



FRAME OF REFERENCE FOR ENSURING INTEGRITY AND VALUES IN THE TAX ADMINISTRATIONS

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"Internal Control"



CIAT Permanent
Committee on
Ethics

2
2019

Frame of Reference for Ensuring Integrity and Values in the Tax Administrations

Series: *Working Papers of the CIAT Permanent Committee on Ethics*

ISSN 2644-4135

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WP-02-2019



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Ethics Committee

Permanent Committee on Ethics Working Group on Internal Control

Developed by Spanish Delegation for the CIAT Permanent Committee on Ethics.

Web design and layout: Training Coordination

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Preliminary Considerations

At the eighth meeting of the CIAT Ethics Committee held in the city of Ottawa (Canada) in April 2017, it was agreed to rethink the structure, composition and work methodology in order to obtain visible results and adequately disseminate the products produced among the CIAT member countries. To this end, three working groups were set up, led respectively by Canada, Spain and Brazil, to address issues related to their final objectives.

One of the working groups is linked to the development of integrity and values in tax administrations and the role of internal control in this regard.

To begin the fulfillment of this objective, a first reflection entitled "Framework of reference for the assurance of integrity and values in Tax Administrations" has been prepared, advocating an integral analysis of key aspects for the reinforcement of ethics and the effective fight against corruption in tax organizations. For its elaboration, the Spanish Delegation in the CIAT Ethics Committee has been inspired by different documents from International Organizations, the European Union, and comments formulated by the tax administrations of Chile and Uruguay.

There is no clear doctrinal concept of the term corruption, although it is usually linked to the most serious crimes by the transgression of norms and basic principles by public employees, and whose effects are devastating for the fulfillment of the tax administrations Mission, and the trust and credibility of the taxpayers.

But this meaning, with being the most serious and harmful, is not the only one. Those actions developed individually or collectively, which, without constituting criminal offenses, suppose transgressions of the legal and statutory norms that regulate the position and obligations of public employees could also be classified as corruption, with effects that do not reach the qualitative magnitudes of the most serious and pernicious forms of corruption, also affect the objectives of the organization.

In addition, it is necessary to worry about those behaviors that, despite not constituting an explicit transgression of the norms, suppose attitudes contrary to the vision that an organization wants to transfer to the citizenship, and therefore should be avoided as they affect the reputation and hinder the creation of a strong corporate identity.

With this approach, it is intended to stimulate and encourage debate within the Ethics Committee and in the CIAT countries, or other interested parties, for the realization of a practical Integrity guide, which incorporates good practices and helps the countries

in the responsible exercise of a culture and values that hinder corruption and the irregular and/or dishonest behaviors that may persist in our tax administrations.

1. - Introduction

The United Nations Convention against Corruption and many other reference institutions do not offer an explicit definition of the term corruption.

In general, it is recognized that it is a serious economic, social, political and ethical problem. At the economic level it reduces the efficiency of the use of resources, discourages productive investment, reduces the efficiency of the tax system, induces perverse incentives, and distorts competition and many other effects. The social and political effects are no less pernicious, by delegitimizing the rule of law and democracy, attacking human rights, increasing organized crime, destroying good governance and peaceful coexistence, among many other factors.

The term corruption cannot be dissociated from an inventory of human behavior, its context and the legal, cultural and political environment. Neither the environment of civil and democratic ethics, related to the rule of law and good governance. It is linked to the process by which an element or situation passes into a state of decay or perversion, altering the basic properties and becoming much more murky and negative, losing the essence of the object or its value. All this refers to individual or group human behavior.

Within a social and legal approach we could consider it as human action that seriously transgresses the legal norms and the moral or ethical principles by which a democratically constituted society is governed, or with respect to the principles and values that govern the mission of an organization.

Corruption and its effects today is a global dilemma that is considered to weaken the rule of law, violate citizens' rights, reduce public resources, and dissolve integrity and identity.

However, it is difficult to establish a specific definition disconnected from a precise enumeration of what are the behaviors, which can be defined as corrupt, which require a broad consensus, and which is largely found in the normative, as well as the rules, regulations and principles by which the ethical functioning of a society is governed. Frequently, the references to integrity in public organizations are identified with the absence of corruption, and they place emphasis on the actions to be taken, whether to prevent or to detect it in the individual behavior of their members.

This is so because corruption implies a deviation of behavior with respect to patterns that come from values, rules and established principles that are considered important and, consequently, are mandatory.

The absence of integrity in organizations, admits different degrees, the most serious being the existence of corruption, which can be systemic. But even being the most serious, it is not the only one. Thus we find violations of the regulations and even other manifestations that do not constitute by themselves a criminal or administrative infraction but that do not constitute desirable activities or conducts with the mission and values that the organizations intend to promote.

As a result, integrity transits from improper individual behavior, to organized systemic corruption, which can affect a significant number of people and companies, who organize themselves not to safeguard the principle of public service to the citizen, but may interfere in the conformation of policies and laws to obtain advantages and benefits of a personal or collective nature.

Corruption in the broad sense is, consequently, a complex phenomenon, but one that can be minimized. Following Alina Mungiu ("The Quest for Good Governance") although its causes may be multiple, the risk of corruption is usually greater, when there are more **opportunities to exercise it**, which may increase if officials enjoy discretion, and privileged access to public resources desired by the corrupters as funds, state assets, jobs, laws, contracts, treatments, do not queue or avoid payments, penalties and others. It also affects, directly when there is an **absence of restrictions**, including ethical codes, applicable laws and regulations, accepted norms, controls, audits, sanctions, limited public opinion and limited civil society.

To deepen the public integrity, which includes the absence of corruption in organizations, the recommendations of the OECD and other International organizations advise that policy makers offer a strategic vision that takes into account the context in which it is applied, as well as a practical approach of risk management and strive to promote a culture of integrity with the whole society. Integrity as a systemic approach in the Tax Administration can be analyzed from different perspectives.

From an integral corporate point of view, the Tax Administrations (TAs) must question certain key practical issues and use appropriate policies, programs and tools in the context of an explicit culture of integrity.

