1. Basic Information

1.1 CRIS Number: 2006/018-180.01-03  **Twinning No:** PL/06/IB/FI/01/TL

1.2 Title: Advanced training for tax auditors in the field of computer audit
1.3 Sector: Tax administration
1.4 Location: Poland, Ministry of Finance (Warsaw), local tax offices in Poland.

2. Objectives

2.1 Overall objective(s):
The facilitation of more efficient tax collection through the application of advanced e-audit techniques

2.2 Project purpose(s):
- Improving tax audit capacity in the field of e-audit;
- Development of a training module to be used by the trained auditors for the purpose of training of other tax auditors.

2.3 Justification
- Need to improve efficiency of the tax administration and providing good quality of services to the taxpayer has been underlined in the “Comprehensive monitoring report on Poland’s preparations for membership” from 5th November 2003 (Chapter 10: Taxes);

3. Description

3.1 Background and justification:

Although a tax audit is only one of the measures applied by the Tax Administration in order to improve taxpayer compliance, its effectiveness and efficiency must be guaranteed by means of proper procedures and application of modern audit tools and techniques. At the moment the IT market is offering various applications that may enhance audits carried out by tax officials. Thanks to such software tools as ACL the Tax Administration can carry out tax audits in an efficient way, reducing the time of audit and tackling tax frauds. Such applications constitute powerful analysis tools that allow tax auditors to display, analyse, manipulate or extract tax data from a wide range of accounting systems of taxpayers.

In addition, as a result of Council Directive 2001/115/EC (in force from 1st January 2004) harmonising, simplifying and modernising the invoicing obligations with which traders must comply when they sell goods or services that are subject to Value Added Tax (VAT), traders are provided with an EU legal framework for electronic transmission and storage of e-invoices. Electronic invoicing, which can cut invoicing costs significantly, is now developing rapidly, notably as a result of the growth of electronic commerce. The Directive therefore encourages the development of electronic invoicing and thus the development of electronic commerce. Although the introduction by the Directive of the option for traders to use...
electronic invoicing will force administrations to make a greater investment in electronic auditing technology (software, hardware and training), they will, as a result, be able to carry out more efficient checks and controls.

Therefore this project aims at providing training for Polish tax officials carrying advanced audits by means of the above-mentioned software. It is due to the fact that e-audits need extensive experience and knowledge on both tax audit proceedings and IT issues. In order to introduce successfully such instruments in the Polish Tax Administration, further actions are required to apply e-audit software at more advanced level. Therefore such auditors would be trainers in the field of advanced computer audit and could impart the gained knowledge to other tax auditors through training.

In January 2006 the Polish Tax Administration purchased 200 applications of the ACL software, whose advanced use is the focus of this proposal. Assuming that in 2006 all the e-auditors will be trained in the field of basic functions of the ACL software, the further steps will be connected with the training of a group of e-auditors in the field of advanced and complex ACL audit techniques. Due to the complexity of the ACL software, the previous projects involved only rudimentary and basic functions. Therefore this project will address the next stage of building up e-audit capacity in the Polish tax administration, which will finally close the preparation of e-auditors for the use of the ACL software. Therefore both results and objectives of this project are different from those envisaged in the previous project related to e-audit i.e. PL2004/016-829.01.10 Flexible Reserve project.

3.2 Linked activities:

a) Pilot purchase of 16 applications of IDEA software within Phare 2002 project - Tax Administration (PL02/IB/FI-01)
16 applications of IDEA software were purchased to conduct a pilot project on how IDEA can be applied in the process of tax audit.

b) Basic training for 16 tax auditors how to apply IDEA software
Phare 2002 project - Tax Administration (PL02/IB/FI-01)
So far the Polish Tax administration has trained 16 tax auditors that acquired basic knowledge on how to use the IDEA software for the purpose of tax audit within the framework of that project. The pilot appeared to be successful (over 150 computer audits conducted), which gave an incentive to introduce a computer audit at a wider scale.

c) Purchase of 200 applications of computer audit software
In October 2005 the Polish Tax Administration will purchase 200 applications of computer audit software allowing to carry out computer audits on tax data extracted from accounting systems of taxpayers.

d) Basic training of 48 tax auditors how to apply e-audit software
PL2004/016-829.01.10 Flexible Reserve project
In the first half of 2006 the Tax Administration is going to train 48 tax auditors how to use the software in day-to-day audit operations within the framework of that project. The training will provide 48 tax auditors that can be used as trainers. The training materials will be drawn up. Due to the fact that the training module will consist of only 2 weeks, the trainers will be able to get acquainted with only basic functions of the ACL software.

e) Basic training of 152 tax auditors
In the second half of 2006 the trainers from the said projects will train 152 tax auditors.
Due to the fact that PL2004/016-829.01.10 Flexible Reserve project will provide training only at very elementary level it is essential to strengthen the sustainability of e-audit techniques in the Polish Tax Administration through the provision of advanced training in the use of the ACL software.

