
Management of a Tax Administration: Planning, Execution and Control

CIAT Executive Secretary
CIAT Tax Administration Manual

Section 1. Prologue

This chapter deals with the main, and perhaps, most important function within the framework of management, namely: high level management, which involves management planning, execution and control. No organization can operate by itself and worth mentioning here is the ironic statement by the famous U.S. economist Peter Drucker: "The only things that evolve by themselves in an organization are disorder, friction and malperformance". Therefore, it is essential to describe in a Tax Administration Manual the role played by high level tax administrators in the organization. It is necessary to describe the most important functions to achieve the organization's objectives.

Fully considering the main function of a manager: What is the main objective of a tax administration? This question leads directly to the need for planning the activities of the organization. To state it once again in a humorous manner normally used in this context:

"He who is not aware of his goal shall never know what direction to follow or when he has reached there".

To determine the main objective of the organization, it is necessary to plan through a process known as strategic planning, which constitutes the link between the present situation and the future situation to which we want to lead the organization. This system of global planning must conclude with an integral plan that constitutes the reference framework for the

development of operational plans for the different Tax Administration functions. The description of objectives, activities required for achieving them and resources available along with the appointment of the official to carry them out shall allow for due follow-up of compliance with this plan and the possibility of holding the director in charge responsible for the results.

The planning process must include such aspects as identification of events of probable occurrence in the Administration and its environment, in order to anticipate positive or negative impacts for the Tax Administration. Likewise, it should include the identification of critical areas of the Administration which shall be given priority in the strategic orientations and initiatives of the planning process.

Obviously, this planning process is of fundamental importance and constitutes the nucleus of management.

If planning requires imagination in view of the future needs and the determination of clearly defined goals, then execution would demand such characteristics as willingness, perseverance and energy for achieving what has been planned. This phase of the management process must be considered as the most important with regard to the number of activities required for the physical materialization of mental efforts in the planning phase.

The **review and control** of management efforts for carrying out the plans, implies the evaluation of results achieved vis-a-vis expectations, objectives and plans. These activities provide the necessary feedback between the plans and actual results, by linking the results to planning with a view to detecting eventual deviations and facilitating corrective

guidelines. Thus the system's feedback circle is closed.

Section 2. Planning - Strategic and Operation Planning

"The only things that evolve by themselves in an organization are disorder, friction and malperformance"

Peter Drucker

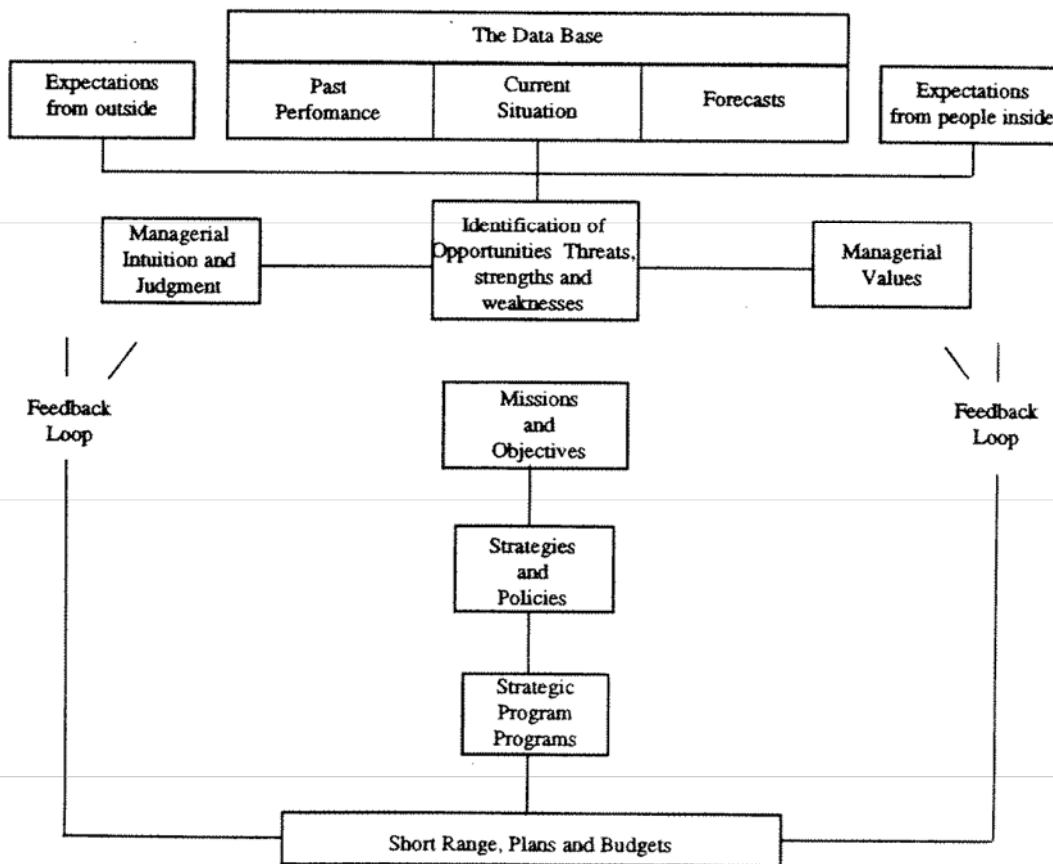
Introduction

What is a plan? In the organizational context, a plan is a framework for decision-making and the

corollary to this definition is that an organization which plans is an organization capable of focusing its resources, both human and financial, towards producing results. Some organizations have a formal process for planning; in other organizations the process is largely implicit and informal. In a world characterized by a rapidly escalating rate of change, it is important to consider planning as a process rather than a product. If a plan is viewed as a set of decisions rather than the framework for arriving at those decisions, plans become less amenable to change and in today's society the need to respond to change is constant.