Key issues	Instruments and tools
How to establish within tax administrations a framework to promote integrity and combat corruption?	<ul style="list-style-type: none"> ➤ Laws and regulations ➤ Clear statements of values and ethical standards ➤ Risk-based strategies (risk assessment, risk maps) ➤ Internal control design ➤ Existence of an independent Internal Audit Service
What role can play the Taxpayer's Rights, transparency, the fair application of Taxes, the accountability in the (re) construction of citizens' trust?	<ul style="list-style-type: none"> ➤ Support for Voluntary Tax Compliance ➤ Anti-fraud programs ➤ Taxpayer Advocacy Council ➤ Open government and access to information ➤ Litigation management ➤ External scrutiny
What preventive measures can tax administrations take to strengthen ethical performance and reduce the scope of corruption?	<ul style="list-style-type: none"> ➤ Selection based on merit and other human resource management techniques ➤ Training in Ethics and its dilemmas ➤ Declaration of interests, assets and net worth ➤ Regulation of Conflict of Interest ➤ Simplification, Process Analysis and controls ➤ Administrative automation
What can tax administrations do to detect and act on corruption when it occurs?	<ul style="list-style-type: none"> ➤ Regulation of complaints, channels and protection ➤ Disciplinary regime ➤ Investigation and sanctions ➤ Risk profiles

In any case, the tax administration must have established an internal control system that ensures a reasonable degree of security in terms of achieving the objectives, and especially those related to integrity, prevention, detection and punishment of corruption and other irregular behaviors.

It is convenient not to confuse the **internal control** function with others, such as internal audit, which although they may have connection points, are differentiable.

The system of internal control established by an organization, by itself does not guarantee success in the fulfillment of its purposes, since in its final performance other internal and external factors intervene that can have a great influence on its mission. The COSO reports are currently an essential referent to link "internal control" and "good corporate governance".

For its part, the concept of **internal audit** is defined as an activity that provides independent services and objectives of assurance and consultation, designed to add value and improve the operations of an organization. The internal audit activity helps an organization to achieve its objectives, providing a systematic and disciplined approach to evaluate and improve the effectiveness of the risk management processes, internal control and corporate governance.

Related to the concept of the internal audit function, and possibly integrated in it, the concept of "**compliance**" emerges as a function. The "compliance" is oriented to the tasks of prevention, detection and management of risks linked to the breach of laws and regulations, with special emphasis on improper conduct and corruption, in order to develop a culture of compliance in organizations.

At this point it would be appropriate to consider whether the assurance of the "*compliance*" function can be understood as one of the functions of the audit area of the organization, or on the contrary and taking into account the characteristics required for effective performance of this function, it would be convenient to also have a separate unit independent of the audit function.

The "*compliance*" function is also part of the scope of internal control established in the organization.

The increase in the volume and complexity of the obligations that affect an organization such as the tax administration, the globalization of the economy, the development of information technologies and the ethical and public transparency commitments

currently demanded by society, mean that many organizations accelerate *compliance* needs and be considered a key factor of good corporate governance.

Considering this context, different models or “compliance” programs have been developed that translate into norms with a wide range and scope, inspired by the 2014 **ISO 19600 standards** on management systems and compliance guidelines and the 2016 **ISO 37001 standard** on management of anti-corruption measures.

Other noteworthy experiences in this regard are the compliance evaluation model applied by the Australian Tax Administration, or the practical self-diagnosis guide on regulatory compliance, good corporate governance and corruption prevention, edited by Transparency International of Spain.

2. - CONCEPTUAL FRAMEWORK

2.1. - Environment of the Integrity Policy

The challenge for the tax administrations, as well as for the rest of the public administrations, is the construction of an environment for these policies, which allows at the same time to encourage integrity while at the same time making more difficult the corrupt activities, and succeed in dismantling the systemic corruption, if any may exist. The impetus for the most demanding ethical standards and practices invariably requires **leadership**: the willingness to seek long-term benefits widely shared and, in the case of systemic corruption, the courage to challenge vested interests.

As the European Union points out, senior managers must develop the necessary legal and institutional frameworks, encourage appropriate behavior and show high standards of personal decorum.

Exercising effective leadership is essential, and also make explicit the commitment to the integrity agenda and its effective communication to the organization.

2.2. - Values and Ethical Standards

The ethical behavior begins with attitudes and values at the top of the tax administration, including the subtraction to the capture of the State, the cronyism, the nepotism, the bribery and the search or offering of favors.

Increasingly, public administrations are resorting to value statements to direct the exercise of public functions, flexible enough to be applied in all policy sectors, institutional contexts and individual responsibilities. The **codes of ethics** are currently increasingly common throughout the world and all public officials are called and obligated to commit to them. **Such codes of ethics** are sometimes supervised by independent control bodies, which allows them to be reviewed occasionally to ensure their validity and to know how they are applied in different aspects of public life for operational purposes. The CIAT's Code of Ethics Framework and its self-evaluation guide have not been deployed with sufficient effort by countries, with some exceptions, despite being a basic reference element to guide good practices.

The code of conduct is a very important reference element available to organizations to establish this policy and guide good practices and to prevent, detect and eradicate irregularities.

But, by itself, the code is not sufficient either. Organizations need to ensure, as much as possible, in all cases, that the code is known, understood and complied with by employees and that the principle of due diligence is being applied to prevent, detect and eradicate irregularities.

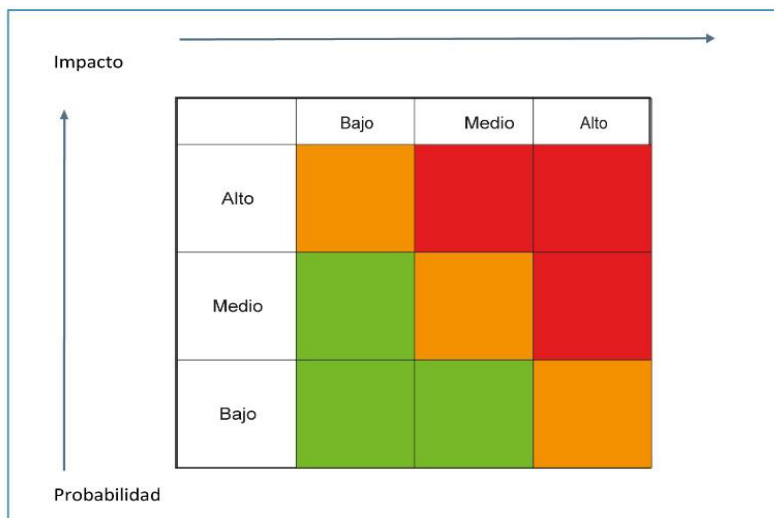
2.3. - Strategies Focused on Risks

The strategies of action must be based on a **risk assessment** where the problems of integrity or corruption are concentrated, looking for their root causes, also taking into account the capacity for change of the organizations.

