

Standard Summary Project Fiche

Project Number LI 2002.02

LI2002/IB/FI/01

1. Basic Information

1.1. Desiree Number:

1.2. Title: Modernisation of the State Tax Inspectorate

1.3. Sector: Internal Market

1.4. Location: State Tax Inspectorate under the Ministry of Finance of Lithuania, Vasario 16-osios Str. 15, 2600 Vilnius, Lithuania, and regional units

2. Objectives

2.1. Overall Objective

The overall objective of this **5.35 MEUR** institution building and investment project, of which **1.35 MEUR** is provided from national co-financing, is to align the Lithuanian tax administration with the Internal Market *Acquis* facilitating administrative co-operation and mutual assistance.

2.2. Project purpose

- Legislation concerning the operations of the Lithuanian State Tax Inspectorate aligned with the *Acquis*
- Institutional structures and operations of the Lithuanian State Tax Inspectorate reformed improving the cooperation with the business community, national and EU law enforcement agencies
- Data processing and communication systems for the exchange of EU tax and trade information (VIES, SEED and FISCAL SCENT) operational

2.3. Accession Partnership and NPAA Priorities

With respect to taxation, the draft Accession Partnership 2001 foresees the priorities and objectives listed below:

- *Complete legislative alignment with particular attention to the VAT and excise legislation;*
- *Strengthen the administrative capacity and control procedures, and to improve the administrative co-operation and mutual assistance;*
- *Develop IT systems facilitating the exchange of computerised data with the Community and its Member States*

The new accession programme (National Programme for the Adoption of the *Acquis*) of Lithuania, which has been approved on 13 June 2001, specifies the following priorities in the field of taxation:

- *In 2001 to adopt the amended Laws on VAT and Excises, which would transpose the EU legal provisions in the Lithuanian legislation of the respective areas.*
- *By 2004 to introduce and operate an integrated tax IT system geared to the needs and requirements of such users as the tax administration, governmental agencies and the EU, and to adapt the system to the EU standards.*

With that aim in view, the period between 2001-2003 will be devoted to the modernisation of the information infrastructure, expansion of the WANs, introduction of security measures, professional development of specialists and users of information systems according to the requirements of ECDL. Particular attention will be devoted to the exchange and quality of customs

data, the quality of the register of VAT payers, since those data will be exchanged with the information systems of the EU Member States.

- *The period of 2002-2003 must be devoted to the preparation for the provision of data to the tax administrations of the EU Member States according to the requirements of EU information systems (VIES, SEED, FISCAL SCENT and others). That will ensure the adaptation of the integrated tax information system to the EU standards.*

3. Description

3.1. Background and Justification

The 2000 Regular Report commended Lithuania for the progress made in terms of strengthening and modernising the State Tax Inspectorate by means of a systematic review of internal procedures. Yet, it concluded that *further improvements are required in both VAT and excise duty legislation*. In addition, *further training of staff and improved exchange of information are also needed*.

Relevant Directives of the European Union provide for an electronic exchange of information concerning indirect taxes. The requirements and principles are set by VIES and SEED, and regarding financial crimes, by FISCAL SCENT. The requirements apply not only to legal and administrative arrangements, but also for the principles of data processing, data security and for data transmission technologies. In the process of preparing for the exchange of information with the tax administrations of the EU Member States according to the requirements of the EU information systems, the Lithuanian State Tax Inspectorate will be challenged by the complexity of developing legislative, procedural and technical conditions according to the EU interface specifications. The project will help dealing with these challenges.

Guidance for the required modernisation work had been provided by the eleven Fiscal Blueprints prepared in the framework of a 1999 Phare Multi-Country Programme. The Fiscal Blueprints contain information on best practice for operating a modern tax administration in a Single Market with no internal frontier controls. Through the process of gaps and technical needs analysis, Lithuania's administrative capacity to effectively implement and control the tax *acquis* has been assessed. The assessment has been the basis for the development of Business Change Management Plan for 2001-2003 of the State Tax Inspectorate, which led to the Inspectorate's Strategy for 2001 – 2004.

3.2. Linked Activities

The Lithuanian State Tax Inspectorate has received support from the Phare programmes and from bilateral donors.

Phare Project No. LI9703.03.05.01 focused on –

- Modernising tax administration through the development of relevant strategies (human resources, training, taxpayers service and communications, information technology, revenue control and enforcement),
- Introduction of strategic and business planning procedures,
- Project management techniques at all levels of the organisation, provision of recommendations to amend relevant legislation, and delivery of necessary training.

In addition, the 1999 Multi-country Phare project laid the basis for the Change Management Plan for 2001-2003 of the State Tax Inspectorate.

With a view to the future, the Inspectorate is planning a Phare Twinning Light project for implementing the *Acquis* concerning excise warehousing and duty suspension.

A bilateral project with the Netherlands Ministry of Finance, Directorate-Generale of the Tax and Customs Administration, aimed to assist State Tax Inspectorate in the establishment of Central Liaison Office, will start in January 2002.

The State Tax Inspectorate will ensure that no overlapping will occur with the activities of the present project.

The State Tax Inspectorate has also received substantial bilateral assistance. An ongoing Danish project, to be completed by May 2002, supports the warehousing of data obtained from enterprises, institutions, or registered VAT payers. The Data Warehouse is provided with the data on tax payments, tax credits, refund of overpayments, monthly accounts on the state and municipal budget revenues from all relevant sources. Management and end users are given access to the data in the Data Warehouse by means of the search tool.

A Danish Sector Programme for Customs and Tax Administration was completed in December 2000, and another Danish project ended in February 2000. The first provided assistance in terms of

- Seminars, courses and study visits on organisational and performance management concerning VAT, excise duties and anti-fraud;
- Assistance of expertise on procedures and administration (VAT auditing, writing-off tax debts, voluntary tax compliance, control of excise duties)
- Conducting feasibility studies on data security, taxpayer register, EU related IT systems, and implementation of IT strategy.

The second project assisted in improving the data organisation of the taxpayer register and establishing an easy access to taxpayer registration data. A major part of the Taxpayer Registration System was developed, tested, and made ready for implementation.

3.3. Results

- All necessary national legal acts on indirect taxation, data protection, etc. developed to fulfil EU requirements in the field of administrative co-operation and mutual assistance
- Recommendations on reinforcement of administrative structures, harmonisation of operational procedures and methods, improvement of taxpayer communication and service functions
- Priority data applications of the tax information system developed, implemented, tested and fully operational to interface with EU information exchange systems (VIES, SEED, FISCAL SCENT, etc.)
- Improved skills and knowledge of the tax officials for conducting new administrative arrangements in compliance with national legislation and EU directives.

3.4. Activities

The project will be carried out with the help of one Phare Twinning Arrangement, one Service contract, and one Supplies contract. The project activities will be executed in a priority order to ensure that the required legal, administrative and technical arrangements facilitating administrative co-operation and mutual assistance are in line with Internal Market *acquis* and are fully operational from the date of Lithuania's accession.

3.4.1 Twinning Package

The Twinning inputs will be delivered by: i) one PAA working over two years, and ii) 10-11 STAs operating in two groups (Administration & Organisation and IT) and providing a total of 58 person/months inputs within the period of two years.

All members of the twinning groups must be fluent in English. They should be capable of providing training covering workshops, classroom training as well as personal advice at a high level in the institutions involved. The STAs will be expected to travel throughout Lithuania visiting the County Tax Inspectorates to conduct fact-finding missions and training activities. The emphasis will be the provision of methodological assistance and the knowledge on the best tax administration practices in EU Member States so that the results of the project are sustainable in the long term.

Working in teams, the twinning experts will focus on the administrative and technical modernisation of the State Tax Inspectorate, respectively. An indicative schedule of inputs is shown in the ta

ble below. The exact schedule of inputs, their exact duration, and technical specialisation will be determined during preparation of the twinning covenant.

Profile of PAA

The PAA (24 calendar months) having the responsibility for overall management of the project should be an expert in the field of indirect taxation with sound knowledge of EU practice and procedures, and have at least 5 years experience as a manager of departmental headquarters of a national network of revenue offices, particularly in monitoring office performance. The PAA will work closely with the management and staff of the State Tax Inspectorate, and will be responsible for -

- Co-ordination of the activities on-site and the inputs of the STAs. Therefore, he/she should also have experience in project and change management. Knowledge on the use of information exchange systems would be an added advantage
- Co-ordination of study visits to complement project activities
- Investigation and proposals for adjustment of the existing legislation on indirect taxation and tax administration
- Delivery of a series of training activities, particularly with regard to planning and management functions.

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

Short Term Advisers Group 1 – Administration and Organisation Specialists

A twinning team operating within the administrative area of the project will carry out the following activities:

- Investigation of the existing legal acts, regulations and internal policy on indirect taxation, tax administration, as a result of which a set of proposals for making the necessary amendments is to be given
- Proposals on adjustment and adoption of the national legislation to correspond with the obligations under community legislation, and to provide the State Tax Inspectorate with sufficient powers for collection, processing, storage and exchange of information with Member States and businesses alike
- Investigation of the suitability of the current procedures, methods and structures covering compliance and administration of indirect taxes for implementation of EU information exchange systems, and submission of recommendations for making adjustments allowing to streamline business activities as well as simplify tax compliance arrangements for the registered traders
- Adoption of existing and, if necessary, establishment of new administrative arrangements and structures to follow the key requirements of implementing VIES, SEED and other EU information exchange systems at the State Tax Inspectorate;
- Following the identified training needs, and development and delivery of training programmes to the different categories of the Inspectorate's staff on issues relevant to the activities carried out within the administrative area.

Profile of Short Terms Advisers - Group 1

Five to six STAs will provide a total of 36 person/months of expert service. They should have experience at senior or middle management level in a Government or relevant agency of a Member State, and have more than 10 years of experience in their area of the assignment -

- Specialists on legal advice (2 STAs with approximately 6 person/months input each) to support the PAA. The STAs should have experience in drafting and implementing legislation/regulations in a Member States administration competent for indirect taxation.
- Experts on administrative advice (2 STAs, each having an input of approximately 6 person/months) to provide assistance in assessing the suitability of the current procedures, methods, and structures in connection with the compliance and administration of indirect taxes for implementation of EU information exchange systems. The experts will also be required to submit recommendations for making necessary adjustments allowing streamlining business activities of State Tax Inspectorate as well as simplifying tax compliance arrangements for the registered traders. They shall assist Lithuanian tax officials in adopting existing and, if necessary, establishing new administrative arrangements and structures to follow the key requirements of implementing VIES, SEED and other EU information exchange systems at the State Tax Inspectorate.
- 1 STA with approximately 6 person/months input will have to assist State Tax Inspectorate in strengthening communication with the business community. He/she should be a public relations expert experienced in taxation issues and the business community and be able to assist State Tax Inspectorate in promoting the service to the business community. The STA must demonstrate sufficient knowledge and experience in establishing contacts with trade organisations, holding discussion meetings with traders, and their organisations, investigating special needs and problems of traders, developing instructions, brochures or leaflets for taxpayers.
- 1 STA should cover the area of improving the State Tax Inspectorate's co-operation with other national enforcement agencies. Having approximately 6 person/months input, he/she should be a senior tax liaison officer with considerable experience in dealing with government agencies

Short term Advisers Group 2 – IT Specialists

The twinning team consisting of four STAs will operate within the IT contingent of the project and will provide expertise for a total of 22 person/months. Their activities will be focused on provision of advisory assistance in connection to the establishment and management of IT infrastructure at the State Tax Inspectorate necessary for an electronic exchange of information with Member States through EU systems. The following activities are foreseen:

- Assessment and documentation of general requirements for new IT systems, definition of any changes that must be done in local system applications, databases and technical infrastructure of the State Tax Inspectorate;
- Assessment of technical capacities of relevant law enforcement institutions (Customs Department, Tax Police Department, Department of Statistics, etc.) to regularly supply State Tax Inspectorate with the data necessary for the implementation of EU information exchange systems;
- Assistance in preparation of finalised Terms of Reference for Service Contract and Technical Specifications for procurement of *off-the-shelf* software as well as hardware on the basis of findings from the assessments mentioned above;
- Assist in coordinating and monitoring the activities conducted by contractors under the Service and Supply components of the project; provide technical expertise during the process of testing pilot systems in limited and protected environment;
- Provision of training for different categories and profiles of the State Tax Inspectorate staff on the aspects relevant to operation, management and maintenance of EU information systems.