For tax administration, two types of planning, bot essential tools of management, are or direct relevance: strategic and operational planning.

A. Strategic Planning



Source: Strategic Planning, What Every Manager Must Know, A Step-by Step Guide, George A. Steiner, The Free Press, 1979, p. 123.

Strategic planning may be viewed as a management tool bridging the gap between where we are now and where we want to take the organization in the future. To be effective, an organization must have a clear vision of its mission (reason for existence) and must undertake periodic environmental analysis or scanning. This involves monitoring changing economic, technological and social conditions and other relevant factors on a regular basis to avoid potential problems and take advantage of opportunities. A tax administration which uses strategic planning is well positioned to create the future it wants rather than reacting to crises as they arise.

A simple model: The Steps to Strategic Planning:

The basic elements of a strategic planning process are typically as follows:

Pre-planning. Establishing a framework for the process by a staff support group studying different models, considering who will participate at various stages and preparing a brief document to be endorsed by senior management describing the tasks and timetable.

Environmental Analysis. Three stages are involved. First, environmental scanning is undertaken to monitor relevant demographic, technological and economic changes with potential impact on the organization. Second, key concerns are identified and alternative scenarios considered for meeting challenges posed by opportunities and threats. Third, key internal factors are analyzed including major issues, the organization's strengths, weaknesses and corporate values.

Examples of significant environmental factors affecting the majority of tax administrations include political changes, the realignment of trading partners, economic conditions ranging from depression to hyperinflation, demographic trends including high or low population growth and an aging or youth dominated population, emerging technologies, and changes in societal values which may impact compliance.

Consultation and communication are needed to identify the concerns of users such as clients (taxpayers), special interest groups, central agencies and other tax administrations.

Planning Seminar. Retreating at least once a year to a location uninterrupted by daily routine for 1 or 2 days at a time, aided by a group facilitator and a staff support group, senior management considers:

mission and vision

What business are we in? How should we define our business for the future?

strategic objectives

*What are the broad areas for action?
What directions should be pursued?*

What major results are expected?

policies and principles

Based on the corporate culture, what are the guiding rules?

What is the corporate philosophy? How should we conduct ourselves?

strategies and priorities

What specific initiatives should be undertaken to achieve desired results?

*In what order should objectives be pursued?
What is the timetable for action?*

The results of this exercise should be a brief document for distribution to operational managers to provide guidance and to focus operational planning on achieving results consistent with the mission and strategic objectives of the organization.

Other Factors. Contingency planning is needed to pre-plan how to deal with disasters, eg. how to handle a major computer system outage. The plan must be regularly updated based on data from ongoing environmental analysis. A management information system will be required to feedback operating information in a form suitable for top Management decision making.

Strategic planning is a senior management responsibility. However, to build allegiance to the plan across the organization, it is important to communicate the plan widely and involve as many line managers as possible at an early stage. Participation helps develop a feeling of ownership in the plan and give individuals involved a stake in its success. Some tax administrations foster a sense of corporate commitment by holding a departmental planning conference, inviting all managers and dividing participants into syndicate groups to discuss emerging issues and focus on alternative strategies.

Strategic planning is not a panacea. Even with a comprehensive strategic plan in place, unforeseen

events will occur but the organization will be in a better position to cope than in the absence of strategic planning.

Bi-products of the strategic planning process are managers who are always looking ahead and anticipating change. Even the most careful plan will not mirror reality, but because a process has been set in place, the organization is better able to adapt to changing conditions.

Implications for the Tax Administration

For a tax administration the definition selected for mission can have important ramifications for the

objectives pursued. Some tax administrations will define their role as being reactive while others will assume a more proactive stance. Fundamental questions will be addressed over the course of strategic planning process.

Does the tax administration only collect taxes or does it have a role to play in tax policy formulation or in delivering social benefits?

As an enforcement agency how does the organization balance firmness with fairness in administering the law?

Based on agreed policies and operating principles, what is the tax administration's relationship with its clients and its employees?

SAMPLE MISSION STATEMENTS (1989)

United States Internal Revenue Service

**MISSION AND
DECLARATION
OF COMMITMENT**

The Plan starts with our Mission and Declaration of Commitment.

MISSION

The purpose of the IRS is to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency and fairness.

