

Standard Summary Project Fiche

Project Number 2003.004-341.01.01

1. Basic Information

Objective 1 - Administration and Public Institutions

- 1.1 CRIS Number:** 2003.004-341.01.01
- 1.2 Title:** Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and the Establishment of Taxpayer Call Centre
- 1.3 Sector:** Public Finance
- 1.4 Location:** State Tax Inspectorate under the Ministry of Finance, Vilnius, Lithuania

2. Objectives

2.1 Overall Objective:

The overall objective of this **€5,88 Million** institution building and investment project, of which €0,885 Million is provided from national co-financing, is to improve the tax revenue collection capacity and efficiency of the Lithuanian State Tax Inspectorate in order to effectively implement the tax acquis.

2.2 Project Purpose:

The project consists of two sub-projects, which respectively deal with the implementation of the Computerised Audit System and the establishment of the Taxpayer Call Centre. Their purposes are:

Sub-project 1: Computerised Audit System:

- Implementation of IT-based, comprehensive intelligence and information system to support the effective use of risk analysis, taxpayer selection as well as computer audit techniques and in so doing to underpin tax compliance.

Sub-project 2: Taxpayer Call Centre:

- Establishment of effective information methods and tools for better taxpayer service and to ensure an equal interpretation of the tax laws throughout the country.

2.3 Accession Partnership and NPAA Priorities

Both the EU Accession Partnership for Lithuania and Lithuania's EU Accession Programme (LEUAP, former NPAA) consider a high national priority the improvement of the administrative capacity of the State Tax Inspectorate to ensure an effective enforcement of the tax acquis.

Implementation of the Computerised Audit System relates to 2001 Accession Partnership priority to strengthen the administrative capacity and control procedures in order to be able to implement the tax acquis.

Implementation of the information system for audit support is also foreseen as one of the key elements of further development of the integrated tax information system (LEUAP 2003 measure 3.10-S4).

Establishment of the Taxpayer Call Centre at the Lithuanian State Tax Inspectorate is a major task in the context of improving taxpayer service functions of the tax administration as a means to increase voluntary tax compliance.

3.1 Background and Justification:

The 2002 Regular Report commended Lithuania for the good progress made with developing the necessary administrative capacity to implement the *acquis* in taxation area. Yet, the Report concludes by recommending further pursuing the measures taken to modernise and reinforce the tax administration, in particular as regards tax revenue collection. In this respect, considerable efforts are required to improve the tax collection capacity and efficiency of the STI, in particular as regards revenues from VAT. Training and human resource development should continue to be seen as a priority, particularly in the areas of audit and tax collection enforcement. Monitoring and auditing functions should be strengthened and the integrated tax information system should also be further developed and need to be made fully operational.

Strategic objectives regarding the improvement of the activities of the Lithuanian State Tax Inspectorate in the areas of taxpayer service and tax compliance control are defined in the *Strategic Plan of the State Tax Inspectorate for 2001-2004*, which was adopted by Head of the State Tax Inspectorate in the Order No. 280 of December 29, 1999 and amended on August 8, 2001. Development of an effective taxpayer service system adjusted to taxpayers needs has been identified as one of the most important tasks in the improvement of State Tax Inspectorate's operations within the above-mentioned period. For the achievement of this particular aim, it is planned to focus on: 1) improvement of efficiency and quality of taxpayer service by conducting an analysis of the typical needs of different taxpayer groups and optimally approximating new and existing procedures of taxpayer service; 2) development and implementation of information system for taxpayer education and consultation facilitating taxpayers' access to the database of explanations, commentaries and informational statements on various issues of taxation; and 3) establishment of the national taxpayer call centre to engender better understanding of taxation issues by both taxpayers and stakeholders and to ensure harmonised application of the law within the country. The Strategic Plan also foresees the improvement of a system ensuring effective control over tax calculation and tax payment by means of introducing, developing and constantly reviewing the risk assessment techniques as well as automating auditable taxpayer selection and audit processes. Furthermore, *Tax Accounting and Payment Control Strategy for 2000 – 2004* was approved by the Order No. 175 of the Head of State Tax Inspectorate on September 26, 2000. The Strategy sets implementation of the computerised audit system, facilitating the use of risk analysis in the selectivity of taxpayers for audit and ensuring efficient audit planning, as a priority strategic objective.

(Additional information on computer audit system in Annex 6).

3.2 Linked activities:

Phare is assisting the Lithuanian State Tax Inspectorate to effectively implement and enforce the tax *acquis* by a series of programmes dealing, *inter alia*, with excise warehousing and duty suspension regime, administrative co-operation and mutual assistance procedures and structures, and development of IT systems facilitating the exchange of computerised data with the Community and its Member States.

The present 2002 Phare fast track project LI 02.02 *Modernisation of the State Tax Inspectorate* aims at bringing legislation on the operations of the Lithuanian State Tax Inspectorate up to EU standards, improving the institutional structure and administrative capacity of the Inspectorate, and developing the data processing and communica-

tion systems for the exchange of EU tax and trade information. The results of the project will see the IT system being developed, tested and fully operational to interface with EU information exchange systems (VIES, SEED, etc.). Furthermore, legislation on further aligning indirect taxation will be developed, administrative structures improved and extensive training carried out. The project will be implemented through a twinning, technical assistance and supply component. The project is conditional upon the necessary co-financing being made available.

The purpose of the ongoing 2001 Phare Twinning Light project LT01.09.03.01 is to strengthen institutional capacities of the Lithuanian State Tax Inspectorate in complying with EU *Acquis* provisions concerning administration of excise duty. The project will assist the Lithuanian State Tax Inspectorate in preparing the central and local tax authorities to administrate excise duty system based on relevant provisions of EU *Acquis* through the analysis and submission of recommendations on national secondary legislation with regard to holding, movement and monitoring of excise goods subject to duty suspension regime, proposals for reinforcement of administrative structures and operational procedures in order to control excise duty suspension system, improving skills and knowledge of the tax officials for conducting new administrative arrangements in compliance with national legislation and EU requirements.

