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“A MODERN VISION OF THE TAX ADMINISTRATION”

Case Study 3.3

**THE TECHNOLOGICAL TOOLS IN FINANCIAL AND BUDGETARY MANAGEMENT
FOR TIMELY AND EFFECTIVE ACCOUNTABILITY**

**Superintendence of Tax Administration
Guatemala**

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Case Study 3.3: TECHNOLOGICAL TOOLS IN THE FINANCIAL AND BUDGET MANAGEMENT, FOR TIMELY AND EFFECTIVE ACCOUNTABILITY

I. IMPORTANCE OF FINANCIAL AND BUDGET MANAGEMENT FOR ACCOUNTABILITY

“The budget goes beyond the mere accounting formulation to become the meeting point of the forces of society.” Martin 2005.

Today more than ever the population plays an active role in public management. This role has been fostered by basic unmet needs; the deepening of the democratic system in Latin America, which allows citizens to exercise their basic rights; and the development of information technologies that facilitate the government-society interaction, even in real time.

Different studies have shown the importance of a good public administration to strengthen governance and even to improve economic performance. As part of this, it is believed that a good government constantly informs and listens to the population; however, the government's success in implementing the aforementioned functions will depend on many things, including transparency and the status of art development, including information technology. In addition, other studies have shown that a perception of good governance influences tax compliance in a positive fashion.

It is in this framework that the government-society relations are conducted. Therefore, it is in this setting that public management and, specifically, financial and budget management take place, going from cost-centered activities to result controls and accountability before the country's population.

Following this pattern, tax administrations in the world today face the challenge of adopting management approaches geared toward attaining results, as some administrations in developed countries have already done. This is the case for Australia, whose model shows that given the heterogeneity of taxpayers, the aggregation of public value implies managing compliance, interventions, accountability, use of resources, and a different form of accountability. In this process, the progress made in terms of information technology, such as e-mail, the Internet, etc., is very useful in communicating with the public in general and taxpayers in particular.

The opportunity to introduce innovations in the management of tax administrations continues to be broad. However, it is indispensable to advance in defining policies and strategies to file one's reports in an effective manner, especially in keeping with the financial resources used, performance indicators, impact evaluations, and specific results obtained.

II. ELEMENTS COMPRISING ACCOUNTABILITY AND INFORMATION TECHNOLOGIES FOR BUDGET AND FINANCIAL MANAGEMENT.

2.1. SOME TECHNICAL SPECIFICATIONS OF MANAGEMENT

The evolution of budget techniques shows that now, more than ever, comprehensive approaches are needed to align used resources with the results obtained. In certain models used in the past, such as zero-based budgeting, activity budgeting or by-item budgeting, emphasis was placed on activities and items. Nonetheless, greater importance was placed on the control tool than on the management of resources and on satisfying users. In the meantime, result management budgeting provides a significant weigh on the results obtained from the use of available financial resources.

In order to effectively compare its components, it is appropriate to remember the definitions of results-oriented budgeting and traditional budgeting.

Results-based Budgeting: Methodology that presents elements that are far better than program-based budgeting and complement the latter. As part of its chief characteristics, this methodology involves clearly identifying input-output relations in the budgeting process and defining policies as the framework to define public production. This methodology underlines the development of impacts and results indicators and establishing causal relationships between results and the amount and quality of the goods and services to be produced by public entities.

Traditional Budgeting: Budgeting system that showed the allocation of resources at the institution level and the expense item, without specifying the goods and services obtained from said resources. This methodology was geared toward the items the government bought and not the things it produced.

In the implementation of results-based budgeting, the use of information technology is indispensable not as a goal in itself but as a part of the set of tools to facilitate elements in budget management. These elements are valuable in terms of both the management and alignment of expected results, political aspects, and of course the resources used to meet the needs of country residents, as depicted in the following diagram.

Resources / Inputs → Activities → Products → Results → Impacts

In this regard, accountability plays an important role as it becomes a challenge whereby government authorities subject themselves to the scrutiny by the population of the results they have attained in each government agency. To this effect, information technologies are an important support tool and one that will strengthen institutional transparency.

2.2 ACCOUNTABILITY FOR BUDGET AND FINANCIAL MANAGEMENT.

Accountability involves an obligation of public officials to present to the population, information on what goods and services were produced with the resources allocated to carry out programs and projects. This accountability entails the public sector's compliance in its economic-financial activity to the principle of legality, principles of efficacy, and efficiency in the execution of public spending. Accountability also involves the presentation, for its review and verification, of a detailed and well-founded description of earnings and expenses of an administration or management.

All public servants have an obligation to be accountable for their actions and management in a clear and timely manner, especially those in charge of the execution of budget programs or managing or guarding state resources, goods, funds or valuables, or resources from decentralized and autonomous entities.