In the coming year 200 e-auditors will conduct basic tax audits with the use of the ACL software. Due to the complexity of the software, it is indispensable to familiarise the e-auditors with more sophisticated functions of ACL in respect of tax audit. The more sophisticated use will also include a wider scope of e-audits in terms of tax periods, records, taxes. In addition, it will include interconnectivity with some databases available in the Tax Administration.

3.3 Results:

The project assumes the following results:
- A training module developed in the area of advanced computer audit;
- 60 tax auditors from Tax Offices trained in the field of advanced computer audit;
- 60 tax auditors prepared to be trainers in the field of advanced computer audit.

3.4 Activities:

The project should be implemented in the form of twinning contract (twinning light). The twinning partner(s) should ensure that the following activities be performed:

The activities shall entail the following:
- preparation of training module in a paper version and/or on a CD;
- training of 4 groups of trainers (each group consisting of 15 tax auditors).

The proposed duration of the project 8 months.

Justification: If the standard duration of 6 months was applied, the short-term experts would be overburdened with too many training sessions within a relatively short time span, which could jeopardise both quality of training as well as their professional obligations in their own administration.

The implementation of the project will require hiring minimum 4 short term experts. It is expected that the experts will come from tax administration of EU Member State.

Experts no. 1 and 2 shall meet the following requirements:
- Higher education (preferably in IT or law or economics);
- At least 5-year experience in working for the tax administration;
- At least 5-year practical experience in carrying out ACL computer audits;
- At least 5-year practical experience in training in the field of computer audits;
- Experience in development of training modules,
- Fluency in oral and written English,

Experts no. 3 and 4 shall meet the following requirements:
- Higher education (preferably in IT or law or economics);
- At least 5-year experience in working for the tax administration;
- At least 5-year practical experience in carrying out computer audits (including at least 2-year experience in ACL computer audit);
- Knowledge of accounting systems;
- Fluency in oral and written English.
The difference in the requirements for the experts stems from the fact that the first group of the experts, i.e. experts no. 1 and 2 shall be responsible for the elaboration of the training modules (and training afterwards) whereas the latter shall be responsible only for training itself.

The project leader with fluency in oral and written English and computer skills shall be a high-level civil servant of tax administration or ministry supervising the operations carried out by such tax administration and shall have experience in the management of projects within his or her own administration and facilitate a proper communication between the experts and beneficiary personnel.

The activities will require a close co-operation between the beneficiary’s experts and twinning partner’s experts. The co-operation will mainly focus on the preparation of the training module and different types of case studies that will be adjusted to the peculiarity of the Polish tax system.

Draft of indicative budget breakdown:

The TF amount: 250,000 EUR

Activities: ca. 177,000 EUR
- General fact finding. Evaluation of the present situation in the area of computer audit in Poland - approx. 1 mission x 3 days;
- Preparation of training materials - approx. 2 missions x 5 days;
- Training sessions - approx. 12 missions x 5 days;
- Steering Committee meetings - approx. 3 missions x 1 day

Other eligible costs:
- Interpretation: ca. 20,000 EUR;
- Interpretation equipment: ca. 30,000 EUR;
- Translation: ca. 15,000 EUR;
- Audit Cost Lump Sum: ca. 5,000 EUR;
- Contingencies: ca. 3000 EUR.

3.5 Lessons learned
The pilot introduction of IDEA software in selected Tax Offices appeared to be very successful. So far over 150 computer tax audits have been conducted, indicating how efficient and effective tax audit may be if supported by the software.

In addition, the application of the software has shown its complexity and comprehensiveness. Therefore the use of the software calls for continuous training which will allow to progress from the basic stage of its application to the more advanced stage.