In the framework of the Phare project No. LI9703.03.05.01 *Technical Assistance to Tax Administration*, significant assistance was provided by the experts from UK and Sweden, working in areas of planning and tax audit, regarding the development of Tax Accounting and Payment Control Strategy for 2000 – 2004. Considerable developments have been achieved with regard to Taxpayer Service. The modern concepts were explained and valuable assistance was given for the preparation of Taxpayer Service Strategy and the Charter of Taxpayers. Recommendations have been made for future technical assistance in a number of sectors, including the Taxpayer Service, whereas the support required *on implementation of new Taxpayer Service standards, meaning training, information campaigns internally and externally; support to creation of call centres including funding of equipment, study of the legal changes required in order to ensure working self assessment system...*

Since 1995, a large number of bilateral donors including Denmark, Finland, Germany, the Netherlands, Norway, Sweden and different international organisations have supported the State Tax Inspectorate by providing expertise, equipment and training specialists. Currently, the Finland is assisting the State Tax Inspectorate in the area of computerised tax audit. Under the short-term bilateral assistance, experts from the Finnish Tax Administration will deliver a three workshops, in which the main principles and features of Finnish audit selection and risk analysis systems, IT tools for planning and organising tax audits will be presented and explained. The Finnish experts will also share their experience in developing the new Finnish administrative system for tax auditing. The project will be effective until March-April 2003 and will provide training to about 30 tax auditors from central and regional tax administrations.

The proposed Phare project will actually continue implementation of the computerised audit system using the outputs of the Finnish project. The State Tax Inspectorate will ensure that no overlapping will occur with the activities of the present project.

3.3 Results:

The project will support implementation of the Computerised Audit System, which will become an IT-based, comprehensive intelligence and information system ensuring a systematic and effective identification (selection) of non-compliant taxpayers and widespread use of computerised procedures in auditing, it will also help setting up the m-

tional Taxpayer Call Centre, which will serve as a contact point facilitating the access of national and foreign customers as well as their representatives by telephone, in writing and by e-mail to tax information and providing other services (reminders, suggestions and complaints through toll-free line). The Project will achieve the following results:

Sub-project 1: Computerised Audit System:

- All the necessary national legal acts regulating the duties and obligations of the taxpayers as well as the operations of the tax authorities developed to support a broad scale use of a computerised audit in the electronic environment
- Recommendations on the improvement of administrative structures in the field of tax control, introduction of the modern risk analysis and taxpayer selection techniques as well as development of organisational and methodological standards in the area of computer audit of electronic accounting and invoicing to achieve a higher tax compliance efficiency and better allocation of resources available at the Lithuanian Tax Administration
- Priority modules (Risk Analysis/Selection, Risk Profiling/Filtering and General Audit Support) of the computerised audit system developed, implemented, tested and fully operational to facilitate control of tax compliance in an increasingly electronic environment
- Improved skills and knowledge of the tax officials to use tools and computerised audit techniques more effectively

Sub-project 2: Taxpayer Call Centre:

- Recommendations on the structural changes of the Lithuanian tax administration in the field of taxpayer service evaluating the prospective functions of a Taxpayer Call Centre.
- A performance model (blueprint) of TCC developed.
- A model of a taxpayer consultation process control (monitoring) system allowing to monitor time, form and content of consultations, as well as precision and politeness when providing responses to taxpayers developed;
- Necessary methodological guidelines and information packages for the staff of TCC prepared.
- Taxpayer information material on the operations of the established TCC developed, published and disseminated among the taxpayers.
- Databases adjusted and the necessary hardware and software received, installed, tested and fully operational to facilitate a prompt and qualitative provision of telephone service.
- Improved skills and knowledge of the current and newly recruited tax officials operating in TCC.

3.4 Activities:

There are two sub-projects, each with a distinct twinning component and a separate investment components. The activities for each sub-project are listed below and summarised in Table No.1 and Table No.2.

3.4.1 Twinning and Training Package

Sub-project 1: Computerised Audit System:

Guaranteed results/expected outputs

- Legal acts regulating control of tax compliance, computer audit of electronic accounting and invoicing, etc. reviewed and redrafted as necessary.
- The existing administrative structures as regards tax control analysed and proposals for modernisation developed.
- The organisational and methodological standards in the area of computer audit of electronic accounting and invoicing developed.
- The currently used approach to risk management evaluated and proposals for the introduction of the modern risk analysis and taxpayer selection techniques as well as for the general audit support tools prepared.
- Appropriate modules of the computerised audit system developed and implemented as required by the State Tax Inspectorate, and technical documentation (terms of reference) for the Phare service contract drafted.
- Analysis of the training needs carried out, training programme developed concerning the use the new system modules, and the required training provided.

Scope of the twinning (task of the PAA)

One PAA with good administrative skills and good knowledge of written and spoken English for 24 months. The PAA will possess the following qualifications:

- Practical experience in project management area;
- Good knowledge of the audit selection system and some experience in this area.

The PAA will be responsible for co-ordination of the project activities and the inputs of the STEs; therefore s/he should have experience in project management and excellent inter-personal skills.

Required inputs

One PAA with good administrative skills and good knowledge of written and spoken English for 24 months and a group of nine-ten STEs for a total of fifty two person/months.

Short and medium term experts

A group of STEs will be responsible for specific tasks as summarised in the following table:

Table No.1

Twinning and Training package	PAA p/m	STEs p/m*
PAA responsible for project administration	24 p/m	
STE1 Review of legal acts regulating control of tax compliance, computer audit of electronic accounting and invoicing, etc. and redraft as necessary		6 p/m
STE2 Review of the existing administrative structures as regards tax control and preparation of written proposals for modernisation. Assistance in the development of organisational and methodological standards in the area of computer audit of electronic accounting and invoicing.		6 p/m
STE3 Preparation of written proposals on implementation and development of the risk management system		6 p/m
STE4&5 Analysis of training needs, development of the training programme, provision of training. Training should consist of training of system administration and training of the end users.		14 p/m

STE6&7 Development and implementation of the computerised audit system, preparation of terms of reference, system requirements for the service contract.		14 p/m
STE8&9 Review of the existing audit procedures and selection for audit procedures make proposals for modernisation.		6 p/m
Sub-project total:		76 p/m

*) The number of STEs required might vary depending from the consultations with the twinning partner. The exact schedule of inputs, their exact duration and technical specification will be determined during preparation of the Twinning Covenant.

STE1 will be reviewing legal acts regulating control of tax compliance, computer audit of electronic accounting and invoicing, etc. and redrafting them as necessary.

STE2 will review the existing administrative structures as regards tax control and will prepare proposals for modernisation. The expert will also be expected to assist in the development of organisational and methodological standards in the area of computer audit of electronic accounting and invoicing.

STE3 will prepare and submit written recommendations on implementation and development of the risk management system

STEs4&5 will analyse training needs, developing training programme, providing the training. Training should consist of training of system administrators and training of the end users.