In order to adequately present one's filings on the basis of results-based budgeting, it is important to clearly identify the public resources use process in obtaining the expected products. To that end, it is appropriate that we delve deeper into the following central topics:

- i. Identifying priority results;
- ii. Establishing a logical connection between the results, products, and services they provide; and,
- iii. Defining the quality standards that said products or results must meet in order to satisfy the needs of the target population. These quality standards include the definition of performance indicators.
- iv. Evaluating the results
- v. Feedback

It is important to take into consideration that the orientation of public management toward results does not entail that we will be neglecting inputs, processes, and related products, because problems in public management are present throughout the chain of supply of goods and services. Consequently, it is indispensable that this chain has been defined appropriately in order to attain specific expected results.

In addition and in order to strengthen the accountability process, data provided by government agencies in their transparency processes in management, must respond to the following elements:

- i. The center of public activity must be citizens;
- ii. Public management must allow citizens to identify the official responsible for providing goods and services; and
- iii. The information supplied from the monitoring and evaluation of results, must be tied to the decisions made by the state and must be shared with civil society.

2.3 BASIC ATTRIBUTES OF A TAX ADMINISTRATION THAT IS ACCOUNTABLE FOR ITS MANAGEMENT

One of the basic aspects of the work of tax administrations, is that most of the information available has been delivered under the condition of confidentiality, so the actions of the tax administration are based on taxpayers' confidence that their cases will be handled with due secrecy. Furthermore, taxpayers trust that the physical, financial, and human resources the tax administration has, will be handled in an effective manner, so they can result in improvements in systems and procedures. The latter will ultimately facilitate voluntary compliance and will reduce the cost related to the aforementioned process.

Some of the pieces of evidence that tax administrations are making progress in this process are: retaining and training qualified staff to carry out the aforementioned tasks; the permanent process of training of officials so they stay fully abreast of the evolution of world techniques; the renovation of available taxpayer service systems; and the establishment of self-sustainable innovation procedures.

In addition and to promote institutionalism, the tax administration requires the following, among other things, to operate effectively: a coherent legislation; the existence of an adequate level of tax awareness, a good system of administrative, financial, and budget management processes, and the existence of a management policy based on the philosophy of service to taxpayers.

In general, all of the aforementioned aspects imply:

- ❖ Objective enforcement of the law and procedures.
- ❖ Full respect for citizens' rights.
- ❖ Promotion of service quality institutional culture.
- ❖ Implementation of a policy of transparency and accountability.
- ❖ Use of mechanisms to limit and detect acts of corruption and arbitrary actions.

2.4 TRANSPARENCY AND ADVERTISING

An adequate accountability is directly tied with transparency and advertising the actions carried out by the tax administration. However, in order to attain transparency and advertise its actions a tax administration must also be effective, efficient, and agile. It must be imbued with ethical and moral values, allowing each administration employee to give his or her best for the country, society, their families, and their own sake.

To that effect, all processes that are carried out must be based on intense communications between the people and their leaders, as well as on the existence of a culture of integrity and clarity regarding all processes involving the administration.

In this regard, the Advertising Budget Principle establishes that the budget must be made public and that budget management information must be disseminated in the framework of the concept of accountability of the population. This principle must never be construed as the mere fact of publishing the approved income and expense budget and subsequently publishing the result of budget execution at the end of the budget year. Rather, it must be viewed as the process of advertising all budget stages, going from its formulation to execution, control, and evaluation, as well as its final liquidation.

When the budget is managed with due transparency and advertising, the ultimate accountability process is not as important as when it is not managed and advertised in a transparent fashion.

III. TECHNOLOGICAL TOOLS

Independent of the methodology is use in the financial and budget management of the state, at present most countries use technological tools to have one single system in place, called Government Control and Financial Management Integrated System. It has been conceived as a macrosystem comprised by the "Financial Administration Integrated System" and the "Government Auditing System," in which the Financial Administration Integrated System is comprised by the subsystems of Public Budget, Government Accounting, National Treasury, Public Credit, and Procurement. In spite of the fact it does not specifically include the Tax Revenues Collection System, it must be capable of communicating with it via information technology means.

Said macrosystem is intended to provide useful, timely, and appropriate financial information to make decisions, as well as to facilitate the control process and accountability, under the principles of normative centralization and an operating decentralization in the state's financial management. It follows standards of effectiveness, efficiency, and economy, in order to help public administration serve society and hold public servants and officials accountable for their actions.

As a complement to said macrosystem, some modules or systems that tie the management of real resources with financial resources have been developed, such as:

Procurement Management System: it integrates electronically the issue process in managing requests for goods, supplies, and services, with the purchase order and the budget execution.