4. Institutional framework

4.1 Final beneficiary of assistance
The beneficiary of the project is the Ministry of Finance, Tax Administration Department and local tax offices.

The Tax Administration Department shall coordinate the implementation of the project at the regional level.

4.2 Institutional constraints and foreseen changes
There are no institutional constraints which might influence realization of the project. As a result of project implementation, the audit units of the Tax Offices will have sub-units dealing with e-audits.

4.3 Influence of twinning light on institutional support
The e-audit activities will be performed by Tax Offices whereas the Ministry of Finance will supervise them in this respect.

5. Detailed Budget

<table>
<thead>
<tr>
<th>€M</th>
<th>Transition Facility support</th>
<th>Co-financing</th>
<th>Total cost (TF + co-financing)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investmen t support (I)</td>
<td>Institution Building (IB)</td>
<td>Total Transition Facility (=I+IB)</td>
</tr>
<tr>
<td>Contract 1</td>
<td>-</td>
<td>250 000</td>
<td>250 000</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>250 000</td>
<td>250 000</td>
</tr>
</tbody>
</table>

(*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises
(**) private funds, FIs loans to private entities

The amounts for national co-financing indicated in the table correspond to cash co-financing, unless otherwise stated. Contributions from the Polish administration for effective implementation of the twinning light may be further detailed in the twinning contract. Unless otherwise indicated joint co-financing is provided.

VAT does not constitute eligible expenditure except where it is genuinely and definitely borne by the final beneficiary. VAT which is considered recoverable, by whatever means, cannot be considered eligible, even if it is not actually recovered by the final beneficiary or individual recipient.

In case of parallel co-financing, the following activities will be financed from the parallel co-financing provision in the budget table:
- organisation of training sessions;
- cost of accommodation and food for seminar and training participants;
- training centre infrastructure;
- travel expenses of seminar and training participants.
In the case of Joint Co-financing, where the final overall cost is lower than foreseen in the project fiche, the National Public and Transition Facility Co-financing are reduced proportionally so as to maintain the agreed rate of co-financing. In the case of Parallel Co-financing, where the final cost is lower than foreseen in the project fiche, it must be shown that the overall objectives of the project have been fully achieved.

The Polish authorities (beneficiary) assure that the co-financing of the project is available. The amount for co-financing for this project is entirely parallel co-financing.

6. Implementation arrangements

There will be a Project Steering Committee (PSC) established in order to speed up the implementation process of the given project components in the first months after Financial Decision for Transition Facility 2006 is taken. The structure of the Committee will be working as an advisory and monitoring body until particular components are contracted and thus where appropriate may be replaced by the Twinning Steering Committee.

The participants of the Project Steering Committee will be representatives of the following institutions: PAO, NAC, CFCU and beneficiary (SPO and contact person as indicated in the fiche). It is also recommended to invite representatives of NAO services while the issues of financial management flow are to be comprehensibly discussed. The Project Steering Committee will meet every quarter starting from the date of signing the Financial Decision and will concentrate on discussing the problem occurred at the beginning phase of project implementation as well as on defining possible solutions and corrective measures. The PAO representative will organise and chair the PSC meetings.

6.1 Implementing Agency

PAO: Tadeusz Kozek, Under-secretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw, phone 48 22 455 52 41.
CFCU: Foundation Co-operation Fund, CFCU Director, ul. Górnośląska 4a, 00-400 Warsaw, phone: +4822 622-88-20, fax: +4822 622-75-65

The CFCU shall be responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Finance.

6.2 Twinning light

The project shall be implemented in the form of twinning light contract.

SPO
Director or Deputy Director
Tax Administration Department
Ministry of Finance
ul. Świętokrzyska 12, 00-916 Warszawa

Project Leader/Contact Person
Head or Employee of International Relations Unit
Tax Administration Department
6.3 Non-standard aspects
n/a

6.4 Contracts

One twinning light contract with a total amount of 275 000 EUR (250 000 Transition facility + 25 000 Polish co-financing).

7. Implementation schedule

7.1 Commencement of contracting process: Q4 2006
7.2. Start of project activity (signature of contract): Q2 2007
7.3. Project completion: Q1 2008

8. Sustainability

In the Ministry of Finance there will be a unit responsible for implementation and coordination of the e-audit project. In Tax Offices there will be 200 tax auditors conducting e-audits at both basic and advanced levels. The Ministry of Finance will assure an adequate amount of resources for the sustainability of administration functions during the implementation of the project.