STEs6&7 will be responsible for monitoring and quality assurance in the process of development and implementation of the computerised audit system, and also will assist in preparation of the terms of reference, system requirements for the service contract.

STEs8&9 will be reviewing the existing audit procedures and selection for audit procedures, and preparing the proposals for modernisation.

All the STEs should all be fluent in English and should be capable of providing training covering workshops, classroom training, on-the-job training as well as personal advice at a high level in the institutions involved.

Operating environment of the twinning

The Tax Audits Division of the State Tax Inspectorate will be the counterpart for the Twinning project. To ensure smooth operations, the State Tax Inspectorate will provide office accommodation and the usual office equipment to the project. It will also contribute to covering the expenses of seminars in Lithuania and of local travel. All required training will be conducted in the Training Centre of the Ministry of Finance. Provision of all necessary assistance as regards the preparation of technical documentation for the Phare service contract will be expected in the framework of Twinning component.

Sub-project 2: Taxpayer Call Centre:

Guaranteed results/Expected outputs

- Written proposals prepared concerning the structural changes of the State Tax Inspectorate, taking into account the foreseen functions of TCC;
- Taxpayer Call Centre's performance model (blueprint) developed covering its statute, structure and functional links, principles of staff control. Such a blueprint would be a precondition for the effective work of the TCC;

- A model of taxpayer consultation process control (monitoring) system allowing to monitor time, form and content of consultations, as well as precision and politeness when providing responses to taxpayers developed;
- Operational rules and methods developed for the staff of the TCC on the provision of consultations by telephone;
- Evaluation of TCC's capacity in terms of human resources.
- Job descriptions prepared for the staff of TCC (for each functional position within the Centre's structure);
- Assistance provided in drawing up a list of necessary professional qualifications for the Taxpayer Call Centre's staff;
- Criteria for evaluation of State Tax Inspectorate's performance with regard to provision of consultations to taxpayers drafted;
- Phare tender dossiers regarding supplies contract drafted, and appropriate technical equipment and software necessary for efficient functioning of the TCC purchased, installed, tested and fully operational;
- Phare tender dossiers regarding service contract drafted, and appropriate databases and information systems of the State Tax Inspectorate adapted to the effective and competent provision of services to taxpayers by the staff of TCC;
- Training programme including train-the-trainer module prepared concerning the provision of consultations by telephone (covering psychological and social contacts issues).
- Training package entitled *Consultations by telephone* (trainer's guide, trainees' guide, set of practical activities for trainers and trainees) prepared;
- Communication plan and information packages for taxpayers and tax officials concerning the establishment of the TCC and its operations developed.

Scope of the twinning (task of the PAA)

One PAA with good administrative skills and good knowledge of written and spoken English for 18 months. The PAA will possess the following qualifications:

- 10 years of practical experience in an EU Member State Tax Administration taxpayer service field, preferably working as a manager of Taxpayer Call Centre of a national (central) revenue office;
- At least 5 years experience, particularly in monitoring office performance;
- Experience in implementing structural changes in a national taxpayer service office
- Methodological qualifications in the field of taxpayer service as required for a quality manager and consultant for the development of operational rules and human resource management.

The task of PAA will consist of the co-ordination of the activities on-site and the inputs of the STEs. Therefore, she/he should also have experience in project and change management. She/he will assist on elaboration of proposals for the establishment of the necessary institutional and operational structures and procedures for each aspect of Taxpayer Call Centre's structure, including the evaluation of the TCC's capacity for human resources. Together with STEs she/he will be responsible for the delivery of a series of training activities, particularly with regard to planning and management of

taxpayer service functions. She/he will also co-ordinate study visits to complement project activities.

The PAA should be a good communicator and motivator, patient, persistent but diplomatic, a good organiser, accustomed to working well under pressure.

Required inputs

One PAA for 18 person/months and eight STEs for a total of 40 person/months

Short and medium term experts

The following table summarises the assignments of STEs:

Table No. 2

Twinning and Training package	PAA p/m	STEs p/m*
PAA responsible for all project activities related to Taxpayer Call Centre	18 p/m	
STE1 Proposals for the structural changes, TCC performance model (blueprint)		6 p/m
STE2 A model of taxpayer consultation process control (monitoring) system, performance evaluation criteria		6 p/m
STE3 Operational rules, methodological guidelines for the staff of TCC		8 p/m
STE4 Staff profiles/job descriptions, professional qualification requirements		3 p/m
STE5 Communication plan and information packages for tax officials and taxpayers concerning operations of the established TCC		3 p/m
STE6 Training needs analysis, training packages and training programme for the staff of TCC** on the provision of consultations by telephone		8 p/m
STE7 Expert on quality assurance in the field of IT system development; monitoring of activities of adapting databases and IT systems of the STI; drawing up technical documentation for service contract		4 p/m
STE8 Technical needs assessment, drawing up a list of equipment with technical specifications		2 p/m
Sub-project total:		58 p/m

*) The number of STEs required might vary depending from the consultations with the twinning partner. The exact number will be indicated in the Twinning Covenant.

**) Number of specialists to be trained will be determined after the evaluation of TTC's capacity for human resources is completed.

STE1 to 4 will provide assistance for the development of the administrative structure of the TCC. They will review the existing administrative structures (their functions and characteristics) of the State Tax Inspectorate in the field of taxpayer information/consultation and will develop performance model (blueprint) of the TCC, including descriptions of the structure, functions, determination of needs related to the number of staff required, defining responsibilities and tasks to be performed by the TCC and its staff, etc. They will also help and advice in drawing up a list of necessary professional qualifications for the TCC's staff and in preparation of job descriptions for each functional position of the TCC. Assistance will be expected in drafting operational rules and methodological guidelines for the specialists of TCC on the provision of consultations to taxpayers by telephone. The experts will prepare a model of staff control (monitoring) system and will define STI's performance evaluation criteria with regard to provision of consultations to taxpayers.

STE5 will assist in preparation of the Communication Plan and development of information packages (brochures, leaflets, etc) for taxpayers as well as local tax authorities concerning operations of the established TCC.

STE6 will undertake the training needs analysis; in close co-operation with other relevant STEs she/he will develop a training programme and provide training to the different categories of specialists of the TCC concerning the provision of consultations by telephone (covering psychological and social contacts issues). The number of

specialists to be trained will be assessed after the evaluation of TCC's capacity for human resources.

STE7 will provide expertise regarding the quality assurance with respect to activities on adapting databases and IT systems of the STI. The STE will assist in drawing up technical documentation for service contract as well as in co-ordinating and monitoring relevant activities.