**DECLARATION
of COMMITMENT**

To achieve excellence in tax administration and quality service, we are committed to these goals:

- . We will focus our attention on quality as the first measure of every effort.
- . We will produce products and services to meet the needs of our customers, both internal and external.
- . We will treat our customers and our colleagues with dignity, respect and professionalism.
- . We will uphold the highest standards of ethics and integrity.
- . We will recognize and reward excellent performance at all levels.
- . We will encourage employee initiative, involvement and teamwork in making decisions and solving problems.
- . We will attract and retain talented, capable, and committed people.
- . We will support career development and personal growth.
- . We will assure that our organization reflects the cultural and ethnic diversity of the population we serve.
- . We will provide the best training available.
- . We will encourage open communication and feedback throughout the organization.
- . We will employ the best tools and technology available to get the job done.

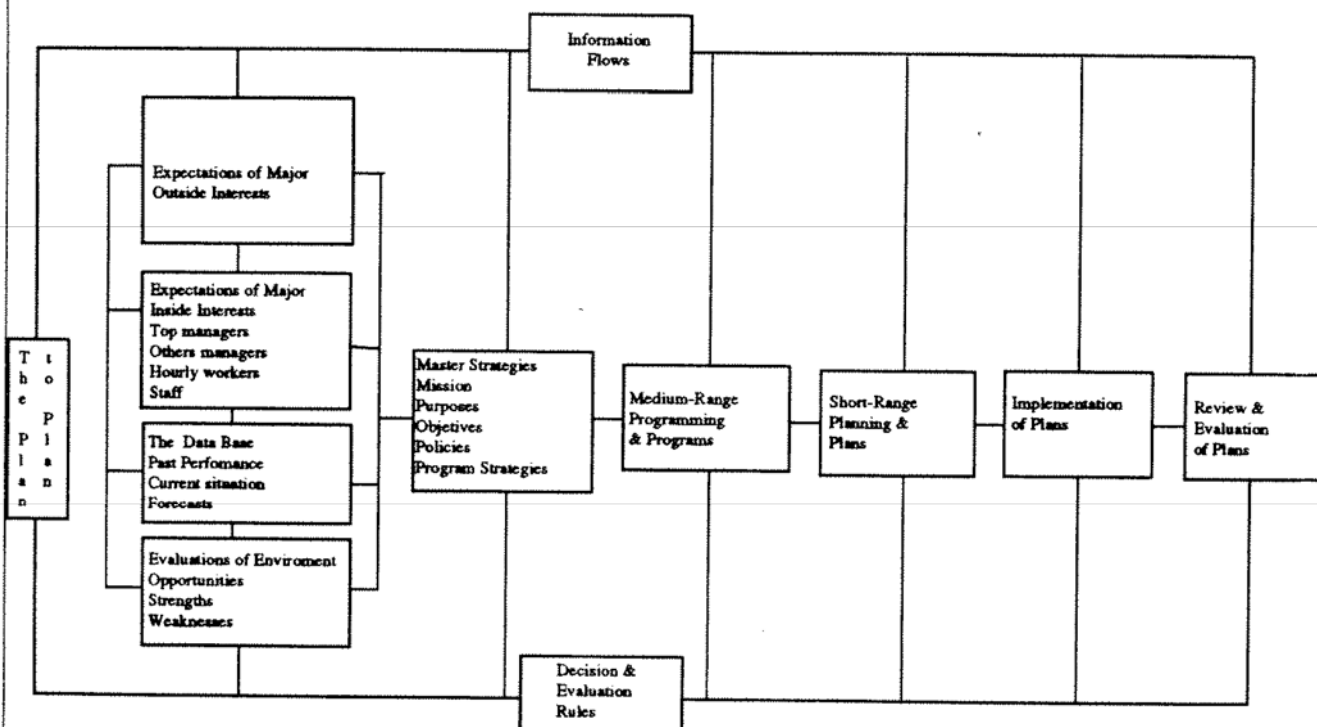
New Zealand Department of Inland Revenue

The Department's mission is to apply those laws so that every taxpayer pays the correct amount of tax - no more and no less. The most effective way of accomplishing that mission is to achieve and maintain the highest possible level of voluntary compliance. Voluntary compliance means that taxpayers meet all their taxation obligations of their own volition. To encourage voluntary compliance, the Department aims:

- to make it as easy as possible for people to comply with the tax laws, by letting them know their rights and obligations;
- to administer the law in a consistent, courteous and prompt manner, so that all people know that they are treated fairly;
- to detect those people who do not comply and, where appropriate, take action against them.

B. Operation Planning

OPERATIONAL PLANNING RELATED TO STRATEGIC PLANNING: A CONCEPTUAL MODEL



Source: Strategic Planning, What Every Manager Must Know.
A Step-by-Step Guide, George A. Steiner, The Free Press, 1979, p. 17