9. Conditionalities and sequencing

9.1 Conditionalities
- the selection of e-auditors to be trained completed and documented before the start of the project.

9.2 Sequencing

The Tax Administration Department will be responsible for the selection of tax auditors that could be used as trainers for advanced use of computer audit. It will guarantee training centres with adequate equipment and support of Polish tax auditors.
The sequence of the activities will be as follows:
- selection of e-auditors to be trained within the framework of the project and formulation of gaps analysis in the e-audit techniques;
- selection of Twinning light partner(s);
- analysis of the present situation in the Polish Tax administration by the Twinning light partner(s);
- preparation of training modules by the Twinning light partner(s);
- training of staff by the Twinning light partner(s);
- co-ordination of e-audit services by the Tax Administration Department;
- e-audits performed by tax auditors.
Annex 1: Logframe matrix

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR THE PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: Advanced training for tax auditors in the field of computer audit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme name and number</th>
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<tbody>
<tr>
<td>Contracting period expires IVQ2008</td>
</tr>
<tr>
<td>Disbursement period expires IVQ2009</td>
</tr>
<tr>
<td>Total budget 275 000 EUR</td>
</tr>
<tr>
<td>Transition Facility Budget 250 000 EUR</td>
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</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening and improving the operations taken by the Polish Tax Administration in the field of new audit techniques.</td>
<td>- Efficient and effective tax audits; - Number of e-audits performed,</td>
<td>Reports, statistics, survey results</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose (Immediate Objectives)</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improving tax audit capacity in the field of e-audit; - Development of a training module to be used by the trained auditors for the purpose of training of other tax auditors.</td>
<td>- 60 tax auditors trained in the field of e-audit; - training module developed for e-auditors, including the use of functions of the ACL software.</td>
<td>Mission reports, Internal statistics, Surveys.</td>
<td>Logistic and human resources commitment on the part of the beneficiary maintained. Professional staff involved.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A training module developed in the area of advanced computer audit; - 60 tax auditors from Tax Offices trained in the field of advanced computer audit; - 60 tax auditors prepared to be trainers in the field of advanced computer audit</td>
<td>- Approx. 60 auditors trained by the end of the project; - Approx. 60 trainers ready to train other tax auditors by the end of the project; - Training modules developed by the end of the project.</td>
<td>Mission reports, Internal statistics of the Ministry of Finance, Surveys, Lists of training participants, TWL contract final report.</td>
<td>Establishment of effective co-operation between beneficiary and a twinning light partner(s). Logistic and human resources commitment on the part of the beneficiary maintained. Professional staff involved.</td>
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</tbody>
</table>

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<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
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</table>

Advanced training for tax auditors in the field of computer audit
- preparation of training module;  
- training of 4 groups (each group consisting of 15 tax auditors).

| Twinning light contract with minimum 4 short term experts – with necessary knowledge in scope of e-audit, training. |
| Logistic and human resources commitment on the part of the beneficiary maintained.  
Co-financing available.  
Ensuring high class experts. |

**Preconditions**

- The Tax Administration Department will select the best tax auditors that could be used as trainers for advanced use of computer audit. It will guarantee training centres with adequate equipment and support of Polish tax auditors.
### Annex 2-3: Implementation, contracting and disbursement schedules

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<tr>
<th>Date of Drafting</th>
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<td>Planning Period</td>
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<table>
<thead>
<tr>
<th>Budget Allocation Cost Estimate (in MEUR)</th>
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<tr>
<td>PLANNED</td>
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<td>IV’06</td>
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<table>
<thead>
<tr>
<th>Implementation schedule</th>
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<th>(2)</th>
<th>(3)</th>
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<tbody>
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<td>D</td>
<td>D</td>
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<td>D</td>
<td>D</td>
<td>I</td>
<td>I</td>
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<tr>
<td>Contracting schedule</td>
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<td>Disbursement schedule</td>
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<table>
<thead>
<tr>
<th>Legenda:</th>
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<tbody>
<tr>
<td>D = design of contract and tendering</td>
</tr>
<tr>
<td>C = signature of contract</td>
</tr>
<tr>
<td>I = contract implementation and payment</td>
</tr>
</tbody>
</table>

Advanced training for tax auditors in the field of computer audit