCR (2000-01)36 a new commitment of $118.9 million for implementing three ISS Projects under the five-year ISS Plan for 1999-2000 to 2003-04 of the IRD. In the FC paper, we informed Members of our plan to strengthen both the professional and management support at the directorate level during the initial years of implementation of the ISS Plan, and to pursue the creation of the supernumerary directorate post through the Establishment Subcommittee of the FC.

CIVIL SERVICE BUREAU COMMENTS

14. Having regard to the importance and technical complexity of the three ISS projects, the Civil Service Bureau supports the creation of the proposed supernumerary directorate post. The grading and ranking of the proposed post are considered appropriate having regard to its duties and level of responsibilities.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

15. As we propose to create the post on a supernumerary basis, we will report its creation, if approved, to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with agreed procedure.

Finance Bureau
November 2000

Enclosure 1 to EC(2000-01)16

Second Five-Year ISS Plan (1999-2000 to 2003-04)

Programme Area	*Project Title*	*Major Component*	*Starting Year (Technical/ Feasibility Study)*	*Completion Year (Implementation)*
Infrastructure	System Infrastructure Enhancement	Network Upgrade; Intranet; Network and Systems Management; PC/Server Upgrade; Infrastructure and End-user Computing Support; Mainframe and Mid-range Upgrade; Output Printing; Chinese Processing	1999	2001 and 2002 (Phase implementation)
	Data Management Enhancement	Corporate Data Model; New Database Management System	1999	2001
Process Management and Strategic Planning Support	Document Management System	Document Management, Imaging, and Data Capture	2000	2002 and 2003 (Phase implementation)
	Workflow Management System	Workflow Management System	2002	2004
	Strategic Planning Support System	Executive Decision support	2001	2002
Assessment Processing	AFAL System	Return Screening, Case Selection for Audit, Measurement of Tax Compliance	1999	2002 and 2004 (Phase implementation)
Public Services	Customer Service Support System	Customer Service Support and Call Centre	2000	2002
	Electronic Lodgement Services	Electronic Lodgement of Tax Returns, Applications and Notifications	1999	2001 and 2002 (Phase implementation)
	Business Registration Processing	Business Registration and Extracts Processing	2000	2000 and 2001 (Phase implementation)
	Interactive Taxpayer Enquiry Service	24-hour Taxpayer Enquiry Service	1999	2001
	Property Stamping	Stamping of Property Transfer Documents	2001	2002 and 2004 (Phase implementation)
Operations Improvement	Application System Enhancement	Cash Receipting System Enhancement, Mainframe Application Enhancement	1999	2000

Enclosure 2 to EC(2000-01)16

Job Description of the Proposed Chief Systems Manager Post (D1)

Responsible to the Deputy Commissioner of Inland Revenue (Operations) for the planning, management, co-ordination and implementation of the ISS projects and providing professional support to the daily operation of the IS Division. The main duties and responsibilities include -

1. To provide advice on all IT related technical and policy matters and on technology management, and promote government's IT standards and practices in IRD;

2. to formulate the management and deployment strategy for building IT infrastructure, systems architecture, information systems and database management system migration;

3. to be responsible for the planning, management, co-ordination and implementation of the ISS Plan;