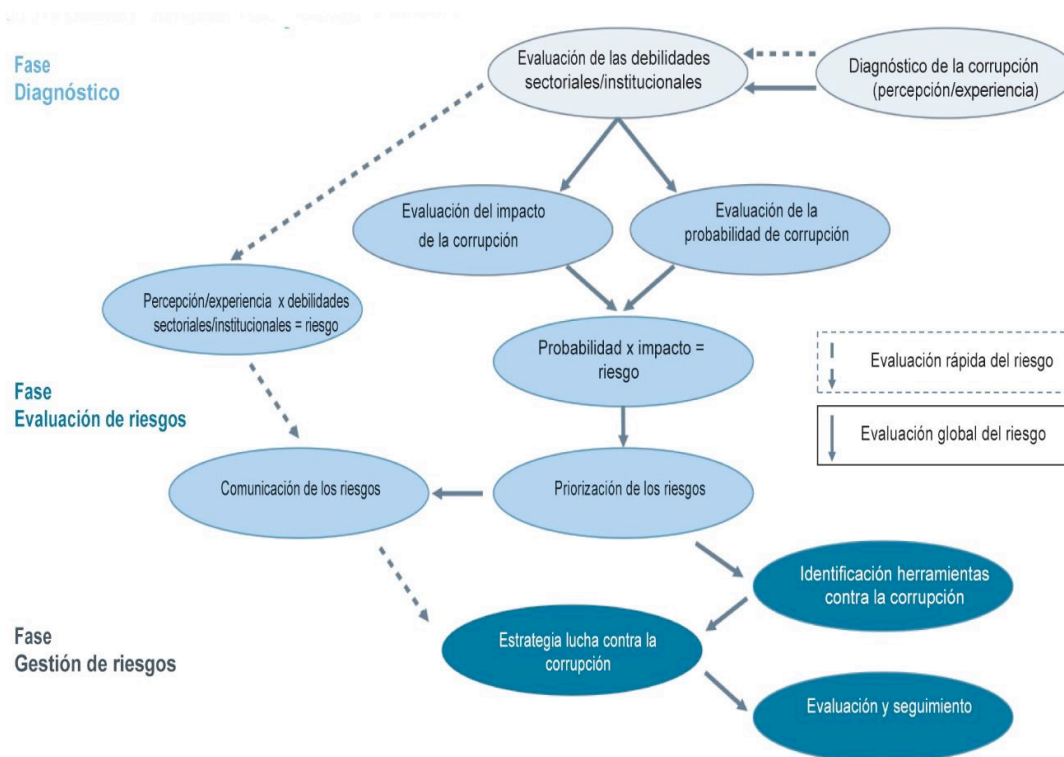
One of the normal risk assessment tools is the **risk map**. This can take several forms, but the underlying objective is always the same, that is, to identify the greatest risks of improper conduct and corruption. The basic technique is familiar to any internal or external auditor, and to those responsible for Compliance, since it is found in models such as COSO III, in standards ISO 31,000, INTOSAI and other multiple references. Both the probability of occurrence and the impact once it occurs, as well as the speed and degree of permanence of the behaviors in an ascending scale (normally low, medium, high and even very high) are evaluated.

Whether sectoral or institutional, the analysis can be converted into a "heat map" for greater visual impact. Each corruption risk source is assigned the corresponding box (for example, low probability, and high impact). The squares shaded in red represent the greatest risk and therefore the highest priority to adopt measures in the strategy or program. Those in yellow represent a moderate risk and therefore a lower priority. The boxes shaded in green are usually not a priority for action. However, risk assessment is a dynamic process. It should be reviewed periodically, as circumstances may change.

MAPA DE CALOR



Transparency International (TI) following these principles has presented three phases for the development of a risk matrix to formulate a strategy to combat corruption and improper conduct that, in any case, needs to be monitored and evaluated. This is the diagnostic phase, the risk assessment phase and the risk management phase.



But ultimately, even the best designed strategies based on the most solid evidence and with the most comprehensive risk assessment are only paper exercises, unless accompanied by solid action plans followed by actual implementation. That is, a policy of practical integrity, as well as continuous monitoring and control.

The application of the Internal Control Integrated Framework (COSO III), Component Risk Assessment, devotes FOUR PRINCIPLES (numbers 6, 7, 8 and 9) to this component:

- Principle **six** requires defining the objectives of the organizations with sufficient clarity, in order to identify and evaluate the related risks. Both the objectives and tolerance levels must be aligned with the mission vision, strategy and operational plans. Changes in the environment must be analyzed with some continuity and the Contingency Plans must be operational and effective.
- Principle **seven** states that risks that threaten all objectives will be identified and evaluated and a Risk Map will be prepared in accordance with the organization's strategy.
- Principle **eight** indicates that among the risks that must be managed, there are those that increase the different types of fraud. The effectiveness of anti-fraud policies is also evaluated.
- Principle **nine** is concerned with changes both in the environment and in procedures to detect new risks related to management.

The TADAT Practical Guide, tool for a diagnostic evaluation of the Tax Administration, points out that the Tax Administrations face numerous risks that have the potential to adversely affect income and/or operations. It indicates as Compliance Risks those that can generate loss of income due to failure to register taxpayers, the non-submission of tax returns, the non-payment of taxes, or the accuracy of the tax statement. Institutional Risks refers partially to extraordinary events such as natural disasters, failure of computer systems and some referrals to behaviors: sabotage, destruction of assets, strikes, and leaks of information "that leads to loss of public confidence in the tax administration ". However, by pointing out positive management criteria appropriate to the Tax Administration, it induces good practices. The guide, however, does not refer to issues of conduct, equity in the application of taxes, or corruption phenomena, ethical infrastructure, or fraud, all of which are essential for good governance. However, this factor cannot be separated from the diagnosis of the Tax Administrations.