Debt Management and Administration System: conceived for a better management of the public debt, both bilateral and multilateral debt of countries, by systematizing debt information, to include amounts, interest rates and commitment, inspection, and oversight commissions, disbursements, maturities, payments, and others. It allows the administration to make estimates, scaling, and tailored reporting.

State Procurement and Contracting Information System: Consists of electronic markets operated via Internet. Through these markets, state agencies purchase goods and contract the services they require, achieving a good management with transparency, free participation of possible bidders, savings in processes, efficiency, promotion of development, and regional integration.

IV. THE CASE OF GUATEMALA

4.1 RESULTS-BASED PROGRAM BUDGETING

In many countries the debate continues as to what is the best methodology for the public budget, although in most Latin American countries with the development of financial and control management integrated systems, the use of the results-based budgeting methodology has been encouraged.

In the case of Guatemala that discussion has been exhausted, because Article 23y of the Political Constitution of the Republic establishes that the budget structure is program-based. This implies the use of the "Program-based Budgeting" methodology, based on the conceptual trilogy Planning, Programming, and Budgeting. This methodology defines the budget as a programming and management control instrument, stated in institutional programs whose final or intermediate products (goods or services) contribute to complying with higher-level plans or programs, and rationalizes on the allocation of public resources, through an annual accomplishments plan.

Without ignoring the aforementioned constitutional provision, in Guatemala Results-oriented Programming Budgeting is applied, in the sense that:

- ❖ Program budgeting clearly expresses the input-output relationship and the policies to define production.
- ❖ It highlights the methodological development of impact or result indicators and the establishment of causal relations among inputs, processes, and the amount and quality of the results to be produced.
- ❖ The budget is interrelated with other developments of the management of real resources, specially planning and human resources.
- ❖ Management is geared toward attaining results and performance; it is based on the clarity of the proposals, the authority to carry out the taskings, and the responsibility to exercise said authority.

4.2 ACCOUNTABILITY

The Political Constitution of the Republic of Guatemala also establishes in Article 241 that state agencies, decentralized, or autonomous entities will present on an annual basis to the Congress of the Republic their progress report, through the annual budget liquidation that is submitted to the Comptroller General's Office in the first three months of each year.

In the meantime, the Comptroller General's Office will present and issue a report in a term not to exceed two months, which it will forward to Congress, who will ultimately approve or disapprove the budget liquidation for each agency. In the event the budget liquidation may be disapproved, Congress must call for the corresponding report or explanation and if it were for criminal reasons, the Attorney General's Office will be duly informed.

In addition, the Basic Budget Law stipulates in Article 4 that every public servant that handles state funds or valuables, as well as those exercising management or leading functions, must present a report on their work at least once a year to their immediate supervisor. This is done to ensure compliance with the objectives set out for the public funds officials were entrusted with, and for manner and results of their utilization.

The foregoing implies that accountability basically responds to two situations:

- ❖ A report on one's work must be presented as regards compliance with legal and procedural requirements to receive public funds and to make payments for goods and services received.
- ❖ A report on one's work must be presented as regards compliance with the objectives set out for the use of public resources officials were entrusted with, and for the manner and results of their utilization, that is, for attaining execution goals and meeting outlined objectives.

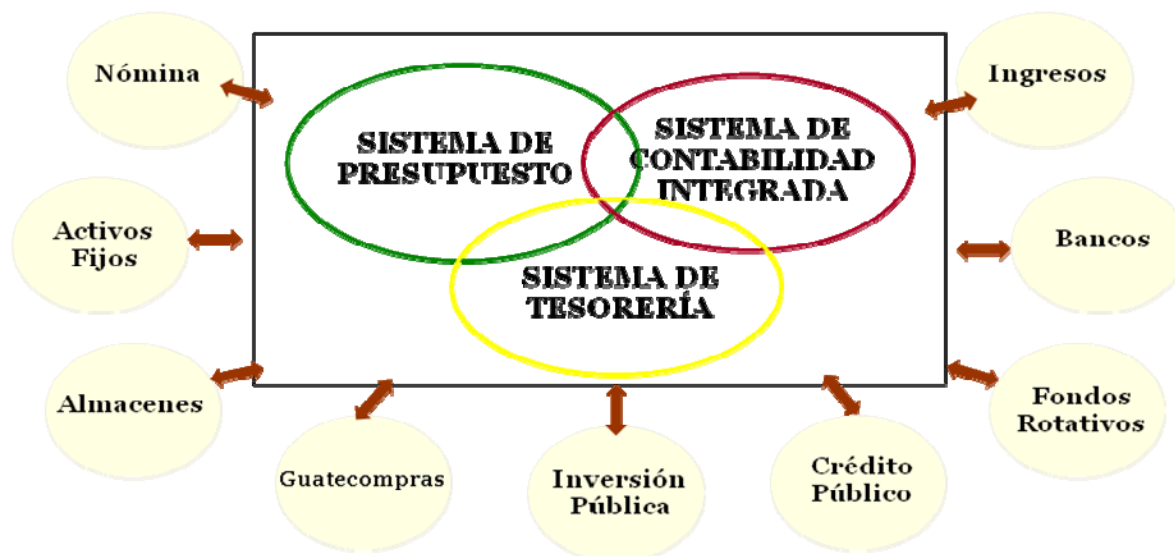
In addition to the foregoing paragraphs, on September 23, 2008, Congress approved Decree Number 57-2008, which contains the Law on Access to Public Information. This piece of legislation is aimed at ensuring that each interested person has the right to request and have access to public information in the hands of the public administration for its actions, as well as for ensuring transparency in the public administration's management. It is based on the principles of maximum advertising, transparency in managing and executing public resources, free access to information, simple procedures and expediency in the process of requesting information. This legislation will enter into force on April 23, 2009.