STE8 will be responsible for conducting technical needs assessment, determination and preparation of a final list of equipment with technical specifications for supply contract.

All experts must be experienced in the field of training, which will be provided by them and preferably, have good knowledge of English as well as good communication skills.

Operating environment of the twinning

The Tax Accounting and Taxpayer Service Methods Division of the State Tax Inspectorate will be the main counterpart for the twinning project. The twinning environment for this sub-project will not differ materially from the one of the Computerised Audit System's sub-project. Training venues may vary depending of the group of persons to be trained. All required training will be conducted in the Training Centre of the Ministry of Finance.

3.4.2 Investment component:

Sub-project 1: Computerised Audit System:

The State Tax Inspectorate will require technical support for the development, implementation and management of a computerised audit system, which would guarantee efficient, transparent risk analysis and management; well-organised audit planning and IT support for audit. The indicative list of IT system modules is provided in Annex 4. The Phare-funded implementation of the Computerised Audit System will be conducted in one tendering operation (Service contract). Tender documentation will be prepared in the framework of Twinning contract. The beneficiary will provide hardware necessary for running the system.

Sub-project 2: Taxpayer Call Centre:

The Phare-funded technical equipment and development of IT system for the TCC will be acquired in three tendering operations, namely – two Service and one Supply contracts. The initial technical preparations for the sub-project have been completed, and the preliminary equipment list is provided in Annex 5. However, the final list of equipment will be prepared with the advice of respective STEs.

The service contracts (TA) will include the following:

- Service Contract No. 1 - Preparation and publishing of the information material (methodological guidelines, information packages) for the staff of TCC as well as for the taxpayers;
- Service Contract No. 2 - Reconstruction, development and implementation of local software system (necessary data collection, grouping, search system, established and maintained links with other data bases) and technical training for users and administrators of the system.

The supplies contract will include procurement of the following equipment:

- Telecommunication equipment for TCC;
- Computer equipment for TCC.

3.5. Lessons learned

The conclusions and recommendations of the OMAS Report of 1998 (No. R/LI/FIN/98049) have been considered. The State Tax Inspectorate will ensure provision of adequate administrative resources for the project implementation. Following the experience gained from previous Phare assistance programmes, Co-ordination Group to co-ordinate the activities outlined in this fiche will be set up. Equally, any possible overlap between associated projects has been eliminated already at the project design stage.

4. Institutional Framework

Both sub-projects will be co-ordinated by the State Tax Inspectorate under the Ministry of Finance, which is accountable to Minister of Finance. The STI will ensure full co-operation with other competent law enforcement institutions.

Sub-project 1: Computerised Audit System:

The State Tax Inspectorate is the beneficiary of the Phare technical assistance to be provided under this sub-project. The Tax Audits Division of the State Tax Inspectorate has been reorganised by setting up the specialised units, such as: Tax Audits Methods, Control of Tax Refunds, Tax Audit of Enterprises, Tax Audit of Individuals and Legal unit. There are 19 specialists working in the Tax Audits Division at the central tax administration and approx. 1080 persons including performing tax control functions at local level. The Information Systems Development Division of the State Tax Inspectorate will be responsible for providing the technical expertise required for the investment component of the sub-project. Technical assistance to the State Tax Inspectorate will primarily focus on central level, however, it is anticipated that tax officials from county tax inspectorates will also benefit from the assistance in terms of actively participating in activities of the working groups established to deal with the relevant objectives of this project as well as attending the training events.

Institutional links will be maintained to other law enforcement institutions dealing with collection of taxes and other duties. These include the Lithuanian Customs Department at the Ministry of Finance, the Financial Crimes Investigation Service at MIA and Social Insurance Fund Board. The role of these institutions will be investigated and determined at the inception phase of the Project.

Sub-project 2: Taxpayer Call Centre:

The sub-project will be implemented under the coordination of Tax Accounting and Taxpayer Service Methods division of the State Tax Inspectorate. The Division consists of 10 employees working in two units - Tax Accounting Methods unit and Taxpayer Service unit. The latter is responsible for managing the database of explanations to taxpayers, organisation of meetings with taxpayers and third parties, development of performance guidelines, instructions to taxpayer service divisions of local tax offices, etc.

About 60 specialists are working in Taxpayer Consulting and Education Divisions at 10 county tax inspectorates. Main activities of these divisions cover the provision of consultations in written, preparation and publication of important information in press and at notice boards, organisation of seminars (for taxpayers as well as for employees from other regional tax inspectorates divisions). Furthermore, about 70 employees of the Taxpayer Consulting units are involved in consulting taxpayers by telephone and help-desks within the local tax offices. More than 600 specialists are currently working in Taxpayer Services Groups of the county tax inspectorates. The list of their main duties includes: 1) taxpayer registration (collection of application forms; issuance of

taxpayer number; entry of data to the taxpayers register; provision of reminders for taxpayers to register for taxes, etc.); 2) collection of tax returns and other taxpayer data (collection of filled tax returns, other data; entry of data to database; provision of reminders for taxpayers to present tax returns); 3) calculation of taxes filed and paid (calculation of land tax for legal and natural persons as well as rent tax of state land for natural persons; etc); 4) preparation of data for the taxpayers and other institutions (collection of written inquiries from taxpayers, information from other divisions, if necessary, preparation of certificates; and 5) other tasks (analysis of taxpayers requests within their province; issuance of reminders to taxpayers concerning fulfilment of their obligations; provision of tax return forms; processing of taxpayers files and organisation of their storage).

The State Tax Inspectorate will be responsible for mobilising the expertise from Organisation Management Division, Personnel Division, Information Systems Development Division required for the Twinning and investment components of the sub-project. In addition, Training Unit of the Personnel Division is responsible for training and improvement of specialists' qualification.

In the course of the project, a series of organisational changes will be carried out. The State Tax Inspectorate plans to reallocate the staff responsible for taxpayer consulting by telephone from county tax inspectorates to work at the newly established Taxpayer Call Centre. The final number of specialists working at the Taxpayer Call Centre will be determined in consultation with Phare experts. The staff will be working in two shifts (I shift - from 7.00 till 13.00 and II shift - from 13.00 till 20.00) performing telephone-consulting functions. Other structural changes will be based on the proposals prepared by PAA and STEs.