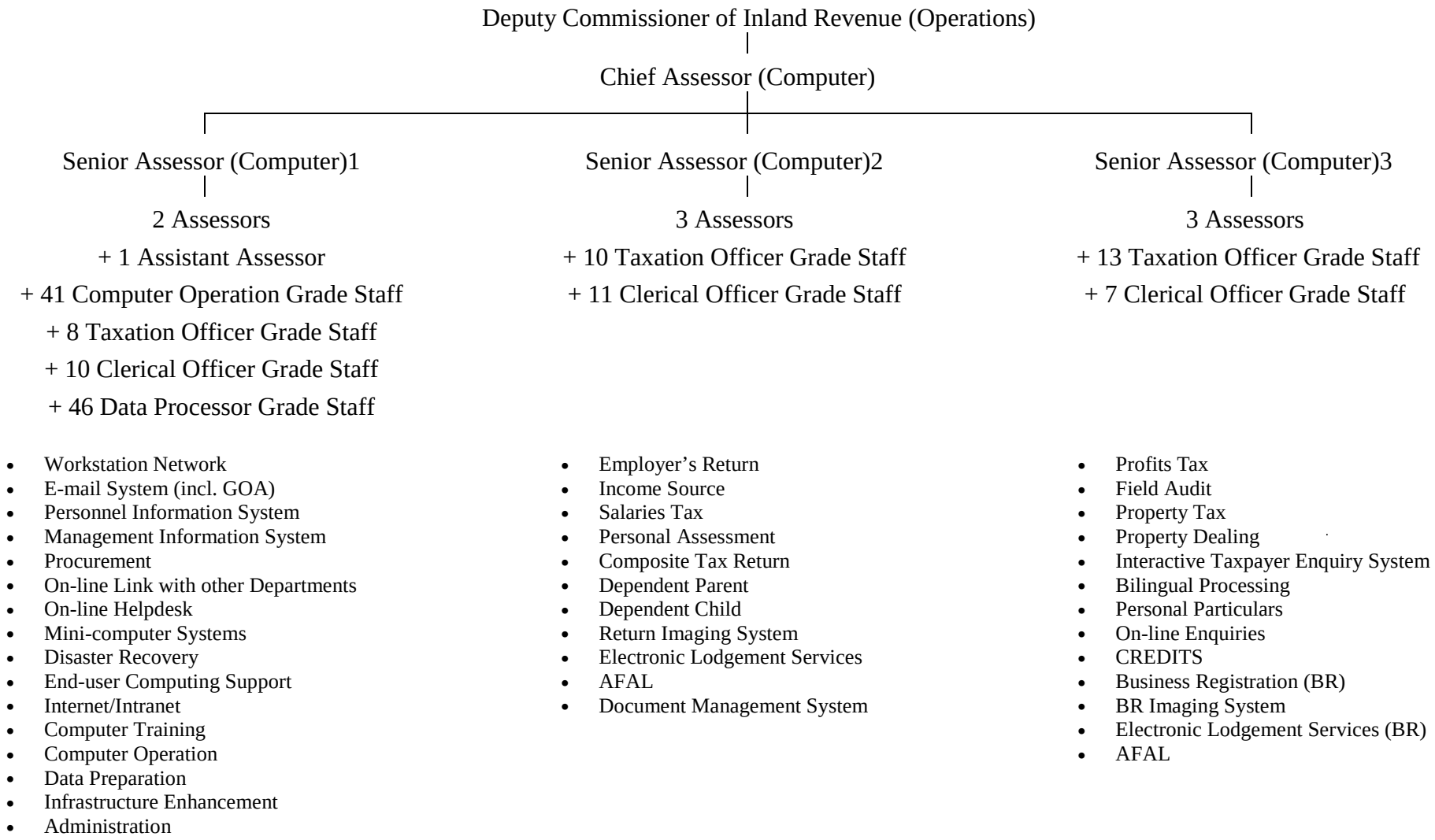
4. to steer IT staff and external contractors in delivering the computer related products and services;

5. to assist in formulating a strategy for IT outsourcing; and

6. to co-ordinate and support activities to enhance IT awareness and competence of IRD staff , and to encourage better and more intensive use of IT in IRD.

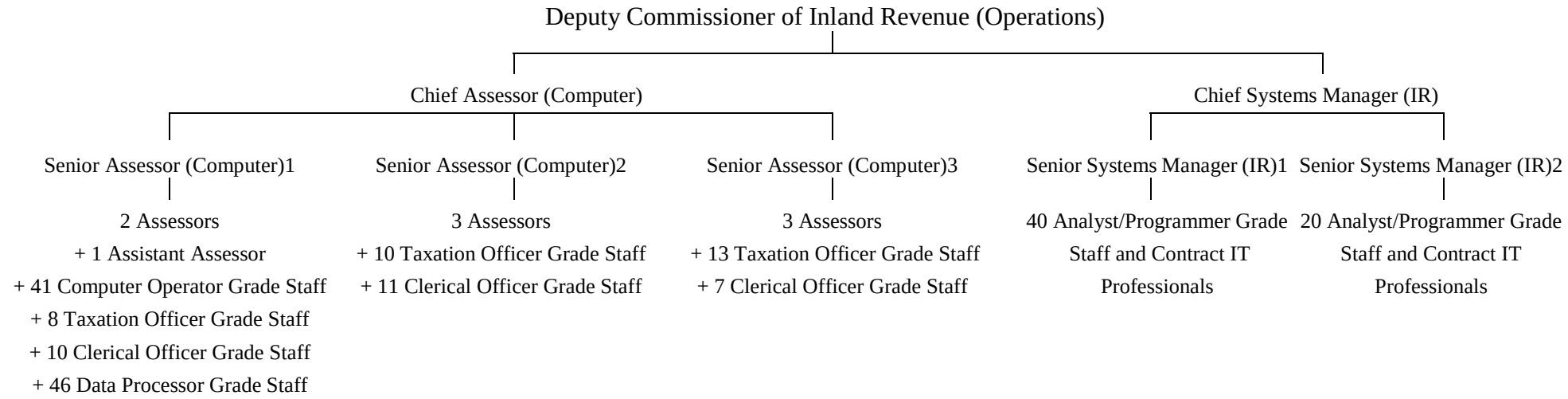
Enclosure 3 to EC(2000-01)16

Organisation Chart of Existing Information System Division, Headquarters Unit of Inland Revenue Department



Enclosure 4 to EC(2000-01)16

Organisation Chart of New and Enhanced Information System Division, Headquarters Unit of Inland Revenue Department



- Workstation Network
- E-mail System (incl. GOA)
- Personnel Information System
- Management Information System
- Procurement
- On-line Link with other Departments
- On-line Helpdesk
- Mini-computer Systems
- Disaster Recovery
- End-user Computing Support
- Internet/Intranet
- Computer Training
- Computer Operation
- Data Preparation
- Infrastructure Enhancement
- Administration