4.3 TECHNOLOGICAL TOOLS FOR FINANCIAL AND BUDGET MANAGEMENT OF THE GOVERNMENT OF GUATEMALA

The reform of the financial administration in Guatemala took shape in Government Ruling 217-95 dated May 17, 1995, whereby the "Integrated System of Financial Administration and Control (SIAF-SAG)" was established. It is comprised by the subsystems of budgeting, accounting, treasury, public credit, procurement, and auditing, to be implemented in all Nonfinancial Public Sector agencies.

In this manner the SIAF is conceived as a set of entities, organizations, laws, regulations, handbooks, procedures, guidelines, human, material, and technological resources, the objective of which is to develop the budget and financial management of the nonfinancial public sector.

Table No.1
COMPONENTS OF THE FINANCIAL AND CONTROL MANAGEMENT SYSTEM
(SIAF-SAG) OF GUATEMALA



Source: State Accounting Directorate, MFP

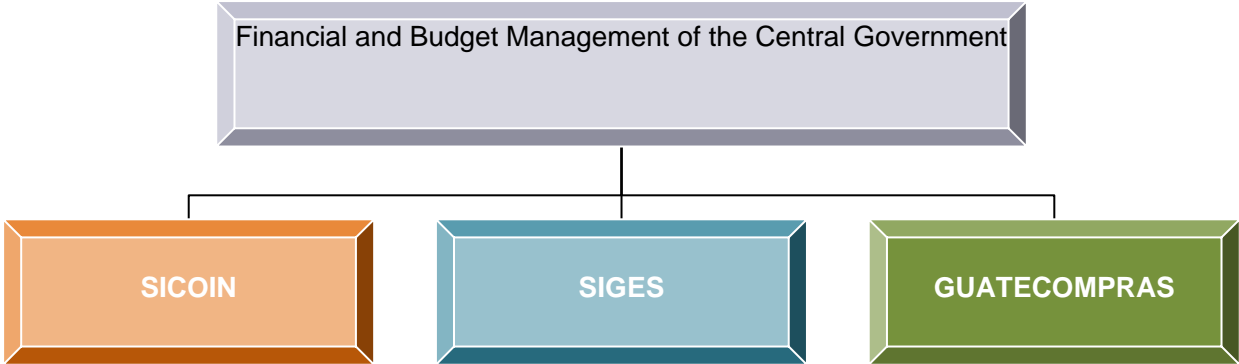
The SIAF forms part of a long-term state reform strategy. Although it is implemented generally in the Public Sector, it has been put into operation in continuing stages, beginning in the initial stage with central government entities (Ministries and Secretary's Offices). Later in the second stage, it was implemented in decentralized, autonomous entities, and public companies, and in its third stage it was implemented in local government or municipalities.

As of this writing the SIAF has been implemented all across the Central Government, as well as in 31 decentralized, autonomous entities and public offices, including Congress, the Judicial Branch, and the Guatemalan Social Security Institute (IGSS). Since it has been implemented in all Ministries, Secretary's Offices, Presidency Offices, and Social Funds, consisting of 192 executing units combined, the work of the government under the principle of operating decentralization at the Ministries and governing centralization at the Ministry of Public Finances as governing agency of the Financial Administration has been strengthened.

The system works online and in real time, during all stages of the budgeting process. Furthermore, it has permeated down to the most basic level of implementation, that is, it records all spending phases from the time the transaction originates.