5. Detailed Budget (€Million)

Project Components	Investment Support	Institution Building	Total Phare (I + IB)	National Co-financing	IFI	TOTAL
1. Computer Audit System Twinning and Training Package		1.33	1.33			1.33
Investment in development	2.1675		2.1675	0.7225		2.89
Total Computer Audit System	2.1675	1.33	3.4975	0.7225		4.22
2. Taxpayer Call Centre Twinning and Training Package		1.01	1.01			1.01
Investment in preparation and publication of the information material for the staff of TCC and for taxpayers	0.06		0.06	0.02		0.08
Investment in adapting appropriate databases and information systems of the State Tax Inspectorate for the operation purposes of TCC	0.24		0.24	0.08		0.32
Investment in purchase and installation of telecommunication, computer equipment.	0.1875		0.1875	0.0625		0.25
Total Taxpayer Call Centre	0.4875	1.01	1.4975	0.1625		1.66
TOTAL	2.655	2.34	4.995	0.885		5.88

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

An amount not exceeding 5 percent of the total project budget can be used for project preparation and supervision activities concerning the investment components of the project.

Lithuanian co-financing

Premises for the Taxpayer Call Centre will be provided before the Twinning package commences. However, if reconstruction of premises for Taxpayer Call Centre takes more time than expected, it will definitely be completed by the start of supplies for the Investment component of TCC.

Sub-project 1: Computerised Audit System:

Additionally, €0.72 Million co-financing is foreseen in the Investment component for the development of the computerised audit system. Estimate of expenditure for the development of the computerised audit system is already prepared by State Tax Inspectorate, but since the activities of investment component will start only in 2004, this expenditure will be included in the budget of the State Tax Inspectorate only for the year 2004.

Sub-project 2: Taxpayer Call Centre:

The Lithuanian side will co-finance the expenses related to the preparation and publication of TCC material, the supply and installation of the necessary telecommunication and computer equipment, and adapting appropriate databases and information systems of the State Tax Inspectorate for the operation purposes of TCC. The related expenses total €0.16 Million.

6. Implementation Arrangements

6.1 Implementing Agency

Contracting authority for both Twinning and Investment components will be CFCU.

PAO: Mr. Žilvinas Pajarskas
Director of Central Financing and Contracting Unit at the Ministry of Finance
Address: J.Tumo-Vaižganto 8A/2 Telephone: 370-5-268-53-67
2600, Vilnius Fax: 370-5-212-53-35
Lithuania e-mail: info@cfcu.lt

Contact person from the State Tax Inspectorate will be:

SPO Mr. Eugenijus Soldatkovas
Chief Specialist of EU Integration and International Assistance Unit at the State Tax Inspectorate under the Ministry of Finance
Address: Vasario 16-osios 15 Telephone: 370-5-268-78-58
2600, Vilnius Fax: 370-5-212-56-12
Lithuania e-mail: EugenijusS@vmi.lt

6.2 Twinning

The Twinning Team will primarily be located at the State Tax Inspectorate under the Ministry of Finance. The Counterparts of the PAAs respective to each component will be:

For the Twinning component

SPO 1 Ms Vaide Riškute (Computerised Audit System)
Deputy Head of Tax Audits Division of the State Tax Inspectorate under the Ministry of Finance
Address: Vasario 16-osios 15 Telephone: 370-5-268-78-47
2600, Vilnius Fax: 370-5-212-56-64
Lithuania e-mail: V.Riskute@vmi.lt

SPO 2 Mrs. Birute Purliene (Taxpayer Call Centre)
Deputy Head of Tax Accounting and Taxpayer Service Methods Division, State Tax Inspectorate under the Ministry of Finance
Address: Vasario 16-osios 15 Telephone: 370-5-268-78-65
2600, Vilnius Fax: 370-5-212-56-04
Lithuania e-mail: BiruteP@vmi.lt

For the Investment Component of the Project

SPO 1 Ms Barbara Voitkevici (Computerised Audit System)
Deputy Head of Information Systems Development Division, State Tax
Inspectorate under the Ministry of Finance
Address: Vasario 16-osios 15 Telephone: 370-5-268-79-70
2600, Vilnius Fax: 370-5-212-56-29
Lithuania e-mail: BarbaraV@vmi.lt

SPO 2 Mr. Algirdas Seroštanovas (Taxpayer Call Centre)
Deputy Head of Information Systems Development Division of the State
Tax Inspectorate under the Ministry of Finance
Address Vasario 16-osios 15 Telephone: 370-5-268-79-62
2600, Vilnius Fax: 370-5-212-56-29
Lithuania e-mail: AlgisS@vmi.lt

6.3 Non-standard aspects

PRAG and Twinning Manual rules and procedures will be applied fully. The project has 6 components: 2 twinning components and 4 investment components.

6.4 Contracts

There are five tenders foreseen for the implementation of this project activities:

Value of Twinning Covenant for the Computerised Audit System: **€1.33 Million**

Value of Twinning Covenant for TCC: **€1.01 Million**

Value of Investment component of the development and implementation of the Computerised Audit System: (Phare + co-financing) **€2.89 Million**

Value of Investment component of the preparation and publishing the information material for the staff of TCC and for taxpayers: (Phare + co-financing) **€0.08 Million**

Value of Investment component for adapting appropriate databases and information systems of the STI for the operation purposes of TCC: (Phare + co-financing) **€0.32 Million**

Value of Investment component of telecommunication, computer equipment for TCC: (Phare + co-financing) **€0.25 Million**

7. Implementation Schedule

Component	Start of Tende ring	Start of Project Activity	Project Completion
Twinning for the Computerised Audit System	2Q/03	4Q/03	4Q/05
Twinning for TCC	2Q/03	4Q/03	2Q/05
Service (TA) for the Computerised Audit System	1Q/04	3Q/04	4Q/05
Service contract No.1 for TCC - preparation and publishing the information material for the staff of TCC and for taxpayers	1Q/04	2Q/04	4Q/04
Service Contract No. 2 for TCC - adapting appropriate databases and information systems of the STI for the operation purposes of TCC	1Q/04	3Q/04	4Q/04
Supply for TCC (telecommunication, computer equipment)	1Q/04	3Q/04	4Q/04

8. Equal Opportunity

The institution involved in the project execution will observe equal opportunity of men and women in its recruitment and human resources development. The beneficiary will also ensure equal access of men and women to the project activities and results.

9. Environment

The investment components of this Project all relate to Institution Building activities.

10. Rates of Return

The investment components of this project all relate to institution building activities of Computerised Audit System and Taxpayer Call Centre, which are not normally the subject of rates of return calculations.

