

The most important determinant to increasing your personal energy is your resolve to correct the existing problem. You *can* change your life; and once you begin to live a healthier life, you won't be able to remember what it was like when you lacked the energy to get through a day.

References

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Further Reading

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Managerial Audit of Tax Compliance

Background

This work forms part of a research project undertaken by a team at Bristol University and funded by the Research Board & Tax Faculty of the Institute of Chartered Accountants of England and Wales (ICAEW). A report will be published in the Autumn of this year, but the initial findings are currently being digested by the Inland Revenue and the Contributions Agency. The project included a survey which was initially sent to tax specialists who are members of the Tax Faculty of the ICAEW. Its aim was to identify avoidable compliance costs associated with the current direct tax system as perceived by tax practitioners. Initial results suggest that one of the main areas of concern is National Insurance: the costs of compliance currently associated with the collection of National Insurance Contributions (NIC) are felt to be unnecessarily high and considerable savings could be made without there being a fundamental change in Government policy.

National Insurance Contributions: Summary of Findings

Respondents

Five-hundred and fifty respondents filled in the section of the survey dealing specifically with NIC. They were experienced tax practitioners: 95 per cent were employed as either senior manager or as partners in a professional accountancy firm and 75 per cent had more than ten years' experience as tax specialists. Most

respondents added additional comments to their surveys, detailing the need for reform of the administration of National Insurance and the Contributions Agency and expressing their particular concern about this area of taxation.

Main Findings

The Contributions Agency (CA). This has now existed as a separate agency for two years, but 24 per cent of NIC specialists were unaware of its existence. Only 17 per cent of those who knew the agency's role thought service had improved as a result of its introduction.

The level of non-compliance remains a very big problem for the CA, especially given the current shortfall in the National Insurance Fund.

The shortfall in Class 2 Contributions is a particular problem. This is illustrated by the target set for 1992/93 to identify 40,000 additional individuals with a Class 2 liability.

Staffing. Harsh criticism has been levelled at CA staff, especially when compared with the Inland Revenue. These are just a few of the comments received:

... in general, the level of competence in DSS offices has remained pitifully low.

... The quality of staff is too low to deal with what is expected of them.

... The rules are usually extremely complicated and the staff have very limited knowledge of them, but are very dogmatic in the way that they answer queries.

... Even more so than the Revenue — I wonder whether DSS staff actually live on this planet. It would be most helpful if there were a series of "job swaps" between officials of the DSS and those actually running personnel/payroll departments.

... Compared with the Inland Revenue they are very high-handed.

... The common-sense approach which is used by HMIT does not seem to be allowed in the CA, so that many inconsistencies result.

... The CA do not even know about the Employers' Charter: we have requested copies just to bring its existence (which has sometimes been denied) to their attention! At least the Inspectors of Taxes display their Charter where both staff and taxpayers can see it.

... CA Inspectors do not have sufficient technical knowledge. As a result, and unlike IR Inspectors, they are totally inflexible and unable to negotiate.

CA staff were seen as helpful and polite, but 42 per cent of respondents said that they were inefficient and 50 per cent said they were not competent to deal with technical issues.

SSALE described as "permanently engaged".

Inconsistent responses to queries given by different CA offices. A typical comment was as follows:

... No two DSS offices have the same view on anything! All of them differ from HO view in any event! The main problem centres on the appalling quality of DSS staff and their almost complete lack of knowledge of law rather than their own practices instructions.

Too much reliance is currently placed on the "Green Book". Many respondents again made unfavourable comparisons with the Inland Revenue, in terms of the CA's "excessive reliance on the Green Book, which contains their own interpretation of the legislation and is often regarded as the Bible". Many said that a simpler and cheaper form of appeals procedure is needed as a matter of urgency. The inability of the CA to make use of Extra-statutory Concessions and Statements of Practice was also felt to be increasing compliance costs.

Conclusion

Why not move responsibility for the administration of NIC to the Inland Revenue? The strength of the findings from this part of the survey has surprised all concerned and suggests that there is a strong case for putting the administration of all direct taxation

in the hands of the Inland Revenue. Many positive comments have been received about the relative efficiency and technical competence of Revenue officials as compared with the staff of the CA.

Many tax specialists would like to see NIC abolished or explicitly recognized as an additional income tax, so that the following comments are typical of those received:

...Quite simply and without doubt NIC is a tax which must be abolished... not least for the immense saving in collection costs which would surely result. It's absolutely ludicrous that we have two parallel systems (income tax and NIC) with subtle differences in the rules. One day some Chancellor will be hailed as a great reformer for integrating income tax and NIC. Yet it's been obvious to most of us for years...

Given that it is unlikely that such a reform would be politically

unacceptable, at least in the short run, we should adopt a more pragmatic approach to this area and give the IR responsibility for assessing and collecting NIC.

...The Agency concept itself has had no impact so far when applied to the CA. What is needed is a staff who know the law and are able to interpret it reasonably and flexibly, so as to "mesh in" with tax. Why not abolish the Agency, save the salary costs, and let the more efficient Inland Revenue do the job?

Given the continuing rationalization programme that is being undertaken by the Revenue, this seems the ideal time for such a change.

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- Promoting quality through a sensitive understanding of the needs of users, coupled with reliable measurement of output and outcome.
- Identifying improvements in economy and efficiency, which can provide opportunities to improve quality and effectiveness without necessarily increasing costs.
- Tackling areas where the most benefit can be achieved, especially in services which cross traditional management boundaries, such as those for children and elderly people.

It will also carry out a review of fraud and corruption in public services. Recent instances of major failures in both local government and the NHS have important implications which must be clearly understood.