Regarding its computer platform, the Guatemalan Government's budget and financial management, as well as the accountability process, rest on a three-pronged system, each one covering a specific area of action, although they complement one another: The Integrated Accounting System (SICOIN), the Procurement Management System or Computer Management System (SIGES), and the State Procurement and Contracting Information System (GUATECOMPRAS):

**Table No.1
TECHNOLOGICAL TOOLS USED BY THE GOVERNMENT OF GUATEMALA TO
MANAGE ITS FINANCES AND BUDGET AND TO PRESENT PROGRESS
REPORTS.**



Source: State Accounting Directorate, MFP

a. INTEGRATED ACCOUNTING SYSTEM (SICOIN)

As part of the SIAF-SAG, a technological tool called "Integrated Accounting System" (SICOIN) was developed. This was one of the most successful projects in the area and in 1998 won an award as the Best World Bank's Project for that year.

The Integrated Accounting System (SICOIN) is an accounting information system, which resides in the State Accounting and consists of the budgeting, accounting, and treasury subsystems, so it records each transaction only one time.

This tool was originally designed as part of the client/server technology, but currently technical advancements have enabled authorities to place it on Web level, thereby facilitating financial management. In addition, in order to strengthen accountability and transparency, this tool is available to the public who can check it free of charge. In addition, the Comptroller General's Office is linked up with SICOIN, which facilitates online oversight allowing authorities to learn about transactions at the time they are made.

b. PROCUREMENT MANAGEMENT SYSTEM OR COMPUTER MANAGEMENT SYSTEM (SIGES)

This system was developed by the Ministry of Public Finance and it includes -- electronically -- from the process of issue of the purchase order to budget execution. It runs management processes for procurement orders, and it interacts with the Guatecompras portal. Said system was implemented by the Central Government in the year 2006.

c. STATE PROCUREMENT AND CONTRACTING INFORMATION SYSTEM (GUATECOMPRAS):

The State Procurement and Contracting Information System (Guatecompras) is an electronic market, run through the Internet, whereby Guatemala State agencies make their purchases of goods and hiring of services obligatorily.

The objectives that are attained with good management at Guatecompras are transparency, efficiency, promotion of development, regional integration.

The benefits of Guatecompras are as follows:

- ❖ The public sector: It may now have: a) Standardized working procedures as the information will be available electronically and in equal times and formats; b) Agility and transparency in procurement processes, electronic verification is faster and is available to those who may require it at all times; c) Expeditious control and follow-up mechanisms regarding procurement; d) Larger number of suppliers since the procedure becomes easier and less costly; e) Better price and quality conditions in proposals from enterprises as travel and moving expenses do not impact on their offerings; and, f) Significant savings in resources by reducing waste and negotiating the best prices, without detriment to quality and in accordance with the needs of the administration.
- ❖ Companies: They may now have: a) Greater possibilities of participating in public procurement; b) Faster and easier mechanisms to obtain information and provide follow up to government procurement processes; c) Savings in the cost of requirements list for biddings; and, d) Broader access to enterprises, which previously faced restrictions resulting from bidding processes requirements.
- ❖ Society: It may now have: a) Transparent accountability mechanisms for government procurement processes, as it will now enjoy at all times and from any location, access to all the information; and, b) Any citizen may learn such details as how much does the government spend on goods, services, leasing, and public projects; what entities and agencies are carrying out procurement processes; under what procedures is the procurement process carried out; what companies take part in biddings and tenders and who are the winners; and if a motion was filed against a specific procurement process or if any supplier or contractor has been penalized.

V. FINANCIAL AND BUDGET MANAGEMENT IN THE TAX SUPERINTENDENCE ADMINISTRATION

5.1 LEGAL BASIS

As a result of the functional, economic, financial, technical, and administrative autonomy, as well as legal status and its own economic resources and capital, that by virtue of its Fundamental Law the Tax Administration Superintendence enjoys, it defines its own annual work plan and necessary budget to implement it. Furthermore, it provides for its own internal and work regulation and defines the most appropriate way or organizing itself to carry out its work.

5.2 ANNUAL OPERATING AND STRATEGIC PLANNING

Taking into consideration the elements described in its Fundamental Law, the Tax Administration Superintendence has the concrete possibility of establishing its Operating and Strategic Plans without the intervention of another agency, including exclusively the Institution's objectives. In this regard the SAT prepares its "Strategic Plans" with a four-year vision (as of this writing the 2008-2011 Strategic Plan is in effect) and its "Annual Operating Plans," which include the part of the Strategic Plan to be implemented in the fiscal year.

Said elements form part of the Planning and Programming Subsystem of the SAT, which is conceived as a set of interrelated elements that seek to provide the institution with a guiding framework that defines and supports its work. This involves a comprehensive management model and a solid basis offering the necessary inputs for follow-up and evaluation of the institution's performance, under the framework of development, modernization, and continued improvement of the Guatemalan Tax Administration.