11. Investment Criteria

11.1. Catalytic effect:	The project will finance activities that will improve the tax revenue collection capacity and efficiency of the Lithuanian State Tax Inspectorate in order to effectively implement the tax acquis. It will also establish Taxpayer Call Centre, which will serve as a contact point facilitating the access of national and foreign customers as well as their representatives by telephone, in writing and by e-mail to tax information and providing other services (reminders, suggestions and complaints through toll-free line) in order to ensure an equal interpretation of the tax laws throughout the country and to increase voluntary tax compliance. Without Phare support, full compliance could be achieved only much later.
11.2. Co-financing:	Lithuanian government institution will contribute with €0.89 Million, which will be allocated to the investment components of the project.
11.3. Additionality:	No other financiers will be displaced by the Phare intervention.
11.4. Project readiness and size:	The necessary strategic studies have been completed. Preparation for Phare tendering and contracting can commence immediately.
11.5. Sustainability:	Relevant government policies ensure sustainability. The beneficiary institution is in a position to operate the project and the procured equipment effectively in the long run. Funds for the operation will be provided by the budget of State Tax Inspectorate. All acquired equipment will respect the standards applicable after Lithuania's accession to the Union.
11.6. Compliance with state aids provisions:	The investment part of the project both for the implementation of the Computerised Audit System and establishment of Taxpayer Call Centre will respect the state aids provisions of the Europe Agreement.
11.7. Contribution to National Development Plan:	Not applicable

12. Conditionality and sequencing

The structural changes of the Lithuanian tax administration in the field of taxpayer service in the context of the establishment of Taxpayer Call Centre will be carried out taking into consideration the recommendations prepared under the Twinning component of the project.

The State Tax Inspectorate under the Ministry of Finance will provide adequate confirmation that all expenses for the personnel working with the equipment, as well as the cost of operating, servicing and maintaining the equipment will be covered from the State Tax Inspectorate's budget.

Lithuanian side will provide premises for Taxpayer Call Centre (in more details see section 5 (Detailed Budget) Lithuania's Co-financing part). Steps will be taken within

the State Tax Inspectorate under the Ministry of Finance to ensure permanent development and commitment after expiry of the PHARE assistance.

The key milestones in the project are:

- Twinning Member State(s) appointed
- Twinning covenants signed
- TA and supply tenders launched;
- Legal acts and procedures revised;
- New legal acts and procedures/ regulations implemented;
- TA and equipment delivered;
- Training completed.

Annexes to project Fiche

- 1. Logical framework matrix in standard format**
- 2. Detailed implementation chart**
- 3. Contracting and disbursement schedule**
- 4. Indicative List of the IT Modules of the Computerised Audit System**
- 5. Indicative List of Services and Equipment for Taxpayer Call Centre**

LOGFRAME PLANNING MATRIX FOR Project: Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and the Establishment of Taxpayer Call Centre		Programme Name and number:	
		Contracting Period Expires: 2Q/2005	Disbursement Period Expires: 2Q/2006
		Total Budget: €5.88 Million	Phare Budget: €4.995 Million
Overall Objective Improve the tax revenue collection capacity and efficiency of the Lithuanian State Tax Inspectorate in order to effectively implement the tax acquis.	Objectively Verifiable Indicators Budget revenue increased due to improved voluntary tax compliance related to better tax service and tax control systems	Source of Verification Regular European Commission reports Public opinion & business surveys	
Project Purpose <ul style="list-style-type: none"> Implementation of IT-based, comprehensive intelligence and information system to support the effective use of risk analysis, taxpayer selection as well as computer audit techniques and in so doing to underpin tax compliance. Establishment of effective information methods and tools for better taxpayer service and to ensure an equal interpretation of the tax laws throughout the country. 	Objectively Verifiable Indicators <u>Computerised Audit System</u> <ul style="list-style-type: none"> Enacted legal texts Tax control procedures standardised and better audit quality guaranteed Computerised audit tools used to support a systematic and effective identification of non-compliant taxpayers, well-managed tax control procedures and widespread use of computerised procedures in auditing. <u>Taxpayer Call Centre</u> <ul style="list-style-type: none"> Taxpayer Call Centre established and used as one of the effective tools for taxpayer service and tax information purposes. 	Source of Verification <ul style="list-style-type: none"> Publication of legislation and regulations Performance reports of the State Tax Inspectorate Taxpayer Call Centre performance reports Public opinion & business surveys Taxpayer Call Centre's tax officials opinion surveys (about their working environment) 	Assumptions Government approval to the Project. Government's commitment to maintain hardware and software of newly created databases in the future Continued Governmental commitment to the Accession objectives
Results <u>Institution building: Computerised Audit System</u> <ul style="list-style-type: none"> Computerised Audit System implemented Necessary legal framework allowing tax authorities to conduct a computerised audit developed and administrative tax control tools prepared Training needs analysis carried out and relevant training delivered <u>Institution Building: Taxpayer Call Centre</u> <ul style="list-style-type: none"> Taxpayer Call Centre established Recommendations on the structural changes within State Tax Inspectorate ready. Performance model of a Taxpayer Call Centre developed and documented, information material regarding the Taxpayer Call Centre operations elaborated, published and disseminated among the taxpayers. Training need analyses carried out and relevant training delivered. <u>Investment: Computerised Audit System</u> <ul style="list-style-type: none"> IT-based audit system developed, installed, tested and fully operational <u>Investment: Taxpayer Call Centre</u> <ul style="list-style-type: none"> Databases adjusted to facilitate prompt and qualitative telephone services; computer, telecommunication and office equipment procured, delivered, installed, tested and fully operational. 	Objectively Verifiable Indicators <u>Computerised Audit System</u> <ul style="list-style-type: none"> Lithuanian legislation reviewed and necessary recommendations documented Administrative tax control tools (improved administrative structures, modernised risk analysis, taxpayer selection techniques, organisational and methodological standards to carry out computer auditing procedures etc.) documented 310 tax auditors trained in using computerised audit system, 12 IT specialists trained in administration and maintenance of the system. An IT-based system in support of fiscal control developed, installed, tested and operational at the required quality and time, as planned <u>Taxpayer Call Centre</u> <ul style="list-style-type: none"> Current administrative structures in the field of taxpayer service reviewed and proposals for the establishment of a Taxpayer Call Centre documented. Proposals for methodological and information packages submitted and documented. Staff recruited approx. 80 officials trained in operating the Taxpayer Call Centre's IT system, 5 tax officials additionally trained in operating performance monitoring system. Existing databases adjusted, hardware, software, telecommunication and office equipment procured, delivered, installed, tested and operational at the required quality and time. 	Source of Verification <ul style="list-style-type: none"> Project reports. Equipment delivery, system implementation documents. Training material, training evaluation reports Reports drafted by CFCU, EC Delegation in Vilnius, PAAs and Project leaders 	Assumptions <ul style="list-style-type: none"> Trained staff can be retained Adequate provision from state budget
Activities <u>Computerised Audit System</u> <ul style="list-style-type: none"> Review and redrafting of legislation on control of tax compliance and audit administrative tools Assessment of risk management, development of modern risk analysis and taxpayer selection techniques as well as organisational and methodological standards to carry out computer auditing procedures, elaboration of general audit support tools Analysis of training needs, provision of training on risk analysis, audit selection, audit planning and documentation by means of the computerised audit system. Design and implementation of computerised audit system <u>Taxpayer Call Centre</u> <ul style="list-style-type: none"> Analysis of existing STI administrative structures in the field of taxpayer consultation. Development of proposals for setting up a Taxpayer Call Centre (structure, main functions, etc), its staff qualification requirements and performance monitoring system. Development of proposals on the methodological guidelines and information packages for the staff of Taxpayer Call Centre, preparation and publishing the material. Preparation and publishing the information material on operations of the established Taxpayer Call Centre Analysis of training needs, development of training scheme, and provision of training. Designing and development of IT systems. Assemble, install and test delivered telecommunication, computer equipment. 	Means <u>Computerised Audit System</u> <ul style="list-style-type: none"> One Twinning arrangement covering 1 PAA for (24 m/m), and 9-10 STEs (52 p/m). 1 Service contract. <u>Taxpayer Call Centre</u> <ul style="list-style-type: none"> One Twinning arrangement covering 1 PAA for (18 m/m), and 8 STEs (40 p/m) 2 Service contracts. 1 Supply contract. 		Assumptions <ul style="list-style-type: none"> Adequate staff recruited Skilled staff can be retained Successful start and smooth implementation of the project Adequate provision from state budget