Profile of Short Terms Advisers – Group 2

1 STA, having approximately 5 person/months input, will investigate and document general requirements of new data & application systems, develop a plan for reengineering of local system applications as well as databases, and will assist in preparation of procurement documents for the Service contract of the project. The expert should be an IT professional with at least 5 years of in-depth experience in implementing large-scale information systems on national and/or international level. He/she should have understanding of IT life cycle and have demonstrable experience in applying modern principles of data processing and data security, Internet technologies. The expert will have to provide State Tax Inspectorate's IT staff with the possibility of obtaining EU Member States' best practice examples concerning the implementation of EU information exchange systems. Since the expert will be required to undertake the technical needs analysis as well as assist the State Tax Inspectorate in preparation of procurement documents (TOR for Service Contract), it is crucial that he/she would be able to commence his/her tasks at the very first stage of project implementation.

1 STA will provide assistance for a total of 5 person/months in order to carry out an assessment of technical needs, define and document any changes required for the enhancement of IT infrastructure (computer and telecommunication hardware, communication software, network, security, etc.) at the State Tax Inspectorate. The expert will also be expected to assist the State Tax Inspectorate in developing procurement documents for Supply Contract (Special Conditions and Technical Specifications), therefore it is important to ensure performance of his/her tasks from the very start of project implementation. He/she should be an IT professional with at least 5 years of in-depth experience in developing technical IT infrastructure of the tax administration on national and/or international level. While performing his/her tasks, the expert should be ready for provision of EU Member States best practice examples in connection to establishment/development of technical IT infrastructure for EU information exchange systems.

About 6 person/months input will be required from 1 STA to assist State Tax Inspectorate to undertake the following tasks:

- Reviewing legal acts in IT area (Law on Data Protection, Law on Electronic Signature, etc.) against EU requirements, and advising on possible changes as far as it relates to project objectives;
- Assist in drawing up policy documents on use of EU systems (VIES, SEED, FISCAL SCENT, etc.);
- Analysing IT capacity in other state institutions including Customs Department, Tax Police Department, and the Department of Statistics to exchange correct and reliable data; Preparation of recommendations on measures to improve this capacity in accordance with requirements of electronic tax data exchange between EU Member States;
- Investigation of a need to link State Tax Inspectorate's systems with other existing national information systems (Statistics, Customs, etc.);
- Monitoring activities of developing, testing and installing pilot systems within IT contingent (Service and Supply contracts) of the project.

He/she will have a good understanding of national and EU regulations in IT area as well as knowledge of IT development tendencies, have demonstrable skills in developing IT policy documents, coordinating IT projects, and have experience of implementing public procurements. The expert should also have understanding of management and quality assurance of IT projects. He/she will be expected to have experience in testing pilot IT systems.

An IT training expert (STA), having in total of 6 person/months input, will be required to design and deliver an IT-oriented training programme for the State Tax Inspectorate's staff from central and local level in the field of managing large-scale IT projects, adopting new IT technologies, use of new application systems, data management and communication through EU information systems.

Study visits to selected EU and Phare country(-ies) to improve knowledge of key elements of the EU information systems will also be organised.

The following table summarises the assignments to be covered by the two twinning teams on administrative and IT matters.

Indicative inputs of the twinning advisers			
Activity	PAA	STAs	Total Months
Harmonisation and development of legal environment (<i>including coordination & specialist legal inputs</i>)	24	-	24
Review and proposals for adaptation of VAT legislation	-	6	6
Review and proposals for adaptation of VAT administrative arrangements	-	6	6
Review and proposals for adaptation of Excise legislation	-	6	6
Review and proposals for adaptation of Excise administrative arrangements	-	6	6
Trader liaison	-	6	6
Promotion of co-operation with other enforcement agencies	-	6	6
Investigate and document the requirements for IT systems; assistance in preparation of procurement documents for Service contract	-	5	5
Investigate and document the requirements for technical IT infrastructure; assistance in preparation of procurement documents for Supply contract (Special Conditions and Technical Specifications)	-	5	5
Review and proposals for adaptation of legal acts in IT area; policy development on use of EU systems; assess IT capacity in other state institutions to exchange data with STI; monitor activities of developing, testing and installing pilot systems within IT contingent (Service and Supply contracts) of the project	-	6	6
Development and delivery of IT oriented training programme	-	6	6
TOTAL (person/months)	24	58	82

3.4.2. Investment Component

Services

The State Tax Inspectorate will require technical support for the reconstruction, development and implementation of local software systems to run the CCN/CSI gateways in accordance with EU information systems' (VIES, SEED, FISCAL SCENT, etc.) interface specifications and national requirements. The main activities listed below will be carried out:

- Reconstruction and development of the existing State Tax Inspectorate's information systems, first covering the declaration and registration application systems
- Analysing architecture of the main information system (Integrated Tax Information System-ITIS) and, if necessary, developing the central database;
- Construction of DataMarts and interfaces with EU information systems;
- Reconstruction of the State Tax Inspectorate Wide Area Network on the basis of the redesigned local applications and structures of databases;

The above-mentioned services cannot be implemented under the Twinning contract due to the following reasons:

- Development and implementation of large-scale integrated multi-functional tax information systems in an international environment requires huge efforts from IT developers. It is rather impossible to withdraw IT specialists from one or several tax administrations of EU Member States available for duration of the project.
- In fact, most of EU tax administrations are contracting external IT companies for development of information systems and, therefore, do not have own specialists to carry out this kind of activities.

Supplies

The procurement and supply of software and hardware equipment will be based upon Special Conditions and Technical Specifications prepared and issued by the State Tax Inspectorate. As starting point, an indicative list of software and hardware equipment is presented in Annex 4. It includes the following main components:

- System for electronic tax filing. State Tax Inspectorate will expect purchasing *off-the-shelf* type of software to be adapted to State Tax Inspectorate's system (approx. € 300,000)
- Computer hardware (4 servers) for central database cluster and CLO database cluster; system software, installation, communication software and licences (CCN – Common Communication Network) (approx. € 2.1 Million)
- Data security system, installation, licences (€ 100,000).

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

The Project will be implemented under the auspices of State Tax Inspectorate, which is subordinate to the Ministry of Finance of the Republic of Lithuania. A Project Co-ordination Group will be established that will be involving representatives of the Customs Department, Tax Police Department, and the Department of Statistics.

The Lithuanian tax administration includes the State Tax Inspectorate and ten county tax inspectorates. The main areas of the State Tax Inspectorate activities are:

- Administration of nineteen different taxes;
- Relations with taxpayers and other customers, as well as the education of taxpayers;
- Supervision of the territorial tax inspectorates.

The State Tax Inspectorate executes the provisions of the Government of the Republic of Lithuania in the sphere of improving tax management and administration of taxes. The main responsibilities of the State Tax Inspectorate are:

- To ensure control, collection, payments and exaction of taxes and other duties;
- To organise taxpayer education and provision of tax information to society;
- To promote voluntary tax compliance by assisting taxpayers in their application and enforcement of tax legislation;
- To organise registration, evaluation and realisation of property and assets confiscated, abeyant, state owned and/or transferred to the state;
- To ensure secrecy and safety of information about taxpayers;

- To control investigation of tax law violations;
- To work in co-operation and exchange of information with all territorial offices, state institutions and foreign authorities, which administer the payment of taxes

The city and district departments operate under the county tax inspectorates. Over 3,500 people are employed within the tax administration system, of which approximately 6 percent work at the central level. The senior management of the State Tax Inspectorate consists of the Head, First Deputy Head, who is responsible for coordination of the county tax inspectorates, Deputy Heads, and the heads of various Divisions. The organisational chart of the State Tax Inspectorate includes the following main divisions: Legal, Taxation, Tax Accounting and Analysis, International Cooperation, Tax Examinations, Debt Enforcement, Crime Investigation, Organisation Management, Personnel, Information Systems Development and other.

5. Budget (€ Million)

Project Component	Phare Support			National Co-financing	IFI	Total
	Investment support	Institution building	Total Phare			
Contract 1 Twinning		1.5	1.5			1.5
Contract 2 Service TA	1.0		1.0	0.35		1.35
Contract 3 Supplies	1.5		1.5	1.00		2.5
TOTAL:	2.5	1.5	4.0	1.35		5.35

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

6. Implementation Arrangements

6.1 Implementing Agency

PAO: Zilvinas Pajarskas, Director of the CFCU
 Address: J. Tumo Vaizganto 8A/2 Telephone: + 370 2 22 66 21
 2600 Vilnius Fax: + 370 2 22 53 35
 Lithuania E-mail: Info@cfcu.lt

Responsibility for the twinning component including technical preparation, control, and management of the PAA/STAs will remain with the State Tax Inspectorate.

6.2 Twinning

The beneficiary institution is the Lithuanian State Tax Inspectorate under the Ministry of Finance, Vasario 16-osios Str. 15, LT-2600 Vilnius, Lithuania. The contact persons are

- Mr. Eugenijus Soldatkovas, Head of EU Integration and International Assistance Unit, Organisation Management Division, Tel: +370 2 687858, Fax: +370 2 225612, E-mail: EugenijusS@vmi.lt, and
- Mr. Justinas Vyšniauskas, Head of Information Systems Development Division, Tel: +370 2 687888, Fax: +370 2 225604, E-mail: JustinasV@vmi.lt

6.3 Non-standard aspects

There are no non-standard aspects to this project. The PRAG and the Twinning Manual will be strictly followed.

6.4 Contracts

There will be three contracts in this project with the following values:

- Value of Twinning Covenant 1.5 MEUR
- Value of Service Contract (TA) 1.35 MEUR, of which 0.35 MEUR is national co-financing
- Value of Supplies Contract 2.5 MEUR, of which 1.0 MEUR is national co-financing

7. Implementation Schedule

Component	Start of Tendering	Start of Project Activity	Project Completion
Twinning	1Q/02	3Q/02	2Q/04
Service (TA)	4Q/02	1Q/03	1Q/04
Supply	4Q/02	1Q/03	4Q/03

8. Equal Opportunity

The Constitution of Lithuania, the Law on Equal Opportunity between Men and Women, and other legal acts explicitly forbid the discrimination on the basis of sex, nationality, and religion. A Controller on equal opportunities between men and women is appointed by the Seimas (the Parliament). The institution involved in the project execution will observe equal opportunity of men and women in its recruitment and human resources development. Vacancies are equally open to both genders. The Lithuanian State Tax Inspectorate under the Ministry of Finance 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.

11. Investment Criteria

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

12. Conditionality and Sequencing

The Project is conditional on co-financing being available for the investment component of the project.

The key milestones in the project are:

- Twinning Member State appointed
- Twinning covenant signed
- Technical assistance and supply needs analysis completed;
- TA and supply tender launched;
- Legal acts and procedures revised;
- New legal acts and procedures/ regulations implemented;
- TA and equipment delivered;
- Training completed.