The formulation of the Annual Operating Plan [POA] of the SAT is the process whereby the SAT establishes, in a detailed manner and by administrative agency, the projects and programs, its classification and priority, as well as the necessary resources, the sources of financing and responsibility for those. This is done to fulfill the working guidance set out by the Institutional Strategic Plan. The POA must be used as guidance to steer and distribute work to be performed during a specific year, and it must be the basis for the allocation of financial resources to the Institution and for monitoring and exercising control over management.

5.3 FORMULATION OF THE ANNUAL INCOME AND EXPENSE BUDGET

In order to execute its Annual Operating Plan, the SAT allocates the financial resources in its Income and Expense Budget, so this is a resource allocation instrument to produce goods and services for a specific period of time.

Given the fact that the formulation of the SAT Annual Income and Expense Budget is based upon the Annual Operating Plan and the latter is in turn based on the Institutional Strategic Plan, both of which are drafted by Institution's agencies, the Budget reflects the needs of each agency as well as the financial requirements of each of the scheduled programs and projects for the corresponding fiscal year.

In order to tie in planning with the expense budget, the Tax Administration Superintendence has established three types of budget as follows:

a. Recurring operating expenses

This includes the budget appropriations earmarked for each Administrative Unit so they can carry out their ordinary or recurring work. For this type of budget, the "Program Operating Plans" which include objectives, execution goals, and recurring action indicators for each Administrative Unit are drafted. Thus, they are scheduled for further monthly and annual follow-up and evaluation.

b. Nonrecurring operating expenses

They involve current expense allocations for "Projects Strengthening the Tax Administration," which include so-called "Institutional Projects" and "Operating Improvement Projects." Their aim is to improve systems and procedures, which do not represent recurring expenses or investment spending.

In accordance with the International Accounting Standards, this type of budget corresponds to allocations for "research and development. This way of budgeting allows authorities to adequately control, follow up, and evaluate institutional projects and operating improvement actions.

c. Investment budget

This kind of budget includes the following components:

- ❖ Investment allocations that are not projects: Expenses on Property, Plant, Equipment, and Intangible Assets, excluding resources earmarked for the project category.
- ❖ Investment Projects: Projects and works of infrastructure allocated to the project category.

d. Exploratory budget, budget formulation standards, and budget ceilings

At the same time the "Institutional Strategic Plan" and "Annual Operating Plans" are reviewed, the SAT drafts an exploratory income and expense budget for the next fiscal year and a multi-annual budget for the next three years. To that effect, income and expenses earned and incurred in the preceding fiscal year are taken into consideration, along with year-to-date budget execution and a closing estimate for the current year.

In addition, policies and standards to formulate the income and expense budget are prepared and budget ceilings or highest allocation levels for the Recurring Operating Budget are set. These budgets are delivered to the heads of administrative offices, so that they can expense them in accordance with budget activities outlined in delivered policies and standards.

In order to budget Nonrecurring Operating and Investment Projects, the fund requirements budget priority items are established, and based on the real feasibility of their execution and resource availability, only those that have the highest priority are allocated.

All Units request the allocation of resources on the basis of set policies and standards, and subsequently the Institution's Financial Administrative Manager's Office consolidates the information into the Draft Budget, which is submitted to the Superintendent for validation and subsequent transfer to the Board for consideration and approval.

**Table No.3
PROCESS OF FORMULATION OF INCOME AND EXPENSE BUDGET
OF THE TAX ADMINISTRATION SUPERINTENDENCE**



Source: Financial Administrative Manager's Office, SAT.

As can be observed in the preceding table, the SAT is completely autonomous financially speaking, because its income and expense budget is drafted, analyzed, and approved by its own agencies and authorities, without the intervention of any other institution. This ensures that the budget will be drafted in keeping with the planning criteria that best suit the programs and projects of the Tax Administration, which ultimately makes spending more efficient as it is geared toward those programs and projects that best meet SAT objectives.

e. The execution of the annual income and expense budget

In order to execute its Annual Income and Expense Budget, the SAT is governed by the standards applicable in Guatemala for the state's financial administration, which include the Fundamental Budget Law and the Public Procurement Law.

It should be pointed out that although the SAT has the prerogative to decide on the programs and projects it will allocate its resources to, because of standardization issues regarding the Public Sector's accountability process, quote and bidding processes must be carried out observing the Public Procurement Law. Nonetheless, the SAT Fundamental Law establishes that the procurement of services and delegation of functions might be made in accordance with the provisions set forth in a specific Regulation the SAT has for that purpose.

Finally, it should be pointed out that in the process of executing its procurement of goods, materials, supplies, and services, the SAT is one of the few agencies of the Guatemalan Government that has in place a procurement- and contract-planning strategy, through a "Procurement Plan."

f. Budget closing and accounting liquidation

In accordance with the Political Constitution of the Republic and the Fundamental Budget Law, in Guatemala the Annual Budget and the fiscal year coincide with the calendar year, so it begins on January 1 and ends on December 31 of each year.