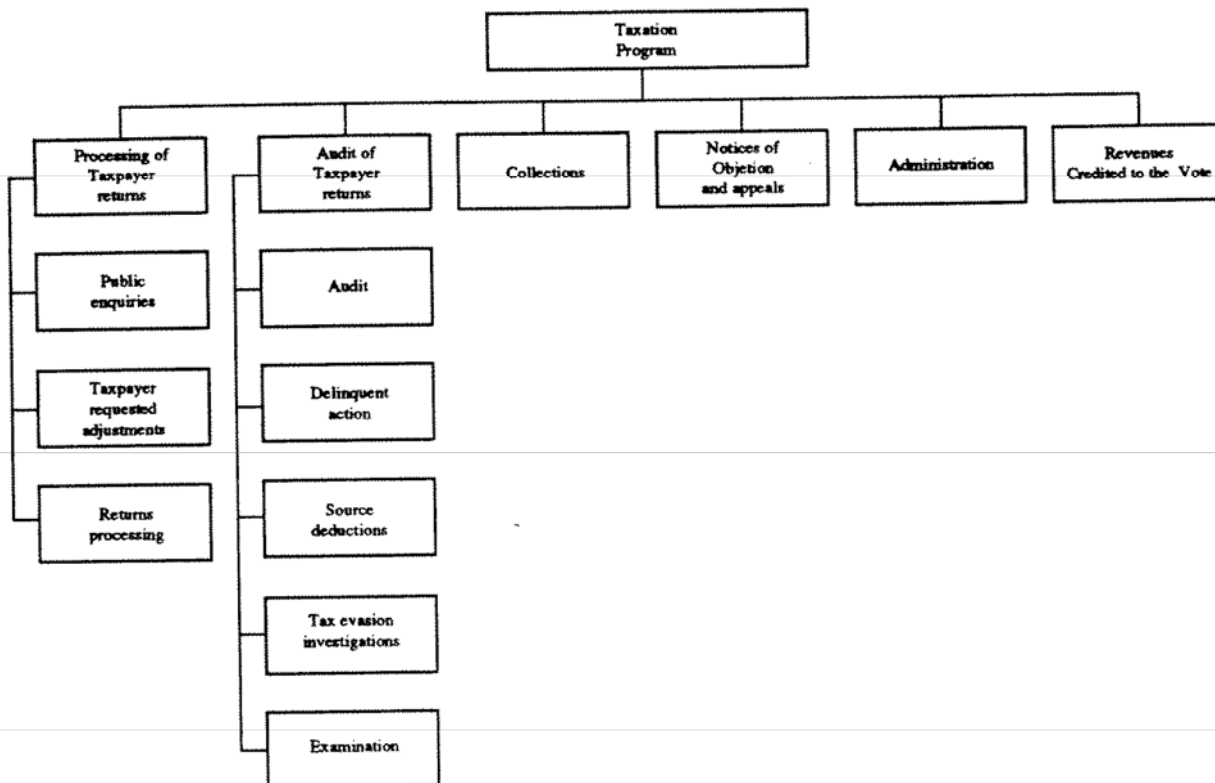
Operational planning encompasses all planning that is not strategic in nature. In the military sense, operational planning may be considered the tactics for carrying out the grand battle strategy.

Strategic planning provides the overall guidance, sets the direction and defines the limits within which operational plans are devised. Operational planning is a process where each alternative course of action for achieving objectives is carefully considered and the most feasible option selected.

An operational planning process involves formulating programs and a series of related projects within each program, assigning human and financial resources and making managers accountable.

A simple model: The Steps to Operational Planning:

Example Program Activity Structure: Revenue Canada, Taxation



An organization's operational planning system may consist of the following:

Medium Range (3 to 5 Year) Operational Plan. A program composed of a range of projects is prepared by middle management and presented to senior management showing resource requirements. Taking priorities into account, senior management selects from among the options available to formulate a program made up of only those projects which most contribute towards the achievement of the corporate mission and strategic objectives.

Framework for relating Activities and Responsibilities. A framework is developed showing, for each program, the results that are anticipated and, for each expected result, both who will be responsible for achievement and what will be undertaken. To ensure control it is important to be able to keep track of what is to be done (strategies, activities or projects) and who will be tasked so managers can later be held accountable for their performance.

In some organizations formal accountability

agreements are signed between successive layers of management. Prior to signing, each level of management negotiates as to the expected results against which the person's performance will later be measured.

Short Range (1 Year) Plan. Annual goals or targets are established and a budget along with detailed work plans are prepared. For project management purposes it is important to know during implementation whether the budget is being exceeded, whether delays are occurring at any stage of project implementation and whether to shift resources from one project to another as priorities change. A short range plan against which progress can be measured allows you to maintain control and only deviate from plan during the implementation phase when it is warranted to do so.

Data Base. An accounting system to control financial resources, a project reporting system to realign projects/track performance and the use of other information systems should be planned in advance of program implementation.

Tools

Modern technology should be incorporated into the planning process. However, strategic and operational planning are by no means contingent upon sophisticated computer systems.

Technological advances such as electronic data processing (large scale and personal computers) can assist in data base management and communications advances (local area telephone networks, satellites, mobile cellular phones) can assist in coordinating the efforts of those involved in operational planning. Planning can and should, however, take place even in the absence of such technologies.

Establishing linkages to the Execution and Control phases of the managerial process should be developed during operational planning. It is important to create a system in advance for monitoring implementation on an ongoing basis during the Execution phase to detect deviation from plan and potential problems early on before they become magnified.