Annexes to Project Fiche

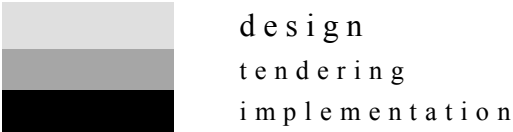
- 1. Logframe Matrix**
- 2. Detailed Implementation Chart**
- 3. Cumulative Contracting and Disbursement Schedule for the Project**
- 4. Reference to feasibility / pre-feasibility studies**
- 5. State Tax Inspectorate Strategic Plan 2001-2004**
- 6. State Tax Inspectorate Information Technology Strategy**
- 7. Organisational Chart of the State Tax Inspectorate**

LOGFRAME PLANNING MATRIX FOR Project Modernisation of the State Tax Inspectorate		Programme name and number:	LI 2002-X-XX
		Contracting period expires: 2Q/2004	Disbursement period expires: 2Q/2005
		Total budget: € 5.35 Million	Phare budget: € 4 Million
Overall objective Lithuanian tax administration aligned with the Internal Market <i>Acquis</i> facilitating administrative co-operation and mutual assistance	Objectively verifiable indicators Tax administration operations correspond to practices in the fields of administrative co-operation and mutual assistance	Sources of Verification Regular European Commission reports	
Project purpose: <ul style="list-style-type: none">Legislation concerning the operations of the Lithuanian State Tax Inspectorate alignedInstitutional structures and operations of the Lithuanian State Tax Inspectorate reformed improving co-operation with the business community and national law enforcement agenciesData processing and communication systems for the exchange of EU tax and trade information operational	Objectively verifiable indicators <ul style="list-style-type: none">Enacted legal textsTax revenue losses reduced to levels similar to comparable Member StatesData processing and communication secure, reliable and fast as in comparable Member States	Sources of Verification Publication of legislation and regulations Performance reports of the State Tax Inspectorate Public opinion & business surveys	Assumptions Continued Governmental commitment to the Accession objective
Results <ul style="list-style-type: none">National legislation on indirect taxation, data protection, etc. developedProposals for administrative reforms readyTraining needs analysis carried out and relevant training deliveredIT system developed, installed, tested and fully operational	Objectively verifiable indicators <ul style="list-style-type: none">Review of Lithuanian legislation conducted and necessary recommendations documentedAdministrative reform proposals documentedAbout 300 officers of the Lithuanian State Tax Inspectorate trained in operating the reformed indirect tax systemHardware and software received, installed, tested and fully operational, and at the required quality and the time, as planned	Sources of Verification <ul style="list-style-type: none">Project reportsEquipment delivery documents	Assumptions <ul style="list-style-type: none">Trained staff can be retainedAdequate provision from state budgetSupport from other relevant institutions, especially from Customs Department and Tax Police Department
Activities <ul style="list-style-type: none">Review legal acts on indirect taxation, data protection, etc. and redraft as necessaryReview structures and operation of the State Tax Inspectorate and develop proposals for modernisationAnalyse training needs, develop training scheme, provide trainingDesign and develop IT systems (prepare technical specifications, organise procurement, install and test delivered system).	Means One Twinning arrangement covering 1 PAA for Administrative area (24 m/m), and 10-11 STAs (58 m/m) operating in two groups (Administration & Organisation and IT) One Services contract One Supply contract		Assumptions Adequate staff recruited; Successful start and smooth implementation of the project.
			Preconditions Co-financing available

Modernisation of the State Tax Inspectorate

Detailed Implementation Chart for the Project

Year	2002												2003												2004											
Month	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																																				
TA																																				
Supply																																				



Modernisation of the State Tax Inspectorate

Cumulative Contracting and Disbursement Schedule for the Project – Phare Contribution (€ Million)

	Date											
	2002				2003				2004			
	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			1.5									
• Services (TA)					1.0							
• Supply					1.5							
Total contracting (cumulative)			1.5		4.0							
Disbursement												
• Twinning			0.375	0.516	0.656	0.797	0.958	1.078	1.219	1.359	1.5	1.5
• Services (TA)					0.3	0.45	0.6	0.75	0.9	1.0	1.0	1.0
• Supply					0.9	0.9	0.9	0.9	1.5	1.5	1.5	1.5
Total disbursement (cumulative)			0.375	0.516	1.856	2.147	2.458	2.728	3.619	3.859	4.0	4.0

Reference to Feasibility/Pre-feasibility Studies

Feasibility studies have been conducted in respect to the interconnectivity of national computer systems with the common EU-systems (VAT Information Exchange System - VIES and System for Exchange of Excise Data - SEED) for exchange of information between the Commission, Member States and Candidate Countries from the date of accession to EU.

In the framework of The Danish Sector Programme for Customs and Tax¹, The Danish Ministry of Taxation, The Central Customs and Tax Administration carried out a feasibility study on EU-systems (VIES and SEED) with relation to Lithuania. The feasibility study was made in the period of 20 March – 11 April 2000 with a study period of 5 days in Vilnius at the State Tax Inspectorate and was aimed to increase awareness of Lithuanian tax authorities on legislative, administrative and technical requirements for introduction of EU systems VIES and SEED in Lithuania. The outcome of this feasibility study was a Report describing the necessary data system requirements for connection to the EU systems, the interfaces needed for local and EU based systems, architecture of the systems and gross plan for establishment of the two EU systems in State Tax Inspectorate. The study concluded that local computer systems have to be developed according to the EC interface specifications and to local Lithuanian requirements. In addition, three-day study visit to Denmark was organised with a purpose to examine operation of EU based systems at the Danish Central Customs and Tax Administration, to pickup experience on development and implementation of operational procedures and application systems, and to establish working relationships with users and developers of these systems. The Report and material from this feasibility study will be used for implementation of this Phare project.

The Taxation and Customs Union Directorate General of the European Commission has contracted experts from private companies to conduct two studies on interconnectivity of computer systems and operational capacity of Candidate Countries to create and manage EU IT systems in the field of Customs and Taxation. During their mission in Lithuania, 29 January – 2 February 2001, the experts have met with representatives from the Customs Department as well as the State Tax Inspectorate and presented “Interconnectivity” material (both in written and on CD-ROM) containing description of functional and technical requirements as well as some important updates, comments and future plans for interconnectivity of the Customs and Taxation. As a result of aforementioned two studies, an assessment of the existing situation concerning the interconnectivity of computer systems to be used in the fields of Customs and Taxation has been made. The study team provided recommendations on the measures to be taken to improve operational capacity of the Lithuanian customs and tax administrations to implement and operate the EU based systems.

The findings and recommendations in the feasibility studies mentioned in this section has been used for the specifications for the investment component and will be the working foundation for planning and implementing activities and tasks of this Phare project. These documents will also be used as a starting point for the development of ToR for this project work.

¹ The Danish Customs and Tax Sector Programme was established in 1997 for the period of 1997-2000 and focussed on concrete and targeted administrative-technical assistance to strengthen the customs and tax administration in Estonia, Latvia, Lithuania and Poland¹ especially in the perspective of the EU pre-accession process.

Indicative list of the software/hardware to be financed under Technical Assistance and Investment Components of the Project

	Indicative Phare Budget	Indicative National Co-financing	Total Budget
Technical Assistance Component			
Software development of Integrated Tax Information System, software test and summary of results	667 000	233 000	900 000
Installation of Declaration Data application systems	111 000	39 000	150 000
Development of interfaces to EU based systems	74 000	26 000	100 000
Training how to work with new software	148 000	52 000	200 000
Supplies Component			
<u>Central database cluster</u>			
2 servers (8 processors, backups, system and administration software)	270 000	180 000	450 000
Software for cluster	60 000	40 000	100 000
Datawarehouse (memory 6 terabytes, backup hardware and software, software for system administration)	240 000	160 000	400 000
Hardware and software for data security system	270 000	180 000	450 000
<u>Database cluster for Central Liaison Office</u>			
2 servers (4 processors, backups, system and administration software)	170 000	120 000	290 000
Software for cluster	60 000	40 000	100 000
Datawarehouse (memory 0,8 terabytes, backup hardware and software, software for system administration)	170 000	110 000	280 000
Communication equipment	20 000	10 000	30 000
Hardware and software for data security system	60 000	40 000	100 000
<u>Systems package for electronic tax filing</u>	120 000	80 000	200 000
<u>System software</u>	60 000	40 000	100 000
TOTAL	2 500 000	1 350 000	3 850 000

Modernisation of the State Tax Inspectorate

***STRATEGIC PLAN
OF
THE STATETAX INSPECTORATE
2001 – 2004***

2001

I. Purpose of the STI Strategic Plan

1. Introduction

Political, economic and social circumstances change rapidly, therefore all public institutions have to improve their activities. The State Tax Inspectorate (STI) seeks to make its activities more effective and adjust itself to changing conditions.

Strategic planning forms an integral part of modernisation of the STI activities.

The main purpose of this Strategic Plan is to show the main aim, directions and priorities of STI activity to the STI staff, taxpayers and national governing institutions.

2. Moreover, by means of strategic planning, STI seeks:

- 2.1. to set clear values and principles of its activity;
- 2.2. to turn interests and attitudes of the staff in one direction;
- 2.3. to assess changes happening in STI and evaluate STI performance;
- 2.4. to allocate effectively material and human resources according to the established priorities of STI activity;
- 2.5. to make the daily decisions regarding the STI activities orientated towards one common aim and help delegate these decisions to lower levels;
- 2.6. to gather practical experience.

II. Factors Encouraging the Improvement of the Activities of the State Tax Inspectorate

3. Constantly Increasing Taxpayer Service Needs

Taxpayers wish that they were able to perform tax procedures by such means, which are the most convenient and accessible to them. Making use of the latest information technologies, taxpayers request that they would be able to file tax returns and compare the information possessed by themselves and STI without leaving their offices.

Taxpayers want that their rights and duties would be explained to them in due time and exhaustively, that their inquiries would be answered, that they would be as little as possible disturbed by STI employees with ungrounded visits, and that tax compliance would be less time-consuming and would require less financial expenses.

4. Impact of Political and Economic Situation

Recent periods have been marked by frequently changing Governments, authorities of Ministries and of STI. The activities of the Tax Administration are becoming dependent on changes of the political situation. Up to the present, the STI aims have not been established anywhere, therefore the change of STI top management was usually accompanied by changes in business directions as well as in the aims of the organisation. The STI staff does not understand the frequently changing business directions and aims, which gives ground for a sense of instability and does not allow for the possibility to establish stable administration procedures as well as evaluative criteria for their successful implementation. Therefore, the system of tax administration itself becomes unstable, difficult to manage and unclear for taxpayers.

Seeking to develop such STI, which would not be dependent on the changes in political situation, it is necessary to modernise the management, systems and procedures of tax administration. One of the main conditions seeking to develop a stable system of tax administration is to develop an effective STI Business Strategy and progressive systems of work planning and performance evaluation.

5. Restricted allocations

The financing that STI has received during the last several years has not been sufficient for satisfying its needs. The constantly increasing number of taxpayers (1997 – 139461, 1998 – 129206, 1999 – 152575) resulted in the growth of the scope of conductible tax procedures and the increase of tax administration expenses.

This tendency is also noticeable in the EU Member–States. Moreover, during the last four years STI has been commissioned with supplementary functions (introduced new taxes and tax administration procedures), the implementation costs of which have not been additionally financed.

Restrictions to the STI budget require that the allocated resources be utilised as efficiently as possible. It is inefficient to allocate equal resources to all STI areas of administration and to all projects. One of the methods of making efficient use of resources is to allocate them according to priority areas of activity where they are most necessary.

6. Globalisation

The processes of globalisation, which are at present going on world-wide, have great impact on the activities of tax administrators of various states.

In 1999, Lithuania had 10 thousand operating enterprises, i.e. approximately 16% of all operating enterprises, which have their representative offices and subsidiaries in various countries. The provision of services to such enterprises and control of calculation and payment of their taxes are becoming very complicated, therefore it is necessary to modernise tax administration procedures and closely co-operate with tax administrators of other countries.

The quality of work of the tax administration system is and will be of constantly increasing significance when attracting foreign investments to Lithuania. In this respect, there is a competition going on among tax administrators of various countries. International companies have the possibility to choose a type of enterprise they want to establish in some country and a type of activity they want to be involved in, and the taxes and tax system of the country determine their choice. This factor should also encourage tax administration institutions to develop tax administration systems, which are orientated towards the needs of taxpayers.

III. Directions of Activity Improvement

7. Improvement Principles

When improving the system of tax administration, STI will refer to the following main principles:

- 7.1. orientation towards the needs of taxpayers;
- 7.2. orientation towards practical experience of other national and foreign organisations;
- 7.3. improvement of efficiency and quality of the services provided to taxpayers;
- 7.4. the allocation of possessed resources on the basis of the assessed risk and according to the established priorities;
- 7.5. transparency of activities;
- 7.6. simplification of tax administration procedures;
- 7.7. co-operation with domestic and foreign tax administration institutions.

8. Areas of Activity Improvement

Particularly active improvements are planned in the following business areas:

- 8.1. taxpayer service;
- 8.2. control of compliance with tax laws;
- 8.3. personnel management;
- 8.4. STI management;
- 8.5. information system;
- 8.6. development and improvement of legislation;
- 8.7. prevention of corruption.

Vision and Mission

9. Vision

The STI vision is a modern, open and towards the best practice oriented STI, ensuring voluntary tax compliance.

Voluntary tax compliance is the implementation of taxpayers' rights and duties provided by legal acts, which is based on the principle of respect towards the law and grounded by:

- 9.1. taxpayers' legal culture;
- 9.2. proper balance between the rights and duties of taxpayers and institutions of tax administration;
- 9.3. balance between the seriousness of violations of law and the degree to which they are dangerous to the society and the severity of legal responsibility;
- 9.4. inescapable punishment for violations of legal norms.

10. Voluntary tax compliance can be achieved when:

- 10.1. taxpayers know that the tax system is rational and that the collected taxes are used efficiently;
- 10.2. taxpayers have good understanding of their rights and duties;
- 10.3. strict and qualified control of legality is constantly carried out in the area of tax administration, which is based on the principle of inescapable responsibility for violations of laws.

11. Mission

The STI mission is to help taxpayers to accurately assess and pay taxes.