What other elements do we need, to affirm that we do our best to encourage good practices and prevent, detect and eradicate irregularities and corruption?

Below we will refer to some additional basic actions in more detail.

3. - Laws and Regulations

Ethical principles are normally incorporated into the legal foundations of countries, which prohibit bribery and other forms of internal corruption through the adoption of laws and regulations. They often recognize that corruption is a serious crime that often has implications across borders. Bribery and other forms of corruption can affect free competition and investment flows. Multilateral organizations, in particular the Council of Europe, the United Nations and the OECD, have played a catalytic role in recent decades in establishing **international conventions and principles** that can be adopted by their members.

Each national system is specific according to the traditions and legal structures of the country, but most States have a criminal law that is aligned with the UN Convention against Corruption and with the norms of the Council of Europe. Some Member States recognize that they have an obligation to **prohibit bribery, both domestically and abroad**. This requires not only adequate legislation, but, above all, a rigorous application for prosecution and punishment. Other relevant legal provisions include laws to **protect whistleblowers**.

Some States have also legislated to regulate **conflicts of interest** in decision-making and the allocation of public funds, including public procurement and Funds and Subsidies.

The Council of Europe has defined the conflict of interest as a situation "in which the public official has a private interest, which may influence or appear to influence the impartial and objective performance of his/her official duties". By private interest is meant "any advantage to himself, his family, close relatives, friends and persons or organizations with which he or she has or has had business or political relations". It also includes any related responsibility, whether accounting or civil.

Conflicts can take many forms, including officials or their family members who have external business interests, such as participation in an applicant company or competitor for financing or the expectation of future employment by a beneficiary of public contracts. The movement of people between the public and private sectors can never be illegal and is necessary for the flexibility of an economy. There are advantages for both sectors due to the transfer of technical knowledge, but also risks for the disclosure of privileged information when public officials, whether political or professional, are incorporated into private companies within their former sphere of responsibility. Part of the solution may be the existence of restrictive clauses or periods of abstention in the appointments and working conditions of officials, tending to slow

down the "revolving door" of officials who move between the public and private sectors in related fields.

4. - Create Public Trust Through Transparency and Relations with Taxpayers

The taxpayer, whether individual or legal entity and citizens in general, are the recipients of the public services provided by the tax administration.

The main obligation that is required both to citizens and legal entities is the contribution through the payment of taxes to sustain public expenditures according to their economic capacity and subject to those legal principles whose assurance corresponds to the tax administration.

In correlation with these obligations, taxpayers and agents in charge of tax obligations have a series of rights in their relations with the administration, which can be undermined if there is an abnormal functioning in the services provided by the tax administration, and especially when the phenomenon of corruption occurs, which affects the income necessary to finance public policies and also to the public trust and the willingness to voluntarily pay their tax obligations.

Faced with these situations of loss of trust, the tax administration has to respond by providing the citizen with formal and material compliance with their obligations, adequately informing about the destination of their tax payments in terms of public services, and making as clear and precise as possible the application of the tax rules, in order to prevent that the application of the rules (with the existing margin of discretion in their interpretation), can cover irregular actions of different magnitude and severity.

From this perspective, a set of actions developed in the Spanish Tax Agency are listed below and, together with the experience of other CIAT countries, can be considered as good practices and be incorporated into an integrity guide.

4.1. - Citizen 'S Opinion and Perception

As citizens are the main recipients of the services provided by the Tax Agency, their opinion and perception is of the greatest relevance both for the continuous improvement in their provision, and to improve their level of satisfaction.

It is also important to take care of a continuous communication and transparency relationship with opinion leaders, actively listening to their proposals.

For these perceptions and opinions to be known by the administration, it is necessary to articulate Medias that allow, through various analyzes, statistics, studies and forums,

to know to what extent the taxpayer perceives the level of quality and efficiency of the tax services.

Tax barometers and opinion polls.

The Institute of Fiscal Studies annually elaborates a study called "opinions and fiscal attitudes of the Spaniards". The study is based on an annual survey of a national random sample of 1,500 taxpayers distributed in five segments (entrepreneurs, farmers, professionals, employees and inactive).

This study analyzes the evolution of certain variables that form the basic nucleus of the tax ideas of the Spanish population. One of these variables is the corporate image offered by the Public Treasury to citizens as well as its level of transparency.

In addition, follow-ups have been carried out regarding the creators of opinion and the presence and image in the media of the Tax Agency, as a source of knowledge and improvement.

The Center for Sociological Research conducts a yearly survey study called "*Public Opinion and Tax Policy*", and contains some questions related to the activity of the Tax Agency. This study is made on a sample of 2,500 interviews nationwide.

For its part, the Tax Agency from its website polls the opinion of those who have used the electronic presentation service for their individual income tax.

4.2. - The Council for the Defense of the Taxpayer

The Council for the Defense of the Taxpayer (CDC) is a collegiate body that acts as guarantor of the rights of citizens in their tax relations for more than twenty years.

We are before an organization of the State Administration integrated organically in the Ministry of Finance and Public Function, with operates as guarantor of the rights of the taxpayer, but also has consultative and advisory roles. It is expressly recognized as independent in the exercise of its functions. Said independence is to be guaranteed through a joint representation of members of the Tax Administration and representatives of tax professional sectors and the academic world in its management. All the logistics and support for its proper functioning is provided by the Tax Agency through the Internal Audit Service and, specifically, through an operating unit that,

although integrated organically in the Internal Audit service, depends functionally on the Presidency of the Council.

With regard to regulations, the CDC makes proposals that respond exclusively to substantive problems related to deficiencies or defects frequently detected through complaints presented and can also include proposals for the revocation of acts.

4.3. - Service Letters

The Service Letters, within the Excellence models and the Quality Programs, are communication and information documents to the citizen about the catalog of services provided by the organization and the rights to assistance.

Many tax administrations have this instrument that, if it is not bureaucratized, allows communication with different types of taxpayers and a platform for continuous improvement of great interest if it is integrated with networks and computer forums.