It is of equal importance to develop a system in advance for providing feedback during the Control phase so that corrective action can be taken in the next iteration of operational planning. Judicious use of management tools such as internal audit and program evaluation can provide this valuable feedback. While Internal Audit is a measurement tool which examines internal controls to eliminate waste and inefficiency, program evaluation probes into the rationale for a program, the results achieved, both intended and unintended, and seeks to measure effectiveness to determine whether the program achieved what it set out to achieve.

Implications for the Tax Administration

A tax administration requires a formalized operational planning system for organizing and directing effort, assigning priorities, optimizing the use of resources, providing the information to justify budget requirements to central government agencies and for reviewing performance with a view to making improvements.

Suggested Reading

Strategic Planning, What every Manager Must Know, A Step-by-Step Guide, G.A. Steiner, The Free Press, New York 1979.

Understanding Applied Strategic Planning: A Manager's Guide, J.W. Pfeiffer, L.D. Goodstein, T.M. Nolan, University Associates Inc., San Diego California, 1987.

IRS Strategic Business Plan, Fiscal Year 1991-1995, Department of the Treasury, Internal Revenue Service, Document 7382 (8-89). Washington, D.C. 1989.

Program Budgeting and Benefit-Cost Analysis, Cases, Text and Readings, H.H. Hinrichs, G.M. Taylor, Goodyear Publishing Co., Inc., Pacific Palisades California, 1969.

Planning and Control in Tax Administration, Document No. 39. Technical Papers and Reports of the 19th General Assembly of CIAT, Port-au-Prince, Haiti, June 24028, 1985, International Bureau of Fiscal Documentation, Amsterdam, 1987.

Section 3. The Execution Stage - Programming and Delivery

One way of looking at the Execution stage is to consider it as part of a continuum. Following this approach, Execution may be defined as that step of the managerial process involving the implementation of strategic and operational plans.

To ensure control over the managerial process it is important that the implementation phase be linked to strategic and operational plans and that any significant deviation from plan be measured and analyzed to improve the managerial process in future. Often referred to as the operational stage, Execution involves delivering programs to achieve objectives.

To fulfil their obligations, taxpayers must be properly informed. Thus it is important to emphasize service to taxpayers during the Execution phase and to have an effective external communications strategy in place.

The importance of this stage to the tax administration cannot be overemphasized because it is during this stage that the tax administration is most visible. In most cases, a tax administration has but one opportunity to introduce a new program and, to secure public understanding and confidence, it is essential that this be handled with care.

Every time a new program is introduced, the credibility of the entire tax administration is at stake. Consequently, careful execution is critical.

An effective tax administration must listen to its clients. Through taxpayer attitude surveys and meetings with tax practitioners, business and professional groups, other government agencies and other levels of government, the tax administration can improve its ability to head off potential problems.

A. Programming of Execution

In the tax administration, as in any other organization, human and material resources are essential factors of production. The most successful organizations, however, know how to make effective use of these resources.

Individual managers must take an active role in human resource management assisted by the Personnel Branch. Obtaining the best in human resources means careful recruitment, proper training and development of employees. It is important for employees to be motivated and that morale be high. This is achieved by giving employees the proper tools, teaching them through formal courses and on-the-job training and recognizing/rewarding achievement.

The successful, innovative tax administration is one which recognizes that employees are a source of useful ideas for making improvements. Good managers meet regularly with employees, manage by "walking around", organize to allow semi-autonomous teams where feasible and promote good judgment.

Encouraging the involvement of personnel responsible for program delivery in recommending changes towards improving programs will result in practical suggestions as well as improved employee morale and enhanced productivity. Experience has shown that allowing employees to work in semi-autonomous teams, sometimes termed "quality circles" and giving people increased responsibility and autonomy over the work improves efficiency as well as quality.

B. Delivery of Execution

Programs to be delivered to taxpayers are developed as part of the operational planning process. The programs should be monitored during the Execution

stage to ensure they are progressing as planned and to take corrective action if necessary.

Information useful for monitoring performance and making ongoing improvements includes indicators of quality (error rates in each work section), inventory turnover (backlog) and cost information. During the Execution stage variance between actual and budget information should be measured.

In scheduling work, the work flow should emphasize simplification. This is best achieved by analyzing each task and procedure and questioning need by challenging assumptions and testing changes before widespread implementation.

C. Conclusion

During the Execution stage, internal and external communication channels should be established to facilitate dealings with the clients of the tax administration and among departmental personnel.

A management information system is required to support Execution by providing ongoing information on operations in order that corrective action can be taken soon after a problem is detected. Information systems will provide the data needed to confirm progress, to schedule work flows and to maintain quality.

At Revenue Canada, Taxation, we are in the process of reviewing our program structure to facilitate operational planning, enhance program delivery and improve reporting to Parliament.