V. Strategic Aims

- 12. To develop an effective system of taxpayer service orientated towards their needs;**
- 13. To improve a system ensuring effective control over tax calculation and tax payment based on risk evaluation;**
- 14. To develop the strategy, policy and system of human resources management, which would:**
 - 14.1. help to implement the STI Business Strategy;
 - 14.2. provide STI with a possibility to carry out recruitment of the most qualified staff, more efficient personnel inducement, their career planning, training and performance evaluation;
 - 14.3. substantially improve the STI activities.
- 15. To improve the STI management by ensuring:**
 - 15.1. strategic and annual business planning;
 - 15.2. performance evaluation;
 - 15.3. development and introduction of efficient system of delegating the right to decision-making;
 - 15.4. improvement of organisational structure.
- 16. To develop and introduce the information system, which by means of information technologies would quickly and appropriately provide all areas of tax administration with the necessary information and would ensure its processing in due time;**
- 17. To improve the development of tax legislation by ensuring that legal tax acts do not contradict constitutional principles, are clear and equally interpreted; as well as to carry out constant analysis of experience in the field of application of tax laws with regard to improvement of tax policies;**
- 18. To develop and introduce an efficient preventive anti-corruption system and procedures, which would stop expansion of corruption by means of the following activities:**
 - 18.1. individualising responsibility and accountability;
 - 18.2. evaluating staff performance;
 - 18.3. improving a system for staff misconduct risk analysis;
 - 18.4. educating personnel and the society;
 - 18.5. involving the society in the fight against corruption.

VI. Taxpayer Service

19. Taxpayer service implies their education, information and assistance to them when carrying out tax procedures.

20. The strategic aim is to develop an effective taxpayer service system orientated towards taxpayer needs.

21. For the achievement of this aim, it is planned to use the following means:

21.1. To simplify tax procedures;

The aim of the simplification of tax procedures is to make these procedures more transparent, efficient and as convenient as possible both to taxpayers and STI officials.

Aiming to make the sequence of tax administration procedures (e.g. from business registration and its liquidation) more understandable for taxpayers, as well as their rights and duties in each stage of those procedures, STI is going to simplify them.

21.2. To improve efficiency and quality of taxpayer service.

Every taxpayer has individual needs with regard to taxpayer service. The number of specialists we have is not sufficient for the development and introduction of taxpayer service systems satisfying the needs of all taxpayer categories; also, we do not have either technical or financial possibilities for that.

In order to take maximum account of the needs of taxpayers to whom service will be provided, taxpayers have to be necessarily classified into certain groups. Having carried out an analysis of the needs typical of such groups, procedures of taxpayer service will be optimally approximated to them.

The priority serviceable taxpayer group is new businessmen. The concept of a new businessman includes businessmen planning to establish enterprises, newly registered businessmen and businessmen newly registered as VAT taxpayers.

Efficient service provided to new businessmen would help them to avoid mistakes. Education of new businessmen is also a preventive means of decreasing violations within the field of taxes.

21.3. To develop and introduce an STI information system for taxpayer education and consultation;

Taxpayer consultation and education are the main means that ensure voluntary tax compliance. Besides, this is the most cost-effective way of tax administration.

The constructed information system (database) of explanations, commentaries and informational statements on taxation issues prepared by STI structural divisions, will provide a large number of taxpayers with a possibility to use information of this database at the same time.

This measure will be implemented by using information technologies. Its description is presented in paragraph 32.6 of this Plan.

21.4. To prepare a project on the country-wide information centre;

STI plans to prepare projects on the establishment of the country-wide information centre, which will provide information by telephone, in writing and by e-mail, as well as on the founding of computerised information booths in regional tax offices.

21.5. To prepare for universal declaration of personal income and property;

The Lithuanian Government has planned in the 2000-2004 programme implementation means to draft the Law on Personal Income Tax and Property Declaration by Residents of the Republic of

Lithuania, which will provide for universal declaration of personal income tax and property and introduce it in 2003.

Seeking to ensure the efficiency of the system of declaring personal income and property, STI plans to renew the process of personal income and property declaration, as well as conductible procedures under the provisions of the Law on Personal Income Tax and Property Declaration by Residents of the Republic of Lithuania.

On implementing this measure, it is planned to construct information means for the declaration of taxes, property and income by both individuals and businesses. The description of this part is presented in paragraph 32.2 of this Plan.

VII. Control over the Compliance with Tax Legislation

- 22. Control over the compliance with tax legislation includes the areas of taxpayer audit, tax debt enforcement and crime investigation.**
- 23. The strategic aim is to improve a system ensuring effective control over tax calculation and tax payment, based on risk evaluation.**

24. This goal is planned to be achieved by the following means:

24.1. To develop, introduce and constantly improve the system of risk assessment with regard to tax calculation and tax payment;

STI has limited financial and human resources for carrying out its activities. It is inefficient to allocate the aforementioned resources for controlling the taxes calculated and paid by all taxpayers. Therefore, we need to develop the system of risk assessment, which would allow selecting such taxpayers for control that may be suspected of not complying with the requirements of tax legislation and other legal acts.

On the basis of risk assessment, the organisation also plans to establish the method of taxpayer control, the area of control and the scope of control, and to set the priorities of allocating the existing resources.

24.2. To automate auditable taxpayer selection and audit processes;

STI plans to automate the audit process. The use of computerised audit measures provides the possibility to audit large-scale taxpayers much quicker than when applying traditional audit measures, as well as to save the time of auditing staff and carry out objective and qualitative audits.

This measure will be implemented by using information technologies. Its description is presented in paragraph 32.4 of this Plan.

24.3. To implement new provisions of the Law on Tax Administration in the field of debt enforcement;

STI plans to implement the provisions of the Law on Tax Administration adopted on 23 06 2001 regarding the collection of tax arrears, postponement of the deadline for their payment and their recognition as bad debts.

24.4. To develop and introduce a preventive system of illegal refunding (crediting) of the value added tax (VAT);

In the area of VAT administration, the organisation plans to pay most attention to prevention of fraud with regard to VAT refund. The following most important directions in the improvement of this prevention are foreseen:

- 24.4.1. to improve the procedures of VAT taxpayer registration;
- 24.4.2. to improve VAT returns;
- 24.4.3. to carry out educational and control visits to newly registered VAT taxpayers;
- 24.4.4. to exchange information among STI structural divisions and other controlling institutions;
- 24.4.5. to improve the control over the motivation of VAT refund (crediting).

24.5. To prepare for the implementation of a newly drafted Law on Excise Duties;

The Lithuanian Government has planned in the 2000-2004 programme implementation means to draft a new Law on Excise Duties. This Law is already prepared and complies with the main requirements of EU legal acts on the administration of excise duties, which are obligatory for the integration of Lithuania into international organisations. This Law will provide for 3 objects of excise duties under the mandatory EU ACQUIS requirements, i.e. alcohol, processed tobacco and mineral oil.

Referring to the best practice of the EU Member–States, STI will develop a system for the control of warehousing goods under excise duty suspension, and grant to enterprises manufacturing and warehousing excise goods the status of a tax (excise) warehouse, where excisable goods with sus

pending tax payment are stored, which is postponed in case of their realisation in the internal market. The system of tax warehouses would ensure a free movement of excisable goods both within Lithuania and in EU Member-States.

This measure will be implemented by using information technologies as well. Their description is presented in paragraph 32.7 of this Plan.

VIII. Personnel Management

25. *The strategic aim is to develop the strategy, policy and system of human resources management, which would:*

25.1. help to implement the STI Business Strategy;

25.2. provide STI with a possibility to carry out recruitment of the most qualified staff, more efficient personnel inducement, their career planning, training and performance evaluation;

25.3. help substantially improve the STI activities.

26. This aim is planned to be achieved by the following means:

26.1. *To develop, introduce and constantly improve the system of human resources (HR) inducement;*

Difficult economic conditions in Lithuania and insufficient STI financing determine the necessity to form such measures of personnel development, which would help to maintain the best specialists of the organisation.

One of the most essential conditions for developing and retaining personnel is the development and introduction of the personnel inducement system. Inducement factors could be the following ones: remuneration based on performance evaluation and responsibility, career planning, etc.

STI plans to develop and introduce the personnel inducement system referring to the best experience of HR management in the tax administrations of EU Member–States.

26.2. To regulate the duties and responsibility of personnel;

Seeking to essentially improve the quality of personnel work, it is necessary to clearly define the duties and responsibility of all STI employees.

It is important to develop the main job profiles of the established format, which would indicate the aims of activity, subordination, levels of accountability, scope of activities and qualification requirements. Each job profile should reflect causes and aims of activity that have to be related to the most significant business results and consequences.

Such job profiles would provide a possibility to develop the system of staff performance evaluation based on the criteria of performance evaluation, and would relate the responsibility of each STI employee to overall business aims.

Clear definition of the responsibility of divisions and individual employees, related to performance evaluation, would form the first stage in the development of HR Management Strategy.

26.3. To introduce the system of staff performance evaluation;

The system of staff performance evaluation can be introduced only after job profiles of STI employees are developed. Referring to the STI operational plans and divisional business plans, managers themselves with their subordinates could project concrete aims of staff performance, plan their business activities for the following 6–12 months and establish criteria of their performance evaluation. Aims should be defined with regard to the main goals of job profiles. During evaluation attempts should be made to determine any progress in achieving the said aims.

Such process with the participation of the whole staff, starting with top management, would form the basis for performance evaluation.

In further stages of development, the organisation would make an assessment whether the competence of individual employees meets the requirements set for a particular official position, as well as would implement the strategy of training and qualification development, the aim of which is to eliminate the established gaps in professional qualification.

26.4. To improve employees' qualification;

It is essential that employees' competence would be established according to job profiles. This would allow lower–level managers to assess the level of qualification requirements set for individual official positions and the actual knowledge and skills of employees. This would help to identify the training needs of STI staff as well as the scope of the needs, and to project the resources,

which should be allocated for satisfying priority needs of training and qualification improvement. Beside that, it is necessary for managers to assume responsibility for qualification improvement of employees working in the divisions they are responsible for.

STI also plans to develop the system of qualification improvement of its employees, which would be designed to provide knowledge and skills at the moment when they are most necessary.

26.5. To plan staff career;

Introduction of career planning system of STI employees is one of the major factors encouraging employees to work within STI. This would also help to plan the need of staff members.

STI plans to develop a clear career planning system and a transparent system of STI staff career planning criteria, on the basis of which an employee could plan his/her future. This system should be closely related to the systems of staff performance evaluation, training and qualification improvement.

The organisation also plans to implement individual programmes of qualification improvement, which aim at ensuring that promising employees would be provided with appropriate knowledge that is not necessary only for doing their daily work, but also for forming knowledge and skills of such employees as of future managers. Implementation of such programmes is a necessary factor seeking to ensure the encouragement of promising employees to work within STI.

26.6. To improve the systems of staff recruitment and selection;

When developing the HR Strategy, it is necessary to analyse the policy of staff recruitment and selection currently applied in STI.

In order to recruit and maintain better-qualified staff, the organisation has to establish clear criteria of staff selection. Candidates have to be informed about career possibilities in STI. For this purpose, it is planned to develop the methodology of staff recruitment and selection referring to the best practice of EU Member–States.

26.7. To plan the need of staff members;

With the aim to become an effectively working tax administration, STI drafts tasks for the implementation of business changes, which might require staff possessing respective knowledge and skills.

In order to inform staff members with respective knowledge and skills, it is planned to evaluate STI staff knowledge and skills, prepare the staff need plan and computerise those processes.

The staff need plan will help to determine the STI HR need and ensure that respective measures would be applied for solving the main HR-related problems.

IX. Management

27. Management regards not only personnel management but also the development of the STI Business Strategy, policy and various systems of activity. For STI business management to be effective, it is necessary to formulate such a system of tax administration and procedures, which would have no direct dependence on political processes taking place in the country, would help to efficiently administrate the existing taxes and to introduce the new ones, as well as would satisfy the requirements of taxpayers, the Government and the Ministry of Finance.

28. The strategic aim is to improve the STI management by ensuring:

28.1. strategic and annual business planning;

28.2. performance evaluation;

28.3. modelling and introduction of an efficient system of delegating the right to decision-making;

28.4. improvement of organisational structure.

29. This goal is planned to be achieved by the following means:

29.1. To introduce and develop strategic business planning;

The main purpose of business planning is to project activities and their sequence for the achievement of the planned aims. So that business plans could cover all STI activity areas and be sufficiently related to each other and in order to avoid spontaneous and hardly coordinated actions, it is planned to introduce the systems of STI strategic and annual business planning.