4.4. - Services to the Taxpayer

➤ Information and tax assistance programs

In order to favor voluntary compliance with tax obligations, and also tax control duties, the tax administrations deploy a wide range of information services and help to the taxpayer, many of them through the Internet, via (in the case of Spain) the web portal of the Tax Agency and its electronic headquarters.

These services include those that make available to citizens, through the "Informa" Program, a database that contains, in a question-answer format, the main criteria for the application of tax regulations.

Another of the specific programs of assistance and provision of services that affects the vast majority of individual taxpayers, is Web revenue, which allows adding to the income tax return elaborated from the data available in the tax agency, any data or income, or modifying the existing ones.

This program also allows a follow-up of the refund procedures.

The electronic registry allows the citizen to submit documents without having to travel to offices.

The electronic presentation of returns and electronic notifications are other lines of progress in the provision of electronic services.

Recently, the Immediate Information Supply (SII) system for VAT management has been initiated for large companies.

➤ Civic-tax education program

In collaboration with the educational community, various actions are carried out, aimed at children and teenagers to promote tax awareness in future taxpayers so that they assimilate tax responsibility as one of the values on which a democratic society is organized.

➤ Institutional campaigns

Awareness campaigns against fraud are carried out to raise awareness among the citizen for the correct fulfillment of their obligations, promoting civic responsibility, highlighting the relationship between the income received from taxes and the public spending.

➤ Transparency

The Transparency Law has entailed an extension and reinforcement of active advertising obligations. Specifically, it has implemented the mandatory publication of information regarding the functions performed by the subjects included in its scope and organizational structure, in addition to its planning instruments and the evolution of its degree of compliance.

In compliance with the provisions of the law, the management unit of the right of access to public information has been created, which is responsible for processing and resolving information requests submitted by citizens.

The Internal Audit Service of AEAT is responsible for presenting Evaluation Reports on the content of the information presented by the Spanish Tax Agency.

4.5. - Alliances with the Public and Private Sectors as Groups of Interest in the Promotion of Integrity in the Tax Administrations (WCO Perspective)

The World Customs Organization approved in June 2008 a document that established the strategic lines of action of the customs organizations in order to adapt them to the demands of foreign trade and effective security and control in the XXI century.

This document identifies ten key points aimed at ensuring the efficiency and effectiveness of customs. One of them is integrity, which is defined as a concept that transcends the mere abuse of power and corruption by including standards in the provision of public services, taxpayer rights and compliance with both their expectations and those of interest groups.

Point number ten of the integrity strategy refers to "relations with the private sector", with an explicit reference to the review of the Arusha declaration in the following terms:

"Tax organizations should foster a relationship with the private sector that is open, transparent and productive. Taxpayer and business associations should be encouraged to assume an appropriate level of responsibility and transparency in order to identify problems of corruption and the adoption of practical solutions. The establishment of agreements with companies and organizations representing the interests of the private sector and with civil society are very effective in practice.

On the other hand, the establishment of codes of conduct in the private sector, which clearly indicate the standards of a correct professional practice, can also be very useful.

The sanctions associated with corrupt behaviors must be defined in such a way that they are sufficient to stop corrupt behavior.

Consequently, they consider that "collective actions" with the private sector should also be claimed and defended as an effective and differentiated formula in the fight against corruption.

"More information can be found at <https://www.baselgovernance.org/theme/icca>"

Although collective actions offer many advantages in the fight against corruption, the truth is that they can also collide and encounter obstacles that should be anticipated to ensure better results.

The most important obstacles can be referred to by the WCO to:

- a) Political will. - The absence of political will at the highest levels, among other reasons, may result from public institutions being reluctant to assume this type of responsibility before the civil society, and consequently lose interest in participating, out of fear of generating a certain instability.
- b) Cost in media. - Frequently, these initiatives may involve investments in material resources, financial resources and time.

- c) The opportunity of the moment to carry out these actions is a factor to be taken into account, because if it is not done at the opportune moment, its possibilities and benefits may be limited.
- d) Misguided choice of interest groups called to be part of these actions (apparently they could be interested, but they really are not, or on the contrary, those who do not have a real interest are chosen as partners).

In any case, with or without obstacles, the advantages of collective actions lie in the fact that they make possible to bring together various interested parties, set them to negotiate and reveal many common aspects that favor communication and the generation of trust.

Catalog of Good Practices. *(Susceptible to a broader development as far as the Tax Agency is concerned)*

We describe below a series of examples of collective actions, which could be considered good practices in the matter. The good practices cited in the WCO's ethics committee and those of the Spanish Tax Agency are distinguished.

(At this point it would be necessary to add experiences and good practices from other tax administrations)

➤ **WCO's Ethics Committee**

- In 2007, the Government of Cameroon established the CHOC project (Change Habits-Oppose Corruption) as a donor association aimed at strengthening good governance.

The political decision to launch this project emerged, on the one hand in response to the multiple opportunities for improving governance in Cameroon, and on the other hand, from the government's willingness to fight against corruption.

The project in question is part of a government program that aims to achieve a significant reduction in corruption, although it does not refer expressly to the tax administration.

In the first part of the implementation of this project, financial and technical support was obtained for the design of a strategy and legislation related to the fight against corruption, which was made known to different associations in the civil society.

Thanks to this strategy, Cameroon now has a coherent and appropriate legal framework and strategy to combat corruption.

The need to strengthen the legal framework to deal with economic and financial crimes has been assumed, and cooperation between public institutions and certain civil society associations gradually takes hold.

(More information about this project can be obtained at <http://www.cm.undp.org/content/cameroon/fr/home/operations/project.html>).

- Implementation of the "*Maritime Anti-corruption Network*" (MACM). MACM is a platform that helps eliminate corruption practices in the maritime industry. It is made up of ship owners' associations with the main sectors of the maritime industry, and other companies that include cargo owners and auxiliary services. The maritime industry and the tax authorities also collaborate in this action.

This collective action provides its associates with the opportunity to assess the challenges and find solutions together. An evaluation of the risks centered on the import and export procedures, provides the basis to identify different solutions and the members capable of providing them.

The actions to be undertaken are prioritized and incorporated into an action plan.

Although this initiative had its origin in a private sector initiative, it has involved the Tax Administrations of different countries that have expressed their interest to join.