Detailed Implementation Chart for the Project

Annex 2

Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and the Establishment of Taxpayer Call Centre

Year	2002						2003												2004												2005													
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12		
Twinning for the Comput- erised Audit System																																												
Twinning for TCC																																												
TA for the Comput- ised Audit System																																												
TA1 for TCC																																												
TA2 for TCC																																												
Supply for TCC																																												



Design

Tendering

Implementation

Cumulative Contracting and Disbursement Schedule for the Project (Phare Contribution only - €5.01 Million)

Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and the Establishment of Taxpayer Call Centre

	Date														
	2002			2003			2004			2005					
	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12
Contracting															
• Twinning for the Computerised Audit System							1.33								
• Services (TA) for the Computerised Audit System										2.17					
• Twinning for TCC							1.01								
• Service Contract No. 1 for the TCC									0.06						
• Service Contract No. 2 for the TCC										0.24					
• Equipment Supply for TCC										0.19					
Total contracting (cumulative)							2.34	2.34	2.4	5.00	5.00	5.00	5.00	5.00	5.00
Disbursement															
• Twinning for the Computerised Audit System							0.332	0.457	0.582	0.707	0.832	0.957	1.082	1.207	1.33
• Services (TA) for the Computerised Audit System										0.651	0.955	1.259	1.563	1.867	2.17
• Twinning for TCC							0.252	0.378	0.504	0.630	0.756	0.882	1.008	1.01	1.01
• Services (TA1) for the TCC									0.02	0.04	0.06	0.06	0.06	0.06	0.06
• Services (TA2) for the TCC										0.072	0.156	0.240	0.24	0.24	0.24
• Equipment Supply for TCC										0.12	0.19	0.19	0.19	0.19	0.19
Total disbursement (cumulative)							0.584	0.835	1.106	2.22	2.949	3.588	4.143	4.574	5.00

Indicative List of the IT system modules of the Computerised Audit System

Title/Description	Indicative Phare Budget	Indicative National Co-financing	Total Budget
<p><i>Risk Analysis/Selection Module</i></p> <p>The purpose of a Risk Analysis/Selection module is to support the tax administration in selecting a subset of the taxation base for further analysis or audit. A Selection system will allow the tax authorities to define criteria for extracting a subset of the taxation base that corresponds to the established policy for selection of taxpayers for audit. The criteria can involve both risk profiling results and other general data for the taxation objects. The system shall be able to retrieve data for a specific taxpayer. It shall be possible to compile a list of taxpayers by applying criteria to the taxpayer data and risk profiles in the database. It shall also be possible to further refine a list of taxpayers by applying further criteria to the taxpayer data and risk profiles for the taxpayers in the list. The result of running the Selection module is a list of taxation objects. The Selection module will take the available (and relevant) data from tax information system and possibly from other databases along with the result from the screening as the basis for picking taxpayers to a list according to the criteria entered for a particular selection.</p> <p><u>Activities:</u> System development, installation, testing and summary of results, technical training for users and administrators of the system</p>	€717,896	€239,299	€957,194
<p><i>Risk Profiling/Filtering</i></p> <p>Risk profiling is a process related to a taxable object, i.e. an individual or a company. The Risk profiling processes all taxpayers in the Risk profiling batch. A single taxpayer is processed at a time. Available data are retrieved from the tax database, and applicable knowledge bases are applied to these data in order to derive observations and Risk-values. The purpose of the risk profiling system is to establish a Risk-value indicating the priority of a taxpayer when selecting taxpayer for audit. The risk profiling system will derive data/observations for a taxation object. Derived data and the Risk-value will state the values for aspects of interest for the selection process to identify taxpayers to audit. The primary result</p>	€565,845	€188,615	€754,460