The purpose of the Strategic Plan is to define the STI business directions and priorities. This Plan will be developed considering the priorities of activity selected by the STI top management.

Annual STI business plans will be developed on the basis of the Strategic Business Plan. The aims provided by strategic plans will be implemented in annual plans. Later it is planned to develop annual business plans of divisions of the Central Tax Administrator and of regional state tax inspectorates.

Business planning helps to better allocate resources, determine the amount of work already done seeking to achieve the main aims, accumulate business experience, co-ordinate the activities of divisions more efficiently, as well as avoid spontaneous activity and evaluate performance better.

29.2. To improve organisational structure;

Seeking to allocate resources efficiently and to unify administration procedures, it is essential to constantly analyse and improve organisational structures and functions of structural subdivisions of the Central and local tax administrators.

Organisational structures of the Central and local tax administrators change according to changing strategic aims, according to the results of risk assessment of activity and the results of taxpayer needs analysis, as well as according to restrictions on STI financing and the changing economic situation. Moreover, organisational structures change when higher institutions change or supplement the functions of tax administrators. Therefore, it is necessary to constantly analyse the factors influencing organisational structures of tax administrators and to react to them in an appropriate way.

29.3. To unify and regulate tax administration procedures;

STI plans to unify administration procedures. The unification of STI procedures should manifest itself in the uniform regulation of those procedures within the whole system and uniform application. This would help to formulate uniform STI business experience.

It is planned to unify procedures on the basis of the principle of best practice. Examples of best practice are collected by analysing the existing procedures, establishing problems of the conduction of procedures and by regarding specialists' advice.

The unification of procedures will provide a possibility to form and disseminate the best practice of tax administration more rapidly.

29.4. To adjust functions among the Central and local tax administrators;

The main function of the Central Tax Administrator is to formulate the policy of tax administration and organise, co-ordinate and control the activities of local tax administrators. In order to make efficient use of HR of the Central Tax Administrator for carrying out the projects regarding the modernisation of STI activity, the organisation plans to review all functions performed by the Central and regional tax administrators, and to transfer direct functions of tax administration, which have so far been within the competence of the Central Tax Administrator, to local tax administrators for implementation.

29.5. To introduce and develop the STI performance evaluation system;

EU Member–States use performance evaluation systems of administrations, their divisions and individual employees. Quantitative and qualitative criteria are applied to performance evaluation. STI is just starting the introduction of the system of performance evaluation.

First, we plan to start with the evaluation of performance of the whole STI and later to move on to the evaluation of separate structural units as well as to individual performance. This is a systematic approach towards performance evaluation. It is very difficult to develop the system and introduce it simultaneously. Therefore, the organisation plans to introduce systematic performance evaluation in stages. The system of performance evaluation of regional state tax inspectorates will be developed and introduced in the first stage.

We plan to evaluate performance of regional state tax inspectorates by means of quantitative and qualitative criteria. Concrete performance evaluation criteria provide a possibility for a better comparison of regional state tax inspectorates and their performance evaluation. Performance evaluation of tax administration has so far been based on only quantitative criteria.

Quantitative performance evaluation criteria reflect, for example, such facts as the change in the number of audited enterprises during the current year as compared to the number of last year. Qualitative performance evaluation criteria most frequently reflect the activities, the results of which cannot be defined in quantitative terms. This usually includes such indicators as taxpayers' degree of satisfaction by the services provided by STI, the number of mistakes, benevolence, initiative and other agreed subjective criteria of performance evaluation. So that the system of performance evaluation would reflect not only quantitative but also qualitative criteria, the organisation plans to introduce a complex system of performance evaluation.

29.6. To develop, introduce and expand the system of delegating authority and responsibility to lower levels of the organisational structure.

Since the STI establishment, the major part of the main decisions used to be adopted by the STI top management. Due to constantly increasing flows of information, the top management has become incapable of adopting all necessary solutions ensuring efficient management of the organisation, moreover, this does not encourage the development of individual responsibility of employees.

It is necessary to delegate the right of decision–making to lower levels of the organisational structure. Taking into account the criteria of performance evaluation of concrete STI structural divisions and employees, the organisation plans to develop and introduce the system of delegating the right of decision–making.

29.7. To improve the process of decision-making.

The introduction of an effective system of internal communication is a very important condition seeking to successfully implement all changes related to tax administration. Internal communication can be considered effective when there is exchange of information provided by managers to their subordinates (top – down), by subordinates to their managers (bottom – up), and among managers or subordinates (horizontal level). The introduction of an effective system of communication is also related to ensuring feedback. Feedback provides a possibility of finding out how performance of STI, divisions or employees is evaluated. Seeking to avoid overlapping of activities of the divisions of the Central Tax Administrator and to provide the staff of the organisation with sufficient information, it is necessary to introduce an effective system of communication within STI, which would enable us to speed up the process of exchange of information and would improve effectiveness of the administrator's work.

29.8. To get integrated into the EU structures;

STI, like other state institutions, is preparing for the EU integration. The European Commission and the Intra-European Organisation of Tax Administrations (IOTA) has developed the Standard of Best Practice of Tax Administrations of European Union Member–States (BLUEPRINT), which lists the requirements set for tax administrators. Referring to this standard, STI plans to introduce its business strategies, systems and procedures in line with the EU requirements. STI also plans to develop co-operation with various EU tax administration institutions and with other international organisations.

STI also plans to establish the Central Liaison Office (CLO) responsible for the exchange of information on tax issues according to EU directives.

These measures will be also implemented by using information technologies. Their description is presented in paragraph 32.5 of this Plan.

29.9. To integrate tax administering divisions of STI and SODRA.

On 16 10 2000 the Lithuanian Government approved the conception of reforming the administration of state social insurance contributions, which provides for the transfer of functions related to the administration of social insurance contributions to STI.

Referring to such provisions, STI plans to draft and implement the plan on the joining of certain SODRA and STI functions.

This measure will be also implemented by using information technologies. Their description is presented in paragraph 32.8 of this Plan.

- 30. Without information technologies it is impossible to create an effective modern system of tax administration, which would provide a possibility to speedily and accurately pay all statutory taxes, render professional services to taxpayers and encourage their confidence in tax administrators.**

The purpose of a modern information system (IS) is to register all the main business operations and conduct the analysis of accumulated data in order to help users to operatively adopt the best decisions. Since flows of information subject to thorough analysis are constantly increasing, without modern information technologies it is impossible to ensure proper performance efficiency, while IS achieves its goals when users are delivered with all necessary information in a well understandable form, in due time and at the necessary place.

STI information systems are constructed and installed following the tax administration strategy, STI business plans and by using modern technologies. On developing IS, it is important to establish tax maintenance computerisation priorities and according to them rationally allocate resources devoted to IS development.

- 31. The strategic aim is to develop and introduce IS, which by means of information technologies would rapidly and appropriately provide all areas of tax administration with the necessary information and would ensure timely processing of it.**

32. This goal is planned to be achieved by the following means:

- 32.1. To implement the integrated tax information system (IMIS), which will provide a possibility to computerise tax administration procedures and conduct the registration and accounting of the main STI business operations;

The purpose of IMIS is to ensure the functions of taxpayer registration, tax return reception and processing, as well as the functions of tax accounting and debt enforcement.

It is planned to install all debt enforcement and appealing subsystems related to tax accounting, expand functional possibilities of the Population Register, at the same time to create the infrastructure of information technologies required for introducing and reliably exploiting IS, as well as to prepare the current IS under the EU requirements on data exchange.

- 32.2. To develop information means for individuals and companies to declare taxes, property and income;

It is planned to construct the electronic declaration subsystem, which will provide taxpayers with a possibility to submit tax and financial accountancy documents to STI in the electronic format. It is also planned to offer taxpayers various declaration means based on the electronic signature technology. Besides the electronic declaration environment is being created.

Electronic declaration will alleviate the procedure of submitting tax returns, as well as reduce the costs of data entering into IS and speed up this process. In order to reduce the costs of entering data from paper tax returns and speed up this process, STI is installing modern scanning equipment. In STI all newly legalised forms are currently being prepared in such a way, so that they would suit for scanning.

For processing (entering) of data from declarations it will be necessary to construct certain applications and purchase computer equipment (approximately 500 computerised working places).

- 32.3. To develop and implement the management information system;

The purpose of the management IS is to help to adopt operative decisions on STI business management, organisation, control, resource allocation and optimisation, as well as to analyse data under the need formed by the end user and submit analysis reports.

One of the parts of the management IS is a data warehouse. This is a separate special designed database, the data of which may be operatively analysed by using certain means of the data warehouse and other systems. Data in the said warehouse are constantly renewed from STI business databases and external sources.

It is planned that the data warehouse will be used by IS related to taxpayer selection for audit, statistical data analysis, revelation of tendencies, forecast, etc.

In analysing and generalising data, it is very important that those data would be precise and full. The management IS facility allows to operatively detect data mistakes, as well as to establish causes of occurring inexact data and eliminate them.

32.4. To optimise auditable taxpayer selection and audit processes;
STI plans to automate auditing process. The use of computerised audit means provides a possibility to audit large taxpayers more rapidly than when applying traditional audit means (to save the working time of both taxpayers and auditors), as well as to considerably increase audit quality.

The information system of automated audit consists of three subsystems:

- The subsystem for auditing transactions provides a possibility to analyse under the established parameters accounting data submitted by taxpayers;
- The aim of general audit subsystem is to help auditors to plan audit, prepare audit reports and other audit-related documents;
- The subsystem of risk assessment, filtration and selection provides a possibility to select taxpayers for audit under the established criteria.

32.5. To prepare for tax information exchange with EU information systems (VIES, SEED, etc.);
Information exchange software facilities (such as VIES, SEED) were installed in the EU countries in order to exchange information on the circulation of goods and paid VAT and excise duties. Under the EC regulation 92/218/EEC, it is necessary to introduce the system for exchanging information on indirect taxes, which will have to be applied in Lithuania since the start of EU membership. The frequency of data renewal, data structure, as well as the strict requirements of data reliability and efficiency of their presentation, are established.

In order to prepare for the exchange of tax information with EU Member-States, it is planned to create very speedy databases and data warehouses, as well as to implement data quality requirements, large penetrability communication means and links with EU information systems.

32.6. To develop and implement the STI information system for taxpayer education and consultation;

The aim of this IS is to construct a general database of explanations, commentaries of tax laws and informational reports prepared by STI.

The created IS of STI explanations, commentaries and informational reports on tax issues will provide most users with a possibility to use this information in the Internet environment at the same time (by telephone, e-mail, GSM, etc.).

32.7. To implement the system for controlling the circulation of excisable goods, which meets with the EU requirements;

It is planned to construct and implement the system for accounting the turnover of excisable goods according to the EU standards: to prepare the project on tax warehousing IS, construct the application, establish communication means with tax warehouses, purchase computer and systemic software.

It is planned to relate the computerised system on the turnover and taxation of excisable goods with other STI information systems.

32.8. To develop software facilities for the administration of social insurance contributions;
STI has to prepare for the take-over of the following functions related to the management of social insurance contributions: auditing, registration of social insurance contributors, accounting, debt enforcement and appealing. Having created these programmes, it will be necessary to solve problems of informational links between STI and SODRA databases.

At first, it is planned to computerise the accounting of contributions according to employers, as well as to unify the procedures for declaring and accounting social insurance contributions and personal income tax.

Later it is planned to relate the administration of social insurance contributions to the implementation of a newly drafted Law on Personal Income Tax.

32.9. To install safety means for STI information systems;

It is planned to construct and install the system of STI data safety with regard to the requirements of software operation reliability and safety of information systems, as well as to update and expand the safety means of the STI territorial computer network from the danger of illegal data review (replacement, deletion), the increasing number of viruses from Internet and e-mail, and from the damage they cause.

An important part of the IS safety system is precise identification of taxpayers, therefore it is planned to implement special user identification cards, which will guarantee a considerably larger level of information system safety, especially after having installed the electronic signature technology.

The construction of STI information systems is a continuous process where a lot of executors take part. It is necessary to define the direction and structure for IS construction, as frequent fluctuations in legislation and operational functions cause the reallocation of resources and adjustment of priorities from the start.

33. The strategic aim is to improve the development of tax legislation ensuring that tax legislation would not contradict constitutional principles, would be clear and interpreted equally, as well as to constantly analyse the experience of application of tax legislation and to seek for the improvement of tax policy.

34. This aim is planned to be achieved by the following aims:

34.1. To seek to eliminate contradictions in tax legislation;

Legislation of the Republic of Lithuania regulating legal tax relations has to be clearer. Legal tax acts have to regulate the said relations so that tax laws would have no loopholes, discrepancies, overlapping, ambiguities and obscurities, and would be co-ordinated with other legal acts.