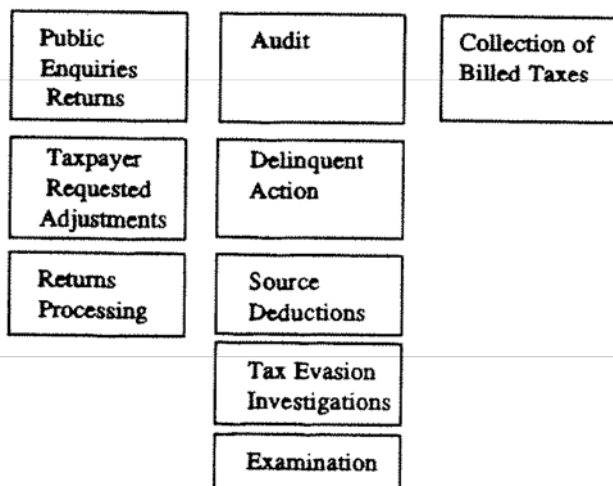
The components of the current Revenue Canada, Taxation Program Structure, are termed activities and sub-activities (figure 1). These activities and sub-activities are the basic building blocks for delivering programs. It is not expected that the new program structure will differ significantly from the current one at the activity level, although significant differences may appear at the sub-activity level.

FIGURE 1

ACTIVITIES

Processing of Taxpayer Returns Audit of Taxpayer Returns Collections Notices of Objection and Appeals Administration

SUB - ACTIVITIES



When used for planning and programming purposes, this structure is referred to as the Operational Planning Framework and composed of blocks termed planning elements and sub-elements.

Definitions of the current activities which make up Revenue Canada, Taxation's Tax Program are shown below.

Definitions

Processing of Taxpayer Returns

Fostering self-assessment by the taxpayer and processing of taxpayer returns include the provision of instructive information and forms for the preparation of income tax or information returns; the examination and assessment of returns; the processing of payments; the issuance of assessment notices including refund cheques or tax bills; the subsequent filing and storage of these returns; as well as the processing of requests received from taxpayers after assessment to effect a change or adjustment to a return.

Audit of Taxpayer Returns

This covers those functions performed after the initial assessment of filed returns to ensure that the taxpayer has complied with the requirements of the

filing and reporting provisions of the Income Tax Act.

Collections

Functions related to the collection of outstanding taxes identified as a result of the initial processing or audit of tax returns.

Notices of Objection and Appeals

The independent review of an assessment or reassessment contested by a taxpayer.

Administration

Executive direction provided by Head Office as well as by the five Regional Offices. Head Office personnel set policy and provide financial management, personnel and administrative support services.

In addition, there is a sixth activity termed Revenue Credited to the Vote.

It is important to make adjustments to the organizational structure and to assign responsibility for carrying out all activities and sub-activities. At Revenue Canada, Taxation, managers are held accountable for results related to each block in the activity/responsibility matrix (figure 2).

FIGURE 2

Activity/Organization Matrix

s		
u		
a	b	
c	-	
t	a	
i	c	
v	a	t
i	n	i
t	d	v
e	t	i
s	i	e
s	e	s

elements

(performance indicators should be developed for each element in the matrix and performance monitored during the Execution stage).

responsibilities

The control process provides the necessary feedback between plans and actual results, by directly linking results to planning and management and thus setting the basis for determining the organization's effectiveness and efficiency.

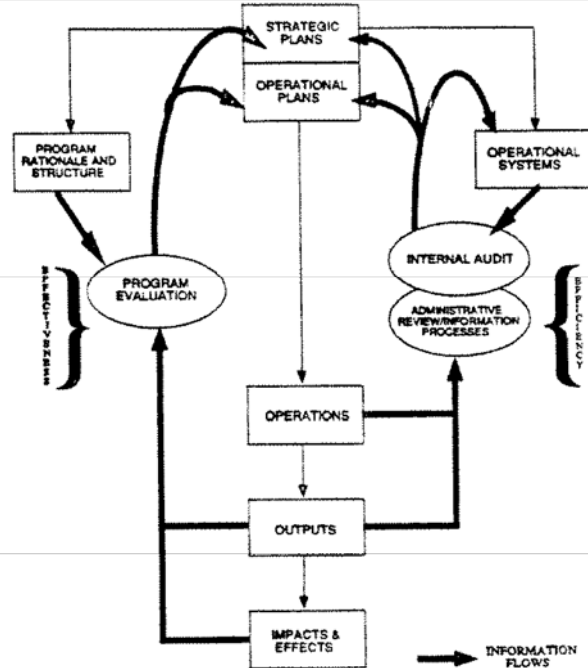
A. The Managerial Control Process - An Overview

The managerial control process therefore provides objectives and evidence on the organization's effectiveness and efficiency through feedback which can be used to both improve current operations and to provide the basis for future strategic planning. This process implies at least three complementary activities:

- Program evaluation
- Internal Audit ¹
- Other administrative review and information processes, including the presentation of financial reports, measurements of performance, administration and quality reviews.

The following model illustrates the workings of the control process and compares the focus area of the various activities.

MANAGEMENT CONTROL PROCESS



¹ Financial audit, management audit, operational audit, composite audit and comprehensive audit are all either elements of, or synonymous with, the term "internal audit".

Section 4, Control - Review and Evaluation

Introduction

Control can be described as a complex series of continued and interrelated activities which are designed to direct and monitor the affairs of an organization. The control function begins with the defining of objectives and comes full circle with the achievement of those objectives. It is a means to an end and not an end in itself. It constitutes the policies, programs and procedures by which management can best assure the accomplishment of stated plans and objectives in the most effective manner reasonably possible.