(Additional information on this initiative can be obtained by consulting *BSR-MACN Impact Report 2016*)

➤ **Spanish Tax Agency**

- Forum of Large Companies and Code of Good Tax Practices.

The Tax Agency has launched new forms of cooperative relationship with large companies through the creation of a discussion forum in which the main problems that arise in the relationship between large companies and the tax administration are analyzed through joint or sectoral meetings.

The Large Companies Forum was constituted in 2010 as a body of cooperative relationship between the Tax Agency and a group of 27 large Spanish companies selected based on factors such as turnover, tax liability, information provided to the Tax Agency, number of workers, sector of activity and geographical distribution.

Within the Forum several working groups have been created, one of them dedicated to the elaboration of a *Code of Good Tax Practices*. All companies, whether or not they participate, can adhere to this Code, as well as freely disseminate this accession. Its objective is to improve the application of the

tax system among all (companies and tax administration), and it contains a series of recommendations of good tax practices for both companies and the Administration.

Other working groups have aimed to:

- The promotion of the cooperative relationship, which has ended with the proposals for the reinforcement of good business tax transparency practices of companies adhering to the Code of Good Tax Practices.
- Analysis and rationalization of indirect tax costs.
- Transfer pricing analysis.
- Analysis of tax regulations and reduction of conflict.
- Immediate supply of Information.

Both companies and Administration assume as a fundamental objective in their relationships to avoid conflicts in the application of tax rules and, therefore, avoid the high costs that the resolution of these conflicts entail for both parties. For companies, the Code supposes a scenario of greater security in tax matters that facilitates the taking of business decisions; for the Tax Agencies, an increase in the effectiveness and efficiency of tax control.

The Forum has contributed to the dissemination of these criteria, which although they are not binding, have been assumed as a commitment.

- Collaboration with Tax Intermediaries

Tax intermediaries, as representatives of taxpayers in their relations with the tax administration, collaborate with the Tax Agency in the management of taxes, since they provide taxpayers with knowledge and understanding of their tax obligations and help them to comply with them.

This collaboration has been instrumented through the electronic filing of tax returns and other documents on behalf of third parties through collaboration agreements signed with other Public Administrations, with private entities and with institutions and organizations representing sectors or social, labor, business interests and professionals.

In view of the important role played by tax professionals as social partners in the electronic presentation and in tax returns and other tax documents, the Tax Agency considered convenient to establish a relationship framework with these tax intermediaries. To this end, the Forum of Associations and Unions of Tax Professionals has been set up as a cooperative relationship body based on transparency and mutual trust, which ultimately results in the benefit of the taxpayer, reducing the direct relationship with officials, facilitating voluntary compliance with their obligations.

- Collaboration with the jurisdictional bodies

The Tax Agency develops the duty of collaboration with the jurisdictional bodies, through various functions, among which judicial assistance and expertise in criminal proceedings against the Treasury, the provision of telematics and individualized tax information to the jurisdictional bodies and the Public Attorneys and the exercise of the judicial police function by Customs Surveillance officers.

In this sense, the collaboration is implemented, basically, through the Support Unit of the Special Prosecutor's Office against corruption and organized crime and judicial collaboration in the field of crimes against the Public Treasury.

Also in relation to the supply of information through collaboration agreements, the Tax Agency has established a collaboration agreement with the General Council of the Judiciary, and the Ministry of Justice, through which jurisdictional bodies are allowed to directly access the databases of the Tax Agency, through telematics connection via the Judicial Neutral Point managed by the CGPJ within the framework defined by the Agency.

For those cases not included in the agreement, individual requests for information are processed.

Other areas of collaboration within the public framework:

- reciprocal exchanges of information with tax transcendence and general cooperation to increase efficiency in management, improving assistance to taxpayers by reducing administrative burdens, and intensifying the fight against fraud, which is carried out with the tax administrations of the Autonomous communities.
- Agreement between the State Tax Administration Agency and the State Aviation Safety Agency to exchange information regarding the programs of Authorized Economic Operator and Accredited Agent and Known Shipper.
- Collaboration agreement between the Tax Agency and the General Council of Notaries to specify the periodic supply of information and receive specific information for the exercise of tax functions.
- Agreement with the Official Associations of Real Estate Agents to encourage the participation of the Real Estate Agents in the procedures of forced alienation by the Tax Agency through the Internet.

5. - Promoting Integrity and Reducing the Scope of Corruption

5.1. - Institutionality and Democratic Quality

In the same way that there is a correlation between the high performance or productivity economies and the low corruption reported, the fact that the officials act in the interest of their organizations is the foundation of the institutions that work well. In the book "think institutionally", Hugh Hecló appreciates the essential role of institutions in democratic societies. He also shows that if they are instrumentalized by those who must represent or manage, this is a source of distrust that can be extended to the citizens. By itself, this should be a sufficient incentive for public authorities to promote ethical infrastructure and integrity in their activity. At the same time, it is also admit that it is better to stop the corruption cancer before it is installed than to try to stop its spread, which places prevention as the highest priority within possible measures against corruption. This highlights the delicate balance that must be achieved, the importance of ethics at the same time that the message must be sent that corruption will not be tolerated. Public authorities must move carefully in the introduction of anti-corruption measures, since implicit suspicion can create a toxic climate, undermining relationships, individual performance and overall productivity. While a general objective cannot be other than to ensure that companies and citizens can trust public services, this trust must also be built within the administration itself. And this confidence in the framework of the Tax Administration becomes more fundamental if possible, being a key factor in acting in one of the fields of the Tax Administration in which it is possible to detect conflicts and social contradictions more clearly. The Tax Administration thus appears as a very sensitive area of social conflict and for the same reasons as a strategic field of search for consensus and social legitimacy in democracy.

The Tax Administration operates, therefore, in an essentially complex action field, both in relation to the individual taxpayer and in the context of social relations.

5.2. - Management of Human Resources in Tax Administrations

Public employees are subject to a statutory relationship with the Administration that is specified in a catalog of rights and obligations binding for both parties.

The rules of action of public employees indicate the limits of right or wrong. But in addition to these limits, the Administration can, for reputational or image reasons, point out behavior or behavioral guidelines that, without having a mandatory nature, are desirable to reinforce the vision of the organization vis-à-vis the citizen and society.