STI will seek:

34.1.1. to make tax regulations clearer and forming a uniform basis for taxation;

34.1.2. to make the concepts used in tax legislation clear and defined as precisely as possible, and that provisions would be unambiguous (as exhaustive as possible);

34.1.3. that provisions of tax regulations should not contradict each other;

34.1.4. to avoid retrospective operation of tax regulations;

34.1.5. that tax regulations would be as stable as possible;

34.1.6. tax regulations would be co-ordinated with the EU legal provisions referring to the best practice of other countries;

34.1.7. that the regulations governing the STI activities would be based on the rule of law, would be equally interpreted and applied;

34.1.8. that tax regulations would be codified.

34.2. To formulate the official position as regards uniform application of laws;

STI plans to continue formulating a uniform, official position regarding the application and interpretation of tax legislation and laws regulating tax administration. It will also seek equal application of these legal acts in all cases.

34.3. To improve the process of development of legislation;

STI seeks to substantially improve its activities, therefore it is necessary to directly influence the development and improvement of legal acts and tax legislation regulating the STI activities in the following directions:

34.3.1. to take into consideration the needs and proposals of taxpayers as much as possible;

34.3.2. to analyse the problems with regard to the application of tax legislation, to develop draft decisions and to constantly submit them to the Ministry of Finance;

34.3.3. to analyse the problems with regard to the application of legislation regulating the STI activities and to constantly provide suggestions on their improvement;

34.3.4. to analyse the influence of tax policy and tax administration policy on taxpayers' business and to suggest the improvements of these policies.

STI will seek that the tax policy would be formulated taking into consideration the results of analysis of its implementation.

34.4. To prepare for the implementation of a newly drafted VAT Law;

The Lithuanian Government has planned in the 2000-2004 programme implementation means to prepare a new Law on Value-Added Tax. This Law will have to coincide with the provisions of respective EU legal acts (directives). This Law is going to refuse from the application of VAT reliefs, which do not comply with the EU ACQUIS requirements, as well as to co-ordinate other provisions with certain EU legal norms.

So that the new VAT Law could be actually implemented, STI plans to change certain tax administration procedures and the used form of a VAT declaration. On implementing the provisions of this Law, STI information technologies that will process respective data will have to be improved as well. Besides, STI will have to timely and accurately inform taxpayers on the new legal act and to draft corresponding explanations and commentaries of this Law.

XII. Prevention of Corruption

35. Corruption is an inevitable problem of every country and every institution. It is a social phenomenon manifesting itself in abuse of authority for self-seeking purposes. So far no methodology exists which would help to eliminate corruption totally. However, the scope of corruption can be controlled. STI has to develop effective programmes, which would stop the way to office abuses by employees for illegal self-seeking purposes that are treated by the society as corruption. Negative image has negative impact on potential skilful and honest employees who would like to work in the organisation.

36. The strategic aim is to develop and introduce an effective preventive anti-corruption system and procedures, which would stop the expansion of corruption:

- 36.1. by individualising responsibility and accountability;
- 36.2. by evaluating employees' performance;
- 36.3. by improving the system of risk analysis of violations committed by employees;
- 36.4. by educating personnel and society;
- 36.5. by involving the society in the fight against corruption.

37. This aim is planned to be achieved by the following means:

37.1. To individualise responsibility, accountability and performance evaluation;
Seeking to evaluate performance of every employee correctly, it is necessary to determine personal responsibility of every STI employee. Individual definition of responsibility and accountability as well as performance evaluation allow to objectively determine the amount of remuneration for work, if an employee has carried out all tasks assigned to him/her irreproachably, or to determine the amount of penalties, if an employee has not carried out the tasks or has carried them out unsatisfactorily. Individualisation of responsibility helps to fight against corruption more effectively.

37.2. To improve risk assessment of violations committed by personnel and to improve procedures of risk assessment;

It is essential to define accurately all procedures and stages of tax administration, to appoint concrete employees in charge of carrying out each procedure and to determine their responsibility. It is also essential to correctly establish the procedures, which provide big possibilities for fraud. Such procedures as well as their implementation have to be strictly controlled. Therefore, it is necessary to introduce a risk assessment system of the implementation of procedures, enabling to record staff misconduct in carrying out one or another procedure. The introduction of such system would allow improving these procedures and would make them transparent. STI plans to announce publicly the list of tax administration procedures and areas with particularly high level of risk.

37.3. To involve the society in the fight against corruption;
Our experience demonstrates that active co-operation with the society helps effectively fight against corruption. STI plans to provide the society with the possibility to report on corruption cases over by organising regular surveys of inhabitants, by "hotline" and other means. It is also planned to inform the society about the cases of corruption occurring in the organisation.

Modernisation of the State Tax Inspectorate

*INFORMATION TECHNOLOGY STRATEGY
OF
THE STATE TAX INSPECTORATE*

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Resume of essential elements in the IT-strategy

The IT Strategy

This IT Strategy has been designed to support the following strategic aim

“to develop and introduce information systems, which by means of information technologies would rapidly and appropriately provide all areas of tax administration with the necessary information and would ensure timely processing of it”

In particular, the technical part of the strategy guides the STI in the use of modern techniques in the future development and maintenance of IT systems, as the technical frameworks being approved will enable both the IT Division, the administration and the users to select confident solutions.

The Strategy will form the basis of the overall Business Plan for STI and will act as an important tool in the process of modernisation.

User needs

The IT Strategy is based on information gained from many sources, including several interviews with senior staff, staff at the operational levels at the centre and staff in the regions. A special survey for collecting future user needs has been performed, to change the strategic emphasis from solely IT driven to more user driven.

Based on this experience, a proposal has been made to establish a special organisational unit trained in the creation of user specifications to support the Ownership, and to make proposals and decisions in the development of changes and development of new applications.

Revised structure of IT-tasks

In the future a considerable part of the responsibility for use of IT should be taken over by business organisation (Tax Divisions in the Central Administration (TD) and regions). Until now, this responsibility has been mainly placed with the IT-department. The purpose of this change is to create an administrative basis for use and further development of IT, which is expected to contribute to its more effective use, and the establishment of a more cost-conscious attitude towards use and development of IT.

The State Tax Inspection's (STI) capability to take care of the general planning and management of the STI's entire activity in the field of development of IT should be strengthened.

Gradual enhancement of the competence of the STI's own programmers should be increased. The IT Department will be responsible for the overall planning and co-ordination of all operations in the STI related to databases and systems, including operations based on the joint data- and function model for the STI.

Competence in system development should be built up on the basis of the System Development Division of the IT-department. The most important task of the IT-department in the future will be management of the process of development of new systems.

Need for Management Structure

The number and scale of changes, which will take place under the gradual modernisation of the State Tax Inspectorate (STI), will require detailed planning and careful management to ensure that the implications of each change will be considered. To achieve this, the Head of the STI needs a control structure and systems, which will give him information, essential to the making of management decisions, quickly and accurately.

To this end, the STI should set up a control structure, based on established programme and management techniques.

System ownership

The concept of system ownership should be introduced for all IT-systems in the STI. Ownership should be placed at the level of heads of divisions in the STI Headquarters. This will include responsibility for functional design and for use of IT-systems, as well as responsibility for making sure that the STI is using these systems in the most rational and cost saving way.

Ownership is introduced in order to ensure a more active involvement of the STI Headquarters Divisions in IT-development activity. The immediate responsibility for the budget will in the beginning remain with the IT-department, while owners of the systems are responsible for the financial side of the planning of the future activities.

Financial management

As mentioned above, business organisation (administration) will receive a more prominent role in the phase of preparation of the budget proposal in order to make sure that among other things an IT-budget is presented and evaluated in the same way as other budgets in the STI. An effective cost management is possible when a clear connection between the administrative activities and the costs of IT is established already during the phase of preparation of the budget.

Owners of the system will be kept informed about current increase/decrease of expenditures in comparison with the agreed budget. This will ensure that owners of the system together with the IT-department can take initiatives, which are necessary for keeping the budget in the agreed frames.

Basis data and IT-systems

Policy-making function in the IT-department (planning) will support development of a data- and functional model, which should include all the essential data- and system connections, description of data contents, primary functions of the system, most important users, place of operation for the system, scope of activities and operational costs for the system.

Data and systems are one of the most important strategic resources that enable the STI to perform its tasks, which, therefore, should be thoroughly documented in order to ensure the most effective use of the system.

STI's basis data can be organised into 4 main categories:

1. Person-oriented data
2. Enterprise-oriented data
3. Property-oriented data
4. Joint data

There are strong logic connections inside these groups from the functional and IT points of view, but between the groups connections are much weaker. This means that from the operational point of view separation of these data groups (each with the systems connected to it) is estimated to be technically possible inside reasonable economic frames.

On the contrary, it is not advisable to introduce any further division inside these groups, because, for example, a geographical split of individual groups will cause an increase of IT-expenditures.

With the help of modern technological solutions, each group should be placed on its own IT-site. An opportunity of geographical distribution of a single group, for example, on regional IT-sites or outsourcing, may occur in the future, therefore, one should take this possibility into account already now, when developing the system and designing the database.

Outsourcing of operations and development

In order to maintain general knowledge and to avoid problems in connection with outsourcing of IT-tasks, the IT-department should have a good insight in the systems, outsourced for development to other companies. Therefore, in the short run an extensive outsourcing of IT-tasks is not recommended.

It should be mentioned that this validation of opportunities for outsourcing is made mostly from the IT-technical point of view. Other circumstances in connection with outsourcing, for example, security problems are not taken into consideration in this validation.

With regard to system development, we estimate that the STI can use a certain amount of permanent system-contractors and in this way stimulate competition among them. We consider a regular outsourcing to be less realistic, because experience shows that the majority of IT-projects should be carried out at very short notice.

Management of IT-contractor

The IT-strategy includes a tightening up of the STI's control of contractors. In general, in the future the STI should enter new contracts on clearer conditions than before, as well as introducing an extensive price competition through the employment of a larger number of operations- and system-contractors.

The most important prerequisite for a tighter control of contractors is IT-technical and operational competition in the IT-department. New structure of the IT-organisation and staff, together with concentration on the chosen (one) hardware technology are the most important elements in this process.

Contracts with contractors should be concluded on business-like conditions, which requires, for example, a clear specification of the extent of a task and the amount of payment for the IT-services. The STI should introduce a clear distinction between operating the IT, maintenance of systems and system development. System maintenance should be limited to such activities that can be specified and priced according to stipulated entries of the budget. Requirements for any other changes in the system should be considered as system development projects.

Basic reasons for the IT strategy

The circumstances, which have a direct influence on the IT Strategy can be summarised as follows:

- The resource budget in the STI can be improved through the development of more effective systems, increases in productivity, and general savings through increased efficiencies.
- Taxation is a heavily regulated activity of a state. New changes in the rules occur very quickly. This presents a need for the team surrounding the minister to be on constant alert, and able to make instant calculations of the possible financial consequences of the implementation and future operation of a new change. IT systems should facilitate this.
- The minister should have an opportunity to follow up on the details of the current operation, as well as what initiatives should be taken up with regard to administration of work, etc.
- It is important that citizens and enterprises are given correct information and that the intentions of the government with regard to administration are carried out as smoothly as possible.
- When setting up an organisational structure, it is important to take into account that the use of IT should support strategies in the other parts of organisation. Development and use of IT should be an integrated part of the development of the rest of the organisation.
- It is important that the organisation, both centrally and locally, is structured in such a way that it can solve its problems by close internal co-operation.
- Tax regions should be as much self-supporting as possible inside their own region and, at the same time, should function as an integrated part of the entire organisation.
- There should be room for broad decentralisation and delegation of authority as well as distribution of tasks in order to ensure that necessary reductions in the central units can be carried out.
- The future development of joint stock companies within Lithuania and their links with international consortiums will establish a need for the electronic communication of data to facilitate tax assessment and control of these companies.
- The Taxation systems should be able to communicate with the EU Systems in the required manner.