On the other hand, the Political Constitution of the Republic and the Fundamental Budget Law establish that in the three first months of each year, the liquidation of the annual budget must be submitted to the Comptroller General's Office and a copy of the same must be sent to the Executive Branch through the Ministry of Public Finance and Congress. This implies that the budget closing is scheduled for December 31 of each year and that the accounting period remains open until March 31 of each year, not to make budget allocations but to make reclassifications and adjustments that may be necessary without affecting the budget for the preceding fiscal year.

5.4 ACCOUNTABILITY

The Superintendence is subject to oversight from the Comptroller General's Office. Furthermore, it must annually issue its Work Report, which includes a chapter on Accountability. There are no additional formal mechanisms concerning the accountability process.

In addition to the review made by the Comptroller General's Office and to ensure the adequate management of SAT resources, the Board mandates that the Administration hire External Auditors to provide direct reports to the Board.

Internally and in order to maintain an adequate accountability system, a set of performance and evaluation indicators on the actions carried out by the Tax Administration has been set up. This set of indicators provides follow-up for obtained products, the results of SAT management, and also quantifies the different levels of efficiency in the management of resources. In addition, the set of indicators is used as an input of the internal performance evaluation system that the Human Resource Office of the Institution has created.

a. Internal system of performance evaluation.

With the purpose of strengthening internal efficiency at the Institution, individual worker's performance is recorded on the Performance Evaluation System. This system is 85% comprised by the accomplishment of certain factors called Objectives, which reflect the productivity and efficiency of the employee's work, and 15% by the rating of certain behavioral factors of the employee. The latter are agreed for the reporting period by officials and employees as regards the performance of their tasks.

Managing performance implies adequately managing the different phases from respect to the established philosophy, objectives, policies, and rules to the performance of the roles assigned to each area. It also involves the adequate management of techniques and instruments set out to attain institutional objectives.

The general objective of the evaluation is to: Provide an objective, transparent, and reliable description so that officials and employees, through their attitude (subjective factors), can contribute to the attainment of management indicators (objective factors) in their area of responsibility or work, for a specific period of time.

In addition to being the means for recognizing the merits and achievements of employees, performance evaluation must be geared toward detecting areas for improvement as well as to drafting a development plan. Said tool is also used to:

- Obtain an objective measure of the performance of SAT staff for the corresponding reporting period.
- Be an objective tool for consideration in the promotion of staff members.
- Obtain feedback regarding the policies of selection, training, keeping human resources, and organizational development.

5.5 TECHNOLOGICAL TOOLS FOR THE FINANCIAL AND BUDGET MANAGEMENT IN THE TAX ADMINISTRATION SUPERINTENDENCE

In addition to the widespread use of the Integrated Accounting System (SICOIN) beginning in the year 2000, when the SAT became the first decentralized entity of the Guatemalan State to embrace its use; the Procurement Management System or Computer Management System (SIGES) in 2008, and the Guatecompras System beginning in 2004, for which the Institution received an award for best practices in the public sector, the SAT uses in its planning and budgeting work a Resource Planning System known as Prosis.

a. The PROSIS (PRIMARY OBJECTS INFORMATION SYSTEM) System

PROSIS is a computerized tool implemented in 2005 with the purpose of providing the Institution with a technological framework that supports the management system currently in use at the SAT. This tool integrates a set of elements, which include:

- 1) The Strategic Plan (PEI), which defines the vision, mission, strategic and performance objectives, projects, and programs to be followed;
- 2) The Annual Operating Plan (POA), which defines in an annual basis the projects to be developed, their priority, classification of projects (group, categorization, and beneficiary), and their description. It also includes the funding, the individual responsible for the project, related agencies; as well as the activities to be performed and their correlation, departures, their scheduling, the description of resources when warranted specifying amount, description, cost, and weighting of each of the activities.

Regarding the program that the Institution is carrying out, it includes the information on the individual in charge of the project, his goals, management indicators, information on necessary resources, specifying the amount, description, and cost.

- 3) The set of management indicators of the Institution, which like we mentioned earlier are used in the formulation of individual performance evaluation for SAT workers.

The purpose of PROSIS is to improve the efficiency and effectiveness of the SAT, through the verification of analytic and strategic functions that generate value added, such as:

- ❖ Aligning the Institutional Strategic Plan with the Annual Operating Plan, the budget, and management indicators.
- ❖ Designing and implementing a comprehensive management system based on modern information technology tools.
- ❖ Allowing the integration of institutional activities.