To the extent that public employees act in the best interest of their organizations, greater and better levels of integrity will be achieved.

The adequate combination and balance must be set between control measures and sanctions, in order to avoid defaults and deviations from the established behavior patterns, while generating a corporate culture with a sense of belonging of its employees.

It is an essential factor to strengthen the integrity of organizations. But employment conditions also have a great impact in the context of ethical behavior and against corruption. Low wages, unstable contracts, politicization and lack of professionalism all contribute to an environment that can favor the pursuit of selfish ends and conflicts of interest.

If fair employment conditions are granted, the actions to be taken by the Administration are to ensure that the human resources management policy integrates ethical values in personnel policies and provides clarity, especially for those positions of greatest risk.

The Administration must, in this sense, identify and be aware of the different sources and risks of corruption, adapting its policies to these circumstances.

Among the possible aspects that can be developed under this perspective, the following can be mentioned:

- Selection of personnel based on the principles of merit and ability.
- Catalog of jobs that identifies the characteristics, responsibilities, and competences.
- A professional and administrative career congruent with the level of responsibility, training, merits and professional career.
- Valuing aspects of ethical behavior for the performance of certain jobs.
- Performance evaluations that take into account not only technical and equipment factors, but also the background against ethical standards.
- Continuous management of professional development and career that rewards ethics, including improvements in systems to prevent and control corruption.
- Restrictions on secondary activities and external interests of staff and the accumulation of different positions than positions that may present conflicts of interest.
- Restrictive clauses in appointments or contracts related to future work in the private sector in related fields where they could have advantages from access to privileged public information to obtain personal benefits.
- Effective disciplinary policies, in case of bad practices.
- Training processes and appropriate workshops.

In strategies to combat corruption, it is necessary to identify **the sources and possible risks** of corruption before assembling a package of human resources management measures. It is also necessary to sort the root causes of the most unwanted behaviors.

On the one hand, officials must feel able to speak freely and raise problems when they arise but, on the other hand, tax administrations must build their team spirit and corporate culture. Officials also face ethical conflicts and ambiguities, around loyalty to colleagues, organization, policies, taxpayers and communication, which can be addressed through **training in ethics and conflict resolution**, through Ethics Committees and Workshops. A specific form that is very useful in areas where the risk of corruption is high consists of a training by which officials are formed and analyze the answers to practical cases. As a learning technique, small effective discussion groups are suggested along with a wide collection of problematic scenarios, being understood that the selection must adapt to specific audiences. Depending on the results of the risk analysis, institutions could customize their training programs, developing modules for higher-risk entities or units (such as purchasing, hiring, or contact personnel) or for certain positions (for example, managers and supervisors). They could also consider explicit statements of compliance with norms and appropriate behaviors in the managerial staff or on the part of new employees.

5.3. - Declaration of Interest of Public Officials

As a preventive measure, some public institutions compel public officials to submit a signed declaration of their income, assets and business interests. This measure can be applied to those who occupy managerial or sensitive and high-risk positions, such as those who manage public tenders and award contracts.

The public interest in being able to access the data of the officials must be balanced with their right to privacy and personal security. Therefore, this practice deserves a very selective approach.

6. - Responsibilities, Processes and Controls

6.1. - Changes in Process Management

Sometimes it will be necessary to change the management of the administrative process itself, the computer applications, or the way in which the administration provides the services, so that there are fewer opportunities to engage in dishonest behavior or corruption. The change of rules, as well as the counterbalance with different decisions can minimize discretion, through the regulation of procedures and processes, the introduction of controls and the performance of an effective Internal Audit Service.

6.2. - Detecting Irregularities and Managing Complaints

Realistically, irregular behavior and corruption will never be totally eradicated, not even by the best prevention systems. Comprehensive strategies can succeed in dismantling systemic corruption but there will always be incidents of misconduct that threaten good governance. This entails the need for a regulatory and information framework, including faultless detection and prosecution systems, in accordance with the standards. When illegal or unethical activity is beyond the scope of the audit and internal controls, the reporting of irregularities has proven to be the most effective way to unmask bad practices and, according to some researchers, is responsible for almost half the fraud detection in the public sector. As the protection of whistleblowers is still relatively weak and the act of denouncing itself has not yet fully penetrated the administrative culture as a contribution to better governance, it has yet to develop its full potential. In any case, The Internal Audit Services must deploy its competences as attributed by the corresponding Tax Administration regulations.

A complainant is someone who informs or makes public information about a threat or harm to the public interest. In the context of good governance, a tax administration official may disclose illegal or unethical activity by reporting internally to the organization (for example, a line manager or internal auditor), or externally, to a third party such as a prosecutor or judge. Any taxpaying citizen can also contact the Tax Administration through complaints in accordance with the regulations of each country. There are many examples, according to the European Union, that the reporting of irregularities could have played a vital role in preventing potential damage, before more serious damage occurs. The experience on the cases of denunciation shows that sometimes the complainants may suffer reprisals. These consequences include the cessation, degradation, disciplinary sanctions, harassment or disdain on the part of the colleagues or the loss of career prospects.

It is clearly in the interest of good governance that officials and citizens should feel safe to raise concerns of public interest.

An integrity policy should encourage the Tax Administrations staffs to discuss matters openly within their departments and entities, since this is a safeguard against unethical behavior. However, as recommended by the European Union itself, if an official detects a serious malpractice, he can protect his own interest by calling attention to the problem through confidential channels, anonymously or even ensuring his anonymity.

Citizens' complaints could be equally anonymous. And in all cases, the Tax Administration must have specialized investigation bodies. (Inspectors on duty, Internal Audit) responsible for proposing confidential reports to the Directorate, containing both elements of evidence and evidentiary elements, that serve for the appropriate disciplinary procedures or the denunciation to the public attorney.

6.3. - Investigation and Sanctions

Minimizing irregular behaviors implies a widely shared perception that the chances of being discovered and the probability of being sanctioned for an improper conduct are both high. On the other hand, focusing on the dark areas and designing effective sanctions is essential to eradicate corruption, but unless translated into actions, it is likely that it will only generate cynicism and disappointment.