Overall objectives

The STI Business Strategy states the strategic aim for development of IT, as

“to develop and introduce information systems, which by means of information technologies would rapidly and appropriately provide all areas of tax administration with the necessary information and would ensure timely processing of it”

The future IT-strategy for the STI should therefore take into account several necessary objectives:

- To continue to base the STI's operational organisation on broad decentralisation with the widest possible delegation to the regional tax inspectorates. This should facilitate close contact and co-operation with citizens and enterprises and attention to initiatives coming from its own employees.
- The IT-strategy should fulfil the requirements for effectiveness and productivity in the governmental programme for modernisation, at the same time providing services to citizens and enterprises and motivation to employees of the STI.
- To ensure that IT systems are developed in accordance with the required specifications from the users of the systems.
- To fulfil the requirements and achieve the most effective systems and equipment at the lowest possible cost. This requires procurement procedures, that ensure open competition between different contractors, use of impartial experts as consultants as well as increasing own IT-expertise in the STI's operational administration.

Objectives for use of IT

The overall objective for use of IT is to provide support to the STI on the central and local levels as well as to contribute to an effective administration of the tax legislation.

The IT-policy should

- ensure that the STI appears as an organisation, which conducts its tasks in an effective and modern fashion and that the STI makes the best possible use of the opportunities presented by IT-technology.
- act as an integrated part of the STI's business-strategy, through which it should support the overall objective.
- ensure that the central department controls development of all IT systems. This scope should ensure a co-ordinated IT-development and integration of data and systems in the areas of primary strategic importance for the STI.
- ensure that all development and system changes are authorised by the appropriate level and fully funded.
- ensure that all staff using IT equipment and applications are fully trained in their use
- ensure that IT personnel is fully trained in IT development techniques.

Objectives for use of IT are:

- To perform administration of tax legislation in an economically rational way, ensuring service, which enables citizens and enterprises to comply with the legislation with the least possible discomfort and cost;
- To support administrative procedures, decision-making and management through fast and sure distribution of relevant information among case-officers and decision-makers.
- To ensure effective use of staff resources through minimising of routine manual procedures;
- To maintain economical data about citizens and enterprises, that can be forwarded to other authorities in connection with statistical analyses and creation of new laws;
- To ensure a more direct data exchange with industrial enterprises and thus make possible a more effective administration of the tax legislation;
- To create data-, system- and communication resources, which enable effective implementation of changes in the tax and excise legislation;
- To support flexibility (readiness to react to a change) at an organisational level and at the level of a single task.

5. *Concept of system solution*

5.1 Overview for system and data structure

Below is a grouping of the STI's systems and data, (mainly IMIS), based on the analysis of functions and data, which meets demands of each of the main objectives of the IT-strategy:

- **Connection between IT-strategy and business-strategy**
Set up a structure of each system with associated data in such a way that enables unambiguous placement of responsibility (Ownership) for use of IT in the business organisation. The objective is to ensure a connection between the business strategy and the IT-strategy as well as to establish an administrative basis for an effective steering of IT-resources.
- **Decentralisation of operations and development**
Set up a structure of each system with associated data in such a way that supports both centralisation and decentralisation of the STI's IT-operations and IT-systems' development and opens the possibility of outsourcing of operations to the regions and private enterprises.
- **Policy of "Several contractors" / Possibility for allocation**
Set up a structure of each system with associated data in such a way that enhances flexibility of management of operations and can, therefore, form a basis for a further validation of opportunities for outsourcing of operations and further development of IT-systems.

5.2 Need for Management Structure

The number and scale of changes, which will take place under the gradual modernisation of the State Tax Inspectorate (STI), will require detailed planning and careful management. Such changes cannot take place overnight and the implications of each change must be considered. To achieve this the Head of the STI needs a control structure and systems, which will give him information, essential to the making of management decisions, quickly and accurately.

To this end, the STI should set up a control structure, based on established programme and management techniques.

A fully and more detailed explanation is given in Appendix 8. However, the key features are summarised in the following paragraphs.

5.2.1 Management control system for IT development

5.2.1.1 IT Steering Committee

The IT Steering Committee is a decision making body, required to:

- consider strategic proposals for the development of IT systems
- approve implementation projects
- request governmental or donor funding

The committee should be chaired by the head of STI and be empowered to make strategic decisions in respect of IT requirements without further reference.

5.2.1.2 Project Control Unit

The Programme Control Unit comprises a support and control team for the development programme. It is managed by a Programme Manager and is responsible for collecting, co-ordinating, analysing, and disseminating management information deriving from the programme and project systems. It should include the use of systems to monitor costs and resource usage across the whole programme.

5.2.1.3 Programme and Project Management

Modern, established programme and project management technique should be used for all IT development and system changes. These provide structured management and monitoring systems to ensure co-ordination of developments and strict financial control.

5.2.1.4 User Requirements

A major obstacle of all IT development is the inability of users to specify their needs in an adequate format.

A special organisational unit trained in the creation of such specifications and in the sufficient detail should be established to support the Ownership to make proposals and decisions for development of changes and development of new applications.

5.2.1.5 Training

To ensure effective use of programme and project management techniques, all IT staff should be fully trained in their use.

5.2.2

The IT Strategy must be owned by the STI management, which in this proposed structure is represented by the IT Steering Committee. It is thus implicit, that this committee must approve the IT Strategy.

5.2.3

In line with the STI strategic Planning requirements, an outline 4-year implementation plan should be created, based on the IT Strategy. Each year a Business Plan, detailing the objectives to be achieved in that year, should be prepared and approved by the IT Steering Committee.

5.2.4

Detailed procedures should be produced for approval all IT development projects and system changes. These should be approved by the IT Steering Committee

5.2.5

The IT Steering Committee is responsible for the consideration cost/benefit analysis reports on proposals for IT development, the determination of established funding, and research in the possible funding sources.

5.2.6

A formalised procedure for procurement of IT supplies should be set up to ensure competition between the suppliers, which will provide the STI with the best service to the lowest cost.

5.3 System structure in relation to business strategy / structure of responsibility

Using the background of the Business Strategy, the analysis of system- and data context and using the customer-oriented approach, all systems belonging to the STI should be organised into 4 major groups, related to specific functional arts of taxation:

1. Person-oriented systems
2. Business-oriented systems
3. Property-oriented systems
4. Internal oriented systems

The first three systems are primarily covered by IMIS, while the last are Payroll, Staff Administration, Budget and accounting systems etc.

Purpose of this classification is:

- To create, using a professional and user-oriented approach, 4 relatively homogeneous system areas, that belong closely together from the point of view of tasks and responsibility in the long run.
- To create conditions for a clear placement of responsibility for use and development of IT-systems in an organisation based on the above-mentioned system areas, thus ensuring a strong integration between administration and use of IT.
- To facilitate integration of the Business-related area by means of assembling all Business-oriented systems into one field of responsibility.
- To ensure that both Person-oriented and Business-oriented parts of the system portfolio can be developed according to individual strategies adjusted to the administrative development in these two areas.

- To contribute to setting up of a structure of responsibility for IT-systems and data that enables the STI to use various contractors in all 4 major areas, without having negative consequences on the general administration process in the STI.

The ownership and the related area of responsibility should be clearly defined in the organisation and implemented.

The proposed classification brings along some difficulties in relation to the present administration of the STI.

Firstly, the administration is not organised and staffed in a way, that enable it to take an overall responsibility for IT-systems and the use of IT. Traditionally this responsibility has been placed in the IT-Department and regarding system competence, primarily at Infoterra.

Secondly, the proposed classification of systems contradicts functional structure and classification of the existing administration.

5.4 System structure in relation to decentralization

The above-mentioned IT-systems can be further divided into 4 main groups according to the functional goal and installation site of the system. These groups are:

- Production systems
- Information and dialog systems
- Management systems
- Office automation systems

		Personal Tax	Business Tax	Property Tax	Internal Administration
	Production	Local/Central	Local/Central	Local/Central	Central
	Information / Dialog	Local	Local	Local	Central
	Management	Central/Local	Central/Local	Central/Local	Central
	Office	Local	Local	Local	Local

5.4.1 Production systems

Production systems are mainly mass-transaction systems, which are run on a periodical, for example, daily basis. These systems are typically used for updating main databases, which are based on processing of transactions, collected through decentralised data input or later through direct transfer of data.

A secondary result of a run of a system is often production of large amounts of output data in the form of printouts.

Standardised input-data, validated in advance to the largest possible extent or as much as possible through a general input-data check, carried out in connection with data entry, should form a basis for production runs. Output-data from production systems is standardised and contain information, which is authorised by the STI.

The most important requirement to production systems, which are governed by law, is stability of operations, security and consistency in validation and calculation. Furthermore, in order to keep error

rate at a low level, there is a need for detailed planning of the succession of the runs and timing of performing the runs. Considering the above and also the wish to use the advantages that a large operation can give to the production process, it is more convenient to perform some production runs on the central IT-site, where the main database is placed.

5.4.2 Information and dialogue systems

These systems are primarily used for extraction, comparison and processing of information from local databases, which is necessary for daily administrative work and for the general process of providing information to management, users and customers.

Use of these systems is steered by the official himself and based on a screen-dialogue. Therefore, it is very important for these systems that basic data is authorised.

The majority of the information systems, belonging today to the STI, are based solely on the principle of local data. Therefore, if the process of centralisation should prove to be successful, there is a necessity for a considerable input in connection with distribution of the systems in the coming years.

Interface for the central and decentralised run of operations should be based on a standardised dialogue, where the central part covers data acquisition and, eventually, data updating, while the decentralised part covers processing and presentation of data to users (dialogue interface).

Systems, which are used for decentralised acquisition and validation of data, form a separate group of dialogue systems. These systems usually produce input materials for production runs. Validation of data should to the largest possible extent be carried out at the moment of registration and, preferably, as much decentralised as possible.

5.4.3 Management systems

Management systems are used in order to support management structure of the State Tax Inspectorate, the government, Seimas, other central institutions and normally, besides taxation data, include data from economy system and salary system, etc.

The majority of the administrative tasks should be solved by the standard systems (application data). In this case the runs will be performed on a number of centrally placed main systems and regionally placed sub-systems that partly cover regions' own needs and partly deliver information to the central systems.

Modelling functions to illustrate consequences of new laws, regulations etc should be included, too.

Management information data should be placed on a separate Data Warehouse database in connection with a query tool.

5.4.4 Office automation

Office automation systems help to make office operations and casework more effective. Similar to administrative systems, the majority of the STI's requirements to office automation should be covered by standard systems (text processing, spreadsheet and email, etc.).

From the functional and the economical point of view, these runs should be performed locally. A clear and well-defined interface (possibility for integration) should be developed between information and dialogue systems, which acquire data from the centrally placed joint databases.

Office Systems should allow easy integration of tax data into these.

5.5 System structure in relation to Ownership of data

Ownership of data or groups of data should be defined.

It is characteristic for the basis data of the STI that there are many sources of its' updating, and at the same time a great importance is given to correctness of data (authorised). In order to ensure consistency of the basis data, it is, therefore, necessary to have only one authorised database. Considering possibilities that modern technology offers and extensive use of the database, the most convenient placement for it would be a central one.

Centrally placed basis data can be organised into the before mentioned 3 main categories:

1. Person-oriented data
2. Business-oriented data
3. Property-oriented data and
4. Joint data

This classification is made according to the possible use of data, which means that from the administrative point of view a particular group of data is often used together.

This does not mean that different groups of data are not independent of each other, for example, there are connections between persons and enterprises, etc.

Interface between the four groups are presently of such a character that from a functional point of view, physical separation of the four groups of data will not cause any substantial damage to the joint system performance. Therefore, each group of data together with IT-systems belonging to it can be placed on separate IT-sites, if from the economic or management point of view this solution is preferable to a joint placement on a single IT-site.

5.6 Operations of IT-systems versus outsourcing

Operations' model of the STI is primarily based on the principle of internal operations.

If budget cuts are needed, one should allocate operations for outsourcing to private companies on the conditions of facility management. This implies a long-term contract that clearly specifies the extent and the standard of the purchased IT-service, as well as states the price that the STI will pay for the service.

Outsourcing of IT-operations should be based on the above-mentioned principles.

In general outsourcing of specific systems is worth recommending only in exceptional cases, which are supported by the STI's ability to achieve strong cost management.

The above considerations are related to the IT-operations and do not, therefore, include preparatory and after-maintenance activities. The STI's need for service in this area (OCR-reading, printing and mailing, etc.) is considerable and can be outsourced without any technical problems, if savings' considerations or other reasons make it necessary.

It should be mentioned that there are no technological conditions that speak in favour of outsourcing of the STI's operations to several contractors. Therefore, a decision to split the operations between several contractors should be based on other considerations, for example, cost-savings or a lower vulnerability of the systems.

And, finally, it should be pointed out that in this validation no consideration was given to problems regarding security that eventually rise with outsourcing of "sensitive" systems to private IT-sites.