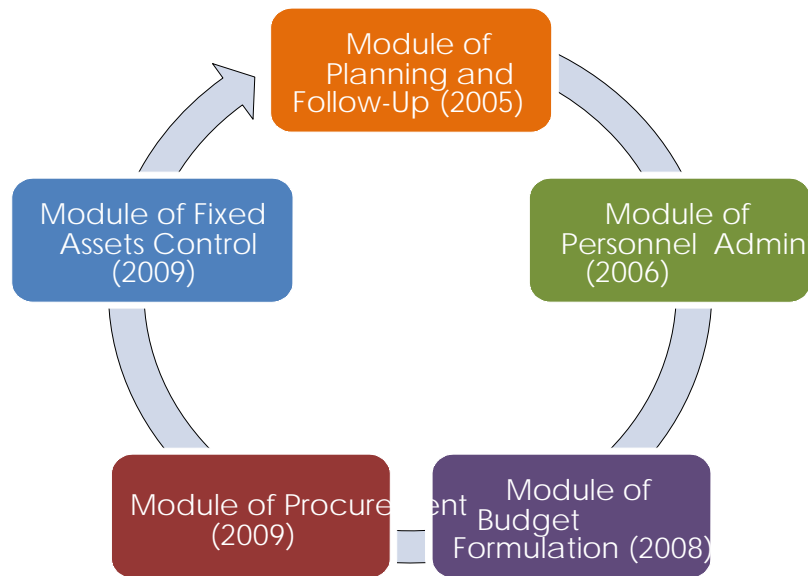
- ❖ Contributing to the measurement of performance of the SAT administrative units, placing special emphasis on efficiency and effectiveness in the accomplishment of institutional objectives and goals.
- ❖ Minimizing organizational weaknesses at the institution.

This tool is based on the concept of the so-called ERP (Enterprise Resources Planning) and it incorporates the processes of management of planning and financial, human, and physical resources. It uses 100% Web technology which facilitates its maintenance.

The first stage of Prosis began in 2005 when the development of the Management Follow-Up and Planning Module got under way. From that moment on, other phases such as mission, vision control, strategic objectives, operating objectives, management indicators, and Institutional goals have been implemented.

In 2007 the Personnel Management Module went into force. It allows for the complete automation of position management and payroll. Furthermore, it has allowed for automation in the recruitment and selection of personnel, the performance evaluation, maintenance of electronic curricula, and follow-up of asset declarations of workers, which complement the accountability system for SAT employees.

Table No. 4
MODULES COMPRISING THE PROSIS SYSTEM



In 2008 the budget formulation module was introduced in such manner that the entire planning and budgeting process was controlled by one single tool. Finally, authorities hope to conclude in 2009 the implementation of the procurement and fixed asset control modules, which will allow the administration to streamline the management of resources available for the Institution.

VI. FINAL THOUGHTS

A basic element as part of the institutional configuration of modern public entities is having effective technological tools in place in the management of finances and resources, which include monitoring and supervision not only for top management but also for the population, who ultimately pay taxes and to whom results must be presented for the use of their resources.

Consequently it is very important to focus on strengthening the institution. This must be done by highly qualified teams of professionals and with a clear vision and objectives to be fulfilled. Furthermore, it must come into fruition through processes and procedures made possible by modern technological tools, which facilitate transparency and publicity of administrative measures. This situation allows the population to perceive compliance with the principles of legality and justice, which must prevail in the conduct of different administrative measures, while gaining credibility and countering resistance among the population for the payment of taxes.

Modern information tools and systems in administrative, financial, and budget management not only facilitate adequate strategic and operating planning but also allow for the definition of roles and functions for each administrative agency, based on long-term strategic institutional objectives. They also ensure a rational allocation and an effective use of resources. That is why, having adequate technological tools in place in the management of finances and the budget, for a timely and effective accountability process, does not only give the administration a positive impact in terms of efficiency and effectiveness in institutional performance, but also allows for a more satisfactory accountability process.

From the above, one may conclude that the management of tax administrations can be improved when they are given adequate and modern technological tools for their administrative, financial, and budget management, which also facilitate the timely and effective accountability process. In addition, the guidelines for the development of administrative, financial and budget management are influenced by the world environment and the control requirements of specialized entities in each society.

However, we must recognize that in every tax administration integrity is a necessary condition, although insufficient, to carry out its mission and it requires full dedication. In addition, in such complex and dynamic tax world as today's world, added to the troubled situation resulting from the global economic difficulties, efficiency is an indispensable condition to be able to live on and overcome the crisis with little or almost no effect on the tax base and taxation erosion.

That is why public resources must be appropriately managed, because when they are not used to benefit taxpayers and the tax administration, the possibilities to attain development go down significantly. Ultimately, this adversely affects the interests of the state and the population.

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