In a tax administration, the managerial process can be described in terms of three interrelated activities or phases:

- planning (decision-making);
- execution (management); and
- control (review and evaluation)

Planning is concerned with determining sound goals and objectives and with developing general strategies and operational plans for achieving them. Execution includes carrying out these plans and the ongoing management of the resulting tax operations. Control involves determining the performance and results of the operations against expectations, objectives and plans.

The Planning phase is therefore a precondition to effective control and establishes what is to be done, how and when it is to be done, who is to do it, and what is regarded as satisfactory performance.

These control activities carried out at varying levels of aggregation are the basis and means of measuring efficiency and effectiveness. As can be seen, on the efficiency side of the model, internal audit and administration review processes tend to concentrate heavily on feedback between operational plans, operations and operational outputs. Program evaluation, on the effectiveness side, extends beyond this to look in a systematic way at both the results of program in the external environment and the rationale of the program, and to use this information in strategic planning.

Program Evaluation, Internal Audit and Other Management Controls

Program Evaluation provides information to improve programs. It involves an in-depth and thorough assessment of what a program is accomplishing, including intended and non-intended results. While the prime focus of program evaluation is on program results and internal audit is on effective operations, there are areas of potential overlap.

To clarify the distinction between these two activities, we can look at the following definitions taken from a document entitled "Internal Audit and Program Evaluation in the Government of Canada: A Clarification of Roles, Responsibilities and Relationships", (August 1979), which states that:

- Program Evaluation is the periodic, independent and objective review and assessment of a program to determine, in light of present circumstance, the adequacy of its objectives, its design and its results both intended and unintended. Evaluations will call into question the very existence of the program². Matters such as the rationale for the program, its impact on the public, and its cost effectiveness as compared with alternative means of program delivery are reviewed.
- Internal Audit is the systematic, independent review and appraisal of all departmental operations, including administrative activities, for purposes of advising management as to the efficiency, economy and effectiveness of the internal management practices and controls.

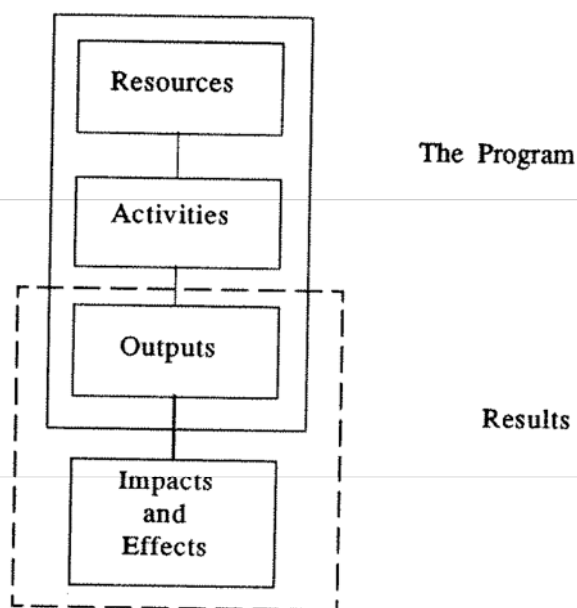
Internal Audit is similar to program evaluation in that it must be and appear to be objective, and is done on a periodic basis. It differs from program evaluation

in its subject matter: program systems and management controls as opposed to program structure and results.

Internal audit includes assessing the effectiveness of organizational structures and relationships, operating procedures and systems, and human resource requirements and utilization.

The distinction between these two major corporate level functions can further be illustrated using the following model of a program structure.

A Basic Program Structure



- | | | |
|---------------------|---|--|
| Resources | - | The dollars, person-years and other inputs allocated to the program |
| Activities | - | The resulting major work tasks, powers and functions performed or administered by program personnel |
| Outputs | - | The direct goods require regulations or provisions in tax law produced or directly controlled by the program personnel |
| Impacts and effects | - | The resulting goods, services and regulations produced by others and the consequent chain of outcomes which occur in society or part thereof |
| Results | - | The collection of outputs and impacts and effects associated with a program |

² Due to their legislative nature, the existence of tax administration programs is seldom reviewed.

Internal audit is focused internally on the program, examining the resources, activities and outputs and the relationships among these elements. Program Evolution, on the other hand, focuses on the structure of the program as a whole, on its impacts and effects and on the relationships between the impacts and effects and both the outputs produced and the resources used. The work of internal auditors and program evaluators does not in any way diminish the responsibility of line managers to ensure that adequate control or efficiency is maintained in their areas of responsibilities. For this purpose, managers may establish appropriate mechanisms, including internal review groups which monitor adherence to controls on their behalf on an ongoing basis.

B. Review - Ongoing Management Control During Program Delivery

Managers should not be in a position of having to rely solely on the results of periodic audits or evaluations to monitor adherence to plans or controls. Therefore, in addition to program evaluation and internal audit, there are administrative review and information processes other than regular financial reporting mechanisms which complement the management control process. These activities are designed either to ensure adherence to a specific set of norms or plans, or to ensure that operations are functioning satisfactorily. Review activities are carried out by various groups of employees whose duties consist of a wide range of monitoring and problem solving actions on behalf of the management to whom they report. These review activities identify on a timely basis deviations which may result in immediate corrective action or indicate a need for in-depth follow-up. Listed below are three primary review activities which assist in the management and control of a program.