5.7 Development of IT-systems

System development tasks come from a business organisation and should therefore be steered and organised in a normal management system. Development of new IT-systems should be given the same priority as the one given to other development projects and be based on a cost-benefit validation.

It is our estimation that system development in question should be carried out by means of use of external system contractors, but it is necessary that the STI from now on play a more active role in the development, rather via direct participation in the development itself.

A direct involvement in system development will increase the STI's general insight in its own IT-systems and, therefore, create a background for an enhanced internal competence needed for validation of the IT-related consequences of any new/alterd law/regulation.

IT-department should at least create internal logical information's' basis regarding the STI's data and systems. Information basis should include a structured classification of data and systems, a description of the major data and system' connections, a description of data contents and a description of systems' primary functions in relation to the STI's tasks. Moreover, there should be created an overview of the major users, operation sites for different systems, extent of activities and cost-benefit calculations for the systems.

Collection of information is necessary in order to create an overview of the STI's systems, which is required in connection with preparation of system development plans and basis agreements with external contractors.

System development should, in general, be organised in such a way that the STI can prepare its system development plans with the help of its own resources. Quality of the system development plans (requirement specification) should be sufficient for external contractors to carry out a development task.

Often there is a very short deadline for a development task in connection with new or altered legislation. The STI should, therefore, use a limited number of external contractors with good knowledge of the STI's entire system portfolio and data connections. Number of contractors should ensure that system development services are bought for a reasonable price, but, on the other hand, should not make a negative influence on the quality of the overall IT-solution.

6. *IT-technical concept*

Introduction

The IT-technical concept is to be chosen on the background of the overall objectives for use of IT and with a purpose of meeting the overall technical concept.

The technical concept helps to set up the overall frame for:

- Hardware architecture
 - Central sites
 - Decentralised IT usage
 - Data communication
- System architecture
 - Structure of data and database
 - Structure of system and development environment
- Security
 - General security measures
 - Procedures
 - Internal Audit

In the terms of IT, the STI should mostly rely on the tried and proved technological concepts, as operations' stability and security is given a very high priority. Experience shows that proved solutions bring along lower IT-expenses as well.

6.1 Hardware architecture

With regard to hardware architecture and data communication, the STI should apply standardised solutions. In preparation for the membership in the EU, the country should use such equipment that answers the open European standards to the extent, when there still are competitive products on the market that comply with requirements of the STI.

Central IT-sites

The STI will achieve the most effective use of the available resources by concentrating its resources/prioritising the Intel/Windows NT platform (could be Risc/Unix for special tasks).

The main reasons for this are:

- The NT platform opens opportunities for use of a considerably larger amount of contractors for both operations and development areas. Besides, it answers the above-mentioned requirements to the central platform.
- The STI's IT-department has limited resources and should therefore concentrate its efforts on a technical solution that makes understanding of the real status of IT-situation and active participation in system development less complicated.
- A general pre-requisite for an effective steering of contractors and a decisive pre-requisite for outsourcing of IT-operations, is that the IT-department can achieve a deeper insight in the quality and character of services offered by contractors. This task is difficult to fulfil when the efforts are spread between several technologies.

DDecentralized IT-installations

The decentralised hardware platform must be based on the European POSIX standard (UNIX) or NT.

This will give the STI an opportunity to use various hardware vendors on the decentralised level as well as complies with the EU recommendations.

The UNIX/NT platform is considered to be able to support the requirements to decentralised functions in the form of office automation products, administrative systems and other information systems, necessary to ensure an effectual way of completing the tasks in the regional inspections and the central administration.

It can be recommended in the long run to use only one technical platform (NT or UNIX) in the regions.

DData communication

Data communication inside the Central Administration as well as external communication to the enterprises and other interested parts/partners must use the ISO standard for Open Net-works OSI.

Departments of the STI should information wise be brought together, by means of a data communication net, which includes the STI regions and departments of the central administration.

The architecture should support the following communication tasks:

- General terminal communication
- Communication between programmes
- Transfer of files
- Internet
- Intranet
- Electronic post
- Central monitoring of the IT-equipment (HW as well as SW) placed on different sites
- Communication with the EU Authorities and other EU Countries

Moreover, the network should make it possible for enterprises and other external interested parts/partners to communicate effectively with the STI.

In case the STI's IT-operations are distributed between several operations' centres, there will be a need for an effective connection of these centres via high-speed communication lines (WAN). At the same time it is necessary to set up a system, which will enable both external and internal users to experience the IT-systems as a single unit. User-dialogue should be therefore independent of the concrete operations centre and user should not be involved in the interchange between different modules of equipment, if any.

Local communication and interconnection of terminals, PCs, printers and the like must use a local data connection network (LAN) based on Ethernet.

The purpose of the installation of the local net is to ensure an effective exchange of information in a single administrative unit and by this to increase effectiveness of the administration in general. Installation of LAN will also give a benefit of the increased flexibility in the regional use of IT. LAN opens a possibility of using a mixture of terminals, PCs servers in an integrated environment. Furthermore, installation of LAN can help to protect the investments, already made in IT in the regions.

Internet must be used to give correct general information about Taxation to all citizens. It must also be made possible for citizens and enterprises to register several of their Tax information by the Internet.

The growing effectiveness of the Internet gives STI the opportunity to support, especially the Companies, but even people, only paying Income Tax in a cheap, with a well known method

in communication, both in the aspect of retrieving information from the staff in State Tax Inspectorate and keying in several predefined data into the systems.

The internal communication in the Inspectorate shall be based in Intranet to ensure fast and effectual communication.

An institution as the State Tax Inspectorate needs to spread out a lot of relevant information to the whole organisation, central as well as at local level. It is well known, that even the fact that not all staff has his own PC, this is an easy way of ensuring the communication to be known.

The communication with the EU systems shall be based on the existing requirements to the stage of these systems.

The EU systems (VIES, SEED etc) will as part of an ongoing process still be modernised. It is therefore expected each member state to adjust its own systems, according to the newest recommendations.

6.2 System architecture

Concept of the STI's system architecture is based on the following:

- Data is a strategic resource of considerable importance for the STI's operations.
- The STI is to a large extent independent from single contractors in connection with systems operations tasks.
- Systems and data can be transferred in the future between the central and decentralised IT-units without conversion costs.
- Connections between the systems and the databases are organised and documented in a way that gives the STI an opportunity to make fast and effective validations of the IT-related consequences of the new laws and regulations. This will ensure that the STI has a full control over its own development and cost related to IT.

6.2.6 Structure of data and database

Registration of data into the STI's databases must be carried out as close to the source of data as possible. Furthermore, it is recommended to carry out an instant validation of data, when and where possible.

Data acquisition should therefore be performed through a direct on-line connection to the data-supplier (source of data) or through an electronic transfer of already validated registers from other systems.

Mass-data, which cannot be registered directly via electronic channels, should be recorded by means of optical reading and recognition (OCR and ICR) to the extent, where it is cheaper and more secure than a manual data entry. With a manual data entry, a local validation of data should be carried out simultaneously. A data entry function should be established in the organisation to focus on this issue.

All data is to be stored in uniformly organised registers.

Besides the data in question the registers also includes descriptions of the contents of the different elements of data and connections between them. Data is to be organised in such a way that for every data element is an original registration of the data contents. Copies of data in Data Warehouses should be widely used.

Data must be stored in a way, which can give a maximum increase in effectiveness of operations in both Production and Information systems.

To fulfil this requirement it will be necessary to have databases or even better - Data Warehouses - connected to some information systems, because production oriented database structures are not convenient in connection with search for information.

A widely used product on the market must represent applied databases, and their use should be based on the SQL-standard that defines a standardised interface between databases and applications (user systems).

Through this one achieves in the longer run a possibility of distribution of operations of the user systems without necessarily re-structuring the basis data.

Databases must be connected with facilities for an automatic validation of data contents and logic of data (data dictionary).

Such an automatic validation is necessary in connection with the maintenance of large databases and forms a basis for a better insight in the overall data structure. This insight forms a basis for an effective management of the entire IT-development and use of IT in the STI.

2 . 6

SSystem structure and development environment

The overall system structure with regard to operations and development is based on the system classification already described "System structure in relation to outsourcing of operational tasks", Chapter 5.

This means that the STI's systems are organised into 4 main groups:

1. Person-oriented systems
2. Business-oriented systems
3. Property-oriented systems
4. Joint systems

These groups can (according to chapter 5.2) be subdivided into Production, Information- and dialogue, Management Information and Office automation systems.

Purpose of this subdivision is to bring the systems, which functionally and data-wise belong together into groups. These groups represent uniform units, where development and operations are concerned.

System responsibility, which among other issues includes an overall responsibility for the use of the systems and for setting up a development strategy for a group of systems, should be vested in the head of department in the business organisation that bears an administrative responsibility for the area (System Ownership), where this group of IT-systems is primarily used.

6.2.2.1 System development

The STI must, where feasible, use modern development tools. The tools should be able to support JAVA; they should independent of software manufactures and support all RDB's (like Power Builder). Vendor based tools like Developer 2000 (DV2000) may be used, but STI should be aware of, if DV2000 is used completely together with an Oracle DB, it will due to the costs be almost impossible to change vendor. To ensure STI to stay free to change the supplier of DBMS, it is recommended only to use general features in the DBMS tool.

Programmes for data exchange with enterprises, based on the Internet, can be developed in JAVA, which gives substantial advantages

The STI should set a framework for method of development, development tools and requirements to documentation, as well as actively participate in the phase of system development. It is important that the STI broadens its own development expertise that will enable to carry on this function. Internal de

velopment expertise is necessary in order to ensure a more effective steering of the external system contractors and in order to be able to produce qualified strategies for further development of the STI's IT-systems.

This framework should be set up in such a way that all the developed systems in the operational phase could be run under the facility management, if this should prove to be cost saving or preferable because of any other reason.

The chosen development tools should support active involvement of users in analysis, design and development phases.

The tools should be a widely known and used product and for as much as possible independent of any specific hardware, basis software and database system. Application tools should support an active system development and for as much as possible ensure an automatic form for documentation and a standardised programme development.

6.2.2.2 User interface

A Graphical User Interface Standard (GUI) must be developed for the STI.

The STI's systems should be developed in such a way that user interface is as uniform as possible. The ideal situation is when a user does not register any differences with regard to the systems' physical place of operation (geographic or hardware-wise). A uniform interface across the systems decreases the need for user training and increases the general accessibility of the systems.

6.2.2.3 Standard systems

The STI must use standard IT-systems to the extent where these systems answer the STI's requirements and needs and, furthermore, are attractive from the point of view of costs.

When choosing standard systems, the STI should be prepared to carry out necessary changes in business methods, where they will not disturb the overall objectives. The chosen standard IT-systems should answer all the requirements that the IT-policy generally presents for the STI's IT-systems.

6.3 Security

General security measures

The STI's data, user systems and IT-equipment must be secured against destruction and misuse.

Specific security level is established on the basis of the security report from 1998 which, besides normal requirements to IT-security, also take into consideration the importance, that data has for the whole public administration and current legislation, which regulates the use of public registers.

On the background of the security report there should be prepared a set of general rules in order to:

- To secure against physical threats (fire, break-in, vandalism, etc.)
- To protect against misuse or destruction caused by authorised and non-authorised users.
- To ensure constant availability of a sufficient amount of back-up copies.
- To ensure that data is not lost as a result of a mistake, breakdown or miscalculation.
- To secure emergency procedures for serious cases as well as for situations where the operations become disrupted (for example, in connection with strikes).

PProcedures

Procedures must function in such a way that each work task has only one person responsible for it. All procedures must be described in a way, which makes division of responsibility unambiguous.

Responsibility for development and maintenance of procedures is placed at the STI's management, which has the overall responsibility for the IT.

There should be established an ownership for all IT-systems (system owners), which means that for each IT-system there is a manager responsible for co-ordination of the system's overall use, maintenance, etc. and is responsible for preparation of necessary security procedures for the use of the system.

IIInternal audit

Internal audit must evaluate and report if the determined business procedures through built-in internal control give secure and correct registration in the user-systems and, moreover, secure compliance with international security standards.

It is the task for the internal audit to conduct spot checks in order to control that both internal and external users of the IT-systems comply with security requirements. Furthermore, the internal audit should constantly control and approve that the security systems provided by external contractors comply with the STI's requirements.

Internal audit participates in system development projects in order to ensure that functionality of the IT-systems is in accordance with the legislation and that applications answer the STI's security procedures.

Modernisation of the State Tax Inspectorate

ORGANISATIONAL CHART OF THE STATE TAX INSPECTORATE UNDER THE MINISTRY OF FINANCE