<p>of the risk profiling system will be the risk profile as stated by the Risk-value and the related observations: 1) lists of inconsistencies; 2) lists of indicators. The Risk-values and the observations would be stored in the result database. Risk profiling could be applied to a taxpayer at several points in time - risk profiling of an incoming tax return in search of internal inconsistencies; risk profiling before the assessment of the taxation object in order to make sure, that those internal inconsistencies, which should be corrected before the assessment, do not exist. Risk profiling with the purpose of deriving data will be used for audits or selection.</p> <p><u>Activities:</u> System development, installation, testing and summary of results, technical training for users and administrators of the system</p>			
<p><i>General Audit Support</i></p> <p>The purpose of the General Audit Sub-system is to support the auditor in actually carrying out an audit. The system supports both those audits conducted at the offices of the tax administration and those audits conducted at the taxpayers premises (so-called field audits). When a taxpayer has been selected by tax authorities with the support of the selection system, the assigned auditor will be able to electronically request the relevant audit data (the so-called case data) from a workstation connected to the regional local area network (LAN). The case data will then automatically be transferred from the main taxpayer databases to the auditor's workstation where after the auditor will be able to undertake the audit with the support of the system.</p> <p>The General Audit Support module covers the following prime areas:</p> <ol style="list-style-type: none"> 1. Access to and overview of downloaded data about the taxpayer 2. Simple and complex analysis tools for the taxpayer data 3. Possibility to integrate and use in combination with IT audit tool (Sesam) 4. Planning, quality assurance and structuration tools (audit planning and documentation tools) 5. Access to law texts and integration with office automation tools <p><u>Activities:</u> System development, installation, testing and summary of results, technical training for users and administrators of the system</p>	€888,409	€296,136	€1.184,546
TOTAL	€2.172,150	€724,050	€2.896,200

Indicative list of services and equipment for Taxpayer Call Centre

	Indicative Phare Budget	Indicative National Co-financing	Total Budget
Technical Assistance Component	€293,250	€97,750	€391,000
<u>Service Contract No 1 – Publication of the information material</u>	€57,000	€19,000	€76,000
Preparation and printing of methodology and information packages for the staff of a Call Centre	€37,500	€12,500	€50,000
Preparation and printing of material (brochures, leaflets, etc) for taxpayers about operations of the established Call Centre	€19,500	€6,500	€26,000
<u>Service Contract No 2 - Reconstruction, development and implementation of local software system</u>	€236,250	€78,750	€315,000
Software development (data collection, grouping, search system, established and maintained links with other data bases) development, installation, testing and summary of results, and technical training for users and administrators of the system	€236,250	€78,750	€315,000
Supplies Component	€189,000	€63,000	€252,000
Telephone equipment (telephone ports, ear-phones, telephone lines, network equipment, internet connection)	€28,275	€9,425	€37,700
Automatic call distribution system, conversation recording equipment, calls statistic and monitoring equipment, etc.	€51,375	€17,125	€68,500
Industry standard PC hardware, DB servers, software	€102,825	€34,275	€137,100
30 cabins	€6,525	€2,175	€8,700
TOTAL	€482,250	€160,750	€643,000

Additional information on computer audit system

In January 1998, the Lithuanian Tax Inspectorate (hereinafter – STI) initiated, at its own cost, a pilot project together with Lithuanian and Danish IT companies, with the aim of establishing a computerised audit system. The project was well supported by the senior management of STI.

The STI tax auditors from central tax administration and Vilnius county tax inspectorate, working in close cooperation with experts from IT companies, have actively participated in activities of the needs analysis, configuration and testing of the system. At the end of the pilot project. The pilot project was completed in December 1998 having the IT-audit module (SESAM) in a production ready state and proving that the concepts evolved and the module developed will be able to form the basis of an computerised audit system. However, due to budgetary constraints STI had no possibility to complete the pilot project that would deliver a fully computerised tax audit system in Lithuania. Since 1999 STI have been looking for an opportunity to receive a support to from EU or non-EU sources in financing the completion of this project, whose importance for modernisation of Lithuanian tax administration is hard to overestimate.

In the beginning of 2001 STI has resumed activities on implementation of a complete module of SESAM. The agreement with an IT company was signed in order to update IT-audit module.

From 1999 till beginning of 2002 DOS Version of SESAM has been deployed by the STI allowing to carry out tax audit at the large companies which are using electronic accounting systems with many transactions. The main requirement was that taxpayers must have computerized accounting system with possibility print data in text (*.txt) format.

From March 2002 STI has implemented a new version of SESAM (SESAM Windows). This is a new 32-bit version of SESAM which has been completely reengineered from the previous version of SESAM currently is being used at the STI. This version of the system contains substantially more functionality than the previous version, has a completely redesigned interface.

The System comprises 2 applications used in connection with the auditing of accounting transactions. The first, *Sesam Conversion*, is used to convert data from different accounting systems for use by the analysis application. The second, *Sesam Analysis*, supports the actual analysis of the accounting transactions.

Sesam Conversion supports:

- Conversion of accounting files for analysis without the need for programming knowledge. In the event of the user wanting to perform specialised operations in connections with data conversion, an application programming interface is offered by the application.
- Import of a wide range of file formats including report files, delimited files and, flat files allowing import of data from a large number of different accounting packages. Import of data from MS Excel, Foxpro and Dbase files will also be available. Import from other proprietary databases such as Access and Oracle can be done if these systems can save data in one of the standard formats supported by Sesam Conversion. Furthermore ODBC support enabling import of data directly from these (and other relational databases which support ODBC) is also available.
- Import files in ASCII, ANSI and EBCDIC character sets.

- Perform large parts of conversion process almost automatically - The System recognises different data formats and will default to one of these formats upon recognising the format. Thereafter it is up to the tax auditor to identify and define the different fields, with support from the System. In addition once a particular accounting system has been converted, the tax auditor can save a template for use in future conversions. Thereafter conversion will be automatically.
- Interpret binary fields.
- Join and merge data files.
- Convert special symbols and characters if required.
- Cleanse source data.
- Quickly validate converted data.

The *SESAM Conversion* application is able to recognise Lithuanian characters.

Sesam Analysis supports:

- Browsing of transactions, at an individual or grouped level
- Display of transactions which meet certain criteria.
- Distribution of transactions within intervals to highlight the structure, trends and patterns within the data set.
- Search for specific text strings.
- Perform statistical analysis and sampling.
- Perform standard audit functions such as displaying non-balanced vouchers, verifying totals and checking sequences.
- Use the Fast-Find function for quick automated analysis.
- User configurable reporting

In April 2002 training courses on the use of a new Windows based version of SESAM were carried out by the STI in cooperation with the experts from IT company. As a result, 30 tax auditors from the largest county tax inspectorates have been trained.

Existing legal framework for computer auditing

As regards the legal framework at the national level necessary to enable tax auditors to carry out their work in the electronic environment, the provisions under Article 17 of Law on Tax Administration provide for that the tax authorities has the right to obtain from taxable person, information, copies of documents, electronic data (and backups) concerning property, income, costs and activities, which are necessary in the performance of their duties. On the other hand, and Article 27 of the Law stipulates taxable person's (tax withholder's) obligation to provide suitable working conditions for tax administrator's officers, to furnish all documents, electronic accounting data required to carry out tax audit.