Once again, following the documentation of the European Union, in order to maximize deterrence, a high probability of being discovered must be accompanied by effective sanctions, which requires effective disciplinary policies and procedures within organizations, which entail sanctions including fines, loss of employment, and lawsuits. The investigation and application of sanctions not only serve to dissuade other public officials, but also reveal to taxpayers and citizens that officials are really held responsible for their actions or omissions in matters of irregular or corrupt behavior.

7.- Some Key Ideas

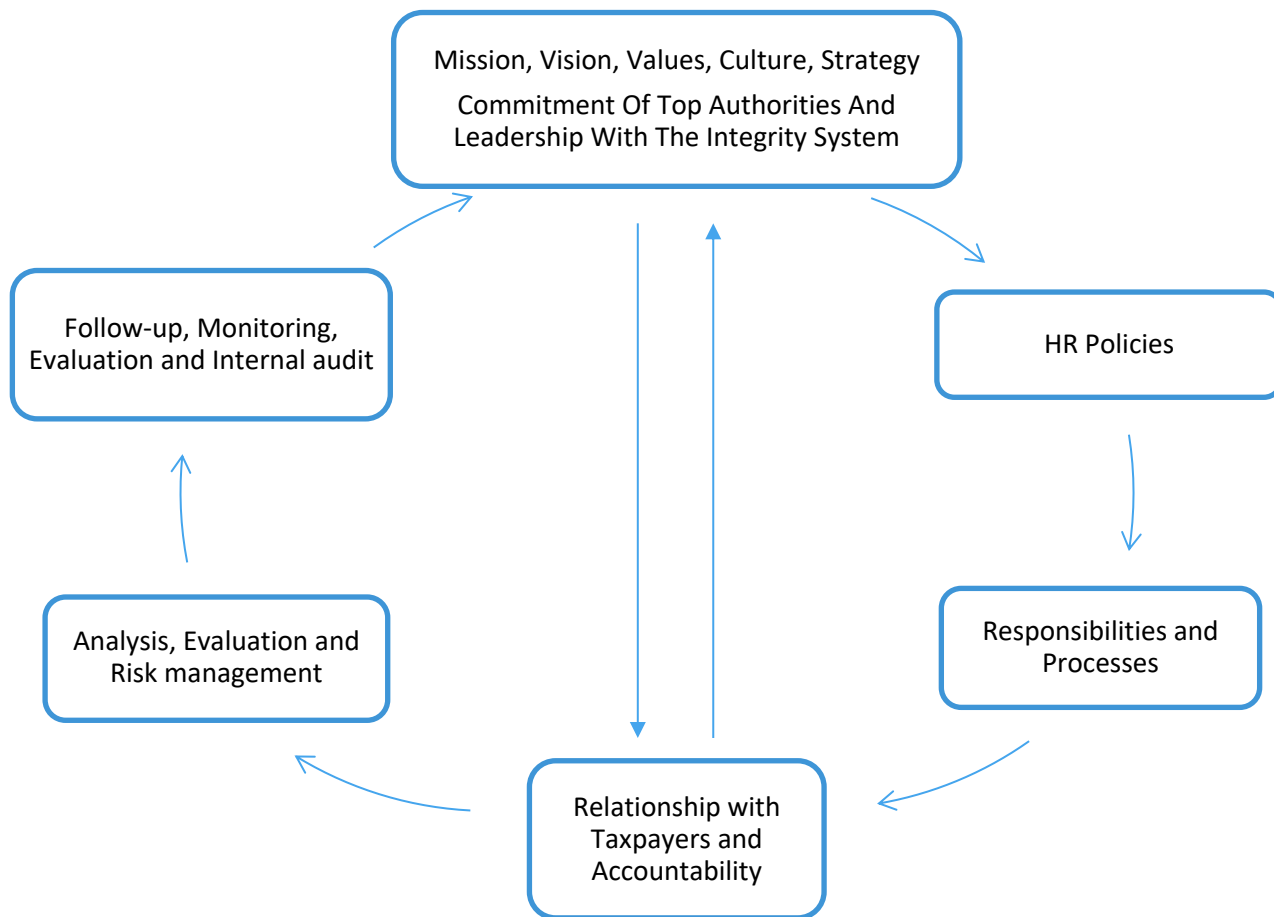
- It is highly necessary to agree and adopt a normative and a set of declared values (ethical codes and instructions), within the general framework of principles and values of good governance, to guide the behavior and actions in the field of integrity, which must count on the explicit commitment of the Senior Management.
- It is necessary to elaborate and apply tailor-made policies and strategies, designed around the most critical sources of risk of dishonest behavior and corruption, identifying potential opportunities and the absence of controls, evaluating the probability and impact of making that reality a reality risk and the root causes that produce it.
- Ensure that these policies and strategies are comprehensive and constitute a systemic model, since isolated instruments tend to be ineffective.
- Adopt a balanced approach (encourage ethical behavior, deterrence and detection of corruption) that builds trust within the tax administration itself, as well as between taxpayers and citizens.

The ultimate goal must be to reach a point where the values are internalized, the rules are explicit, and the recourse to enforcement is the last spring. Good governance is synonymous with ethical management.

B. - Seven Basic Actions for a Corporate Integrity Program

STANDARDS AND STANDARDS	RESPONSIBILITIES	INTEGRITY	COMMUNICATION	MONITOR	STREAMLINE	ANSWER
The organization must formally establish the expected behaviors of its employees in relevant matters of ethics and integrity using norms and standards from CIAT and from International Organizations	The Management must monitor the effectiveness of the integrity compliance program. Process management responsibilities must follow up / Internal Audit assume its Control responsibility.	Tax administration should avoid assigning positions of responsibility to persons who have committed bad practices or behavior incompatible with an effective program of compliance and ethics.	Communicate periodically and practically and train with the aim of ensuring that employees know and understand what is expected of them.	Periodic evaluation and audit of the elements implemented in ethics and compliance. Periodic evaluation of the effectiveness of the program implemented. Define a confidential system for reporting bad practices.	Evaluate risks and align the program accordingly. Establish incentives and ensure the adoption of disciplinary measures, with consequences in case of non-compliance.	Once a bad practice is detected, the organization must do everything possible to eradicate it and prevent it from happening again in the future, ensuring that the ethics and compliance program remains updated.

Anex 1. Corporate Public Integrity System



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