- Employer's Return
- Income Source
- Salaries Tax
- Personal Assessment
- Composite Tax Return
- Dependent Parent
- Dependent Child
- Return Imaging System
- Electronic Lodgement Services
- AFAL
- Document Management System

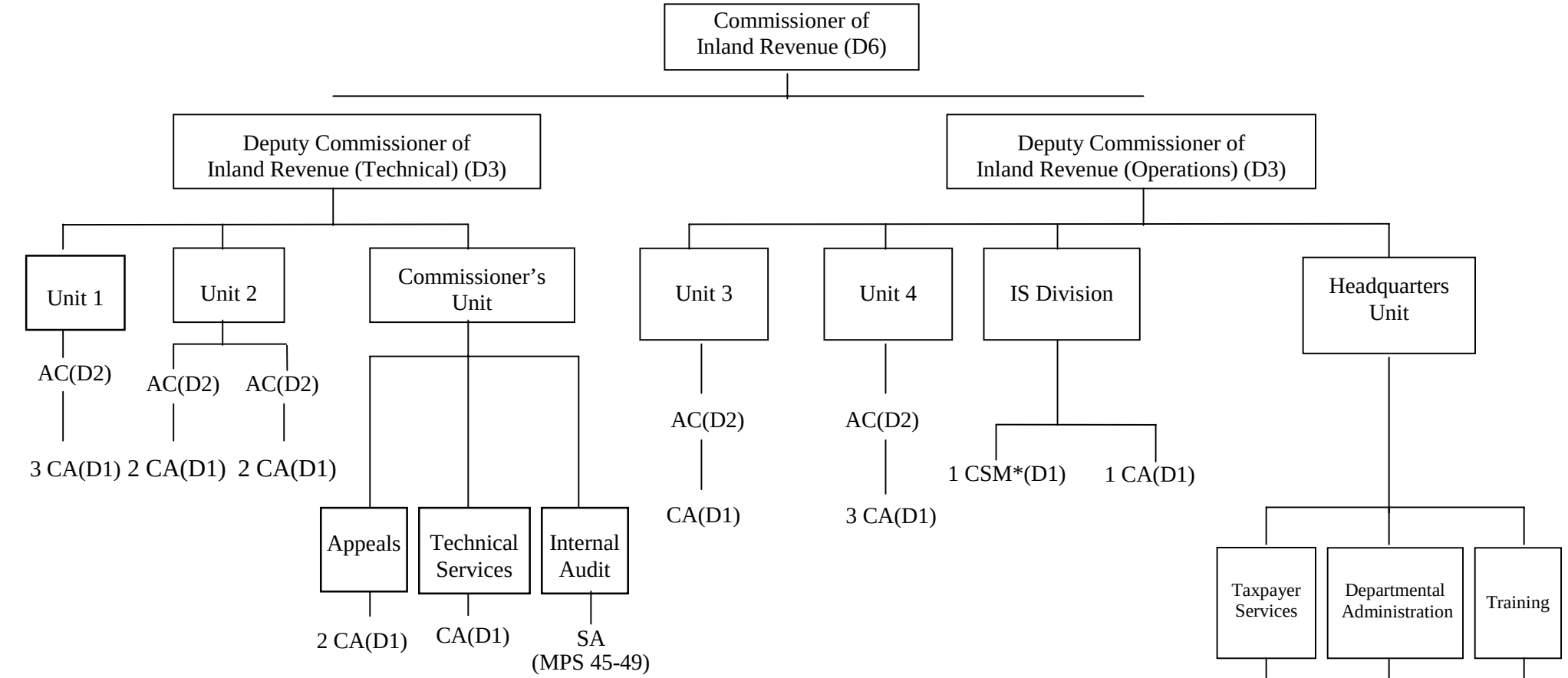
- Profits Tax
- Field Audit
- Property Tax
- Property Dealing
- Interactive Taxpayer Enquiry System
- Bilingual Processing
- Personal Particulars
- On-line Enquiries
- CREDITS
- Business Registration (BR)
- BR Imaging System
- Electronic Lodgement Services (BR)
- AFAL

- Mainframe Application Development
- Mainframe Application Maintenance
- Midrange Application Development
- Midrange Application Maintenance
- Disaster Recovery Planning and Drill
- Electronic Service Delivery
- ISS Application Projects

- Mainframe System Technical Support
- Midrange System Technical Support
- PC/LAN Application and Technical Support
- ISS Infrastructure Projects
- ISS Planning and Review
- Technology Deployment and Management

Enclosure 5 to EC(2000-01)16

Proposed Organisation Chart of Inland Revenue Department



- Assessment of profits tax for corporations and partnership
- Assessment of Individual taxpayers
- Assessment of jointly owned properties
- Objections and appeals
- Research and development
- Tax exemption for donations etc
- Complaints
- Double taxation
- Internal audit
- Tax collection
- Estate duty
- Stamp duty
- Business registration
- Tax reserve certificate
- Inspection
- Central Mail Office
- Sub Offices
- Investigation and Field Audit

Legend :

AC	Assistant Commissioner of Inland Revenue
CA	Chief Assessor
CSM	Chief Systems Manager
SA	Senior Assessor
PEO	Principal Executive Officer

* Proposed supernumerary post