1. **Performance measurement** is a manager's routine measurement of the ongoing performance of program operations in terms of the economy with which resources are acquired, the efficiency with which operations are conducted, the quality of the products or services provided and the extent to which operational objectives are achieved. Measurement can involve trends, standards and comparisons of indicators or other performance information on a program's operations.
2. **Administrative or management review** is a term used to describe an element of a manager's

job which may involve a wide range of monitoring and problem solving activities designed to ensure that operations are functioning satisfactorily. In many cases, it constitutes a vital element in the control process of the manager which reflects his personal style and may be part of any formal management control system.

3. **Quality Review** is a term which covers a variety of monitoring, inspecting and investigating activities that may exist in an organization. Their primary purpose is to ensure reasonable adherence to a specific set of norms or standards and as such form an integral part of the control system of the organization. The intent is to identify on a timely basis deviations which may result in immediate corrective action or indicate a need for in-depth follow-up.

Finally, there exists other management review processes such as research, surveys, comments of mass media communications and political debates in Parliament. These processes are less systematic mechanisms than those previously discussed which also provide information on the effectiveness of tax administration programs and activities.

Implications for the Tax Administration

Managerial control processes are in place in tax organizations to ensure the availability of relevant, credible and objective information on the performance of their programs. This information is used to assess the continued relevance of programs, their effectiveness in meeting objectives and the efficiency and cost effectiveness with which they are delivered.

C. Evaluation and Feedback - Measurement of Efficiency and Effectiveness

Performance measures of both efficiency and effectiveness are useful for providing feedback on programs to management so that corrective action can be taken.

Measurement of Efficiency

As indicated above, efficiency (or level of performance) relates mostly to operations. In tax administrations, efficiency deals among other things with:

- the optimization of the resources with emphasis on the human factor.

- the application of modern information technology
- criteria for the allocation of resources in order to reduce administrative costs.
- Management Information Systems applied to the measurement of time/production in the main operational areas of the Tax Administration, that is:
 - Taxpayer Files
 - Filing of returns
 - Collection
 - Verification and
 - Inquiries from the public

A management information system must provide important indications with regard to efficiency.

Measurement of Effectiveness

The effectiveness or level of compliance with the objectives of the tax administration is generally measured through:

- The evaluation and control of tax programs with respect to the overall structure of the program, its impacts and effects, the results expected/achieved and resources used. The programs subject to analysis are: inquiries from the public, verification and collections.

The final measurement of the effectiveness of a tax program would be its contribution to the level of compliance with tax laws. The difference between thorough compliance and the amount assessed and collected is known as the tax gap. In spite of efforts undertaken by the administration to express the concept in useful terms, measurement has turned out to be illusory.

The measurement of the results of tax programs has been used as a substitute of the measurement of effectiveness, although occasionally, the first one involves a periodic in-depth examination of the effectiveness of the components of a program.

It should be noted that information systems and measurement techniques are generally oriented toward the measurement of efficiency and productivity.

This is gradually changing as the resources allocation system is improved by relating objectives to results, and also, to the extent Management Information Systems are further developed, in the point of linking time/production systems to the results systems.

Feedback

As illustrated by the information flows in Figure 1, feedback which results from the management control process therefore serves for undertaking corrective actions within the management process being developed or else in the new cycle of the tax administration's strategic planning process.

Implications for the Tax Administration

The management control process provides a higher valuable service to management of tax administrations by reviewing, appraising and reporting on operations and providing an independent assessment as to the efficiency and effectiveness of programs.

This cycle concludes when the results of such measurements is fed back into the process. This feedback, after carefully evaluating according to the level of importance, allows tax administrations to undertake appropriate actions, including the reappraisal of the plans and objectives themselves.

Glossary of Terms

Activities

Alternative or complementary means of achieving an objective or set of objectives of a program. The term is also used to refer to the highest level of activity classification or first division of a program.

Program

A group of resources and activities and their direct outputs, undertaken pursuant to a given objective, plan or set of related objectives administered by a government department or agency.

Control

The process by which the activities of an organization are conformed to a desired plan of action and the plan is conformed to the organization's activities. The established process that enables management to direct and monitor its activities, including: the framework for control, including objectives, plans and standards; the delegation of the

authority to act on them; the continuous monitoring and evaluation, to identify deviation from the framework; and corrective action to restore operations to the prescribed framework, where necessary.

Efficiency

Efficiency refers to the relationship between goods or services produced and resources used to produce them.

An efficient operation produces the maximum output of a specified quality or characteristic for any given set of resource inputs or it has minimum inputs for any given quantity and quality of service provided.

Internal Audit

Internal audit is the systematic, independent review and appraisal of all operations for the purposes of advising management as to the efficiency, economy and effectiveness of the internal management policies, practices and controls.

Program Evaluation

Program Evaluation is the periodic, independent and objective review and assessment of a program to determine, in light of present circumstances, the adequacy of its objectives, its design and its results both intended and unintended.