Auditors are in a unique position to help public bodies adjust to the changes which are taking place. Their independence, ability to draw on the central research of the Commission, and their local influence throughout the NHS and in every local authority enables them to assess the impact of the changes and put their findings into a wider context.

One example will be the way that local auditors monitor the implementation of community care across England and Wales. They will feed the results back to the Commission so that it can analyse and publicize the results to supplement its national studies.

The Commission has a well-proven approach to value-for-money audit. By undertaking central research and following it up through its national network of auditors, it has established a model which could be extended to other public services. The Commission will make a case for applying its unique skills to help them improve their own value-for-money.

The paper highlights some specific aims for the future including:

- the adoption of a more consultative approach to ensure studies tackle areas with the greatest potential for benefit;
- studies of the first wave of new authorities created under the local government restructure to identify lessons for succeeding waves;
- closer working relationships with other organizations, such as

NEWS

Auditing the National Health Service: Audit Commission Charts Next Five Years

To mark its tenth anniversary, the Audit Commission launched on 5 March 1993 its strategy for the next five years. (The Editor was privileged to attend the launch.) The Commission aims to be a driving force in the improvement of public services throughout England and Wales. Helping local authorities and the NHS face today's challenge of providing quality services which meet their citizens' needs is at the heart of the strategy. Maintaining high standards of accounting to combat fraud and corruption will remain a high priority.

The Commission identified five key themes facing public services today. They need to:

- (1) focus on individual citizens;

- (2) improve the quality and effectiveness of their services;
- (3) devolve managerial responsibility, for example to GP fundholders and NHS Trusts, and to school governors and community care managers;
- (4) reorganize in response to the challenges they face; and
- (5) respond to the pressure to improve economy and efficiency while public spending remains constrained.

The Commission highlights its proposed response to these influences. It includes:

- Putting citizens first, by analysing the impact of services on individuals and publishing comparative information about performance under the Citizen's Charter.

NAO, OFSTED, HM Inspectorate of Constabulary and the Social Services Inspectorates;

- the publication of more indicators of its own performance, and a thorough review of its own structure, staff and systems;
- a survey of its local authority and NHS customers to research their views about the audit service for which they pay.

Andrew Foster, who became Controller of the Audit Commission last December, said:

In its first decade the Commission has built an outstanding reputation for helping to enhance the quality, effectiveness, efficiency and economy of public services. It has identified good practice and used it successfully as a lever to improve the not-so-good. I wish to build on that record over the next five years. Working with our partners, the Commission will champion the development of management in public services, so that they provide high quality services which meet the needs of the Citizens who use and pay for them.

Orchestral Audit

A company chairman who had been given tickets to a performance of Schubert's Unfinished Symphony passed the tickets on to his internal auditor. The next morning, when the chairman asked him how he had enjoyed the performance, he was handed a memorandum which read:

- (1) For considerable periods, the four oboe players had nothing to do. Their number should be reduced, and their work should be spread over the whole orchestra, thus eliminating peaks of inactivity.
- (2) All of the 12 violins were playing identical notes. This seemed unnecessary duplication, and the staff of this section should be cut drastically. If a large sound is really required this could be obtained through an electronic amplifier.
- (3) Much effort was absorbed in the playing of demi-semi-quavers. This seems an excessive refinement, and it is

recommended that all notes should be rounded up to the nearest semi-quaver. If this were done, it would be possible to use trainers and lower grade operators.

- (4) No useful purpose is served by repeating with horns the passage which had already been played by the strings. If all such redundant passages were eliminated, the concert could be reduced from two hours to 20 minutes. If Schubert had attended to these matters, he would probably have been able to finish his symphony after all.

Committee of Sponsoring Organizations of the Treadway Commission

Today's economic and business climates have sharpened the already strong focus on internal control. The topic is of vital interest to management of enterprises of all kinds — whether public or private, large or small, for profit or not — as well as to internal and external auditors, shareholders, boards of directors, legislators, regulators and others.

Internal Control — Integrated Framework was published in September 1992. Chief executives are urged to familiarize themselves with the executive summary, and together with their key people consider the state of their company's internal controls. Using the framework management can assess the internal control system against an established standard to help identify basic weaknesses in operating, financial reporting and legal/regulatory compliance controls and take action to strengthen them.

Internal Control — Integrated Framework was prepared in response to recommendations of the National Commission on Fraudulent Financial Reporting. The Commission, commonly referred to as the Treadway Commission, was a private-sector initiative jointly sponsored by the American Accounting Association, the American Institute of Certified Public

Accountants, the Financial Executives Institute, the Institute of Internal Auditors, and the Institute of Management Accountants (formerly the National Association of Accountants). The Commission issued its report in 1987 recommending, among other things, that the sponsoring organizations co-operate in developing additional, integrated guidance on internal control to provide a common reference point which entities can use to assess the quality of their internal control systems.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) was formed to support implementation of Treadway Commission recommendations. COSO and its Project Advisory Council commissioned Coopers & Lybrand to conduct the study and author this report, and provided continuing guidance and oversight. The report is the product of thousands of hours of analysis, discussion, formal dialogue and due process involving many members of the sponsoring organizations and others, including chief executives, board members of the sponsoring organizations and others, including chief executives, board members, legislators, regulators, lawyers and consultants. The Financial Executives Research Foundation was also a contributor to this effort.

With this foundation for mutual understanding, all parties will be able to speak a common language and communicate on internal control issues more effectively. In addition to assisting management, the framework will enable legislators and regulators to gain an increased understanding of internal control, its benefits and limitations. The framework also can be utilized by academics and other interested parties as an established base for leveraging future research.

Copies of the report are available for \$50 for the full four-volume set plus handling charge from the Order Department, American Institute of CPAs, Harborside Financial Center, 201 Plaza III, Jersey City, NJ 07311-3881, USA.