



Report of the State Comptroller of Israel |  
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Israel Tax Authority

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# **The Activity of the Computerized Processing Service Unit at the Tax Authority**





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### Background

The Computerized Processing Service (SHAAM) serves as the internal computerization system of the Israel Tax Authority (the Tax Authority or the Authority), providing it with computer services for collection and enforcement for a proper deterrent and to exhaust the taxpayer's rights. SHAAM serves about 1.3 million "customers": companies, other corporations, self-employed, controlling owners, employees, and recipients of work grants, employees who perform tax adjustments and tax refunds, the 6,000 employees of the Tax Authority, 13,000 representative offices, and 7,000 lawyers. SHAAM manages hundreds of projects every year, ranging from projects for immediate implementation to projects that take several years to complete. Every year the Tax Authority establishes a work plan, including, among other things, projects for the maintenance of the existing system, for changes therein, for their development and improvement, and the establishment of new systems. The contribution of the computerized systems is essential for streamlining the Tax Authority's work, shortening the processes, increasing the reliability of the operations, documentation, monitoring, and ongoing control of the processes and decisions.



## Key Figures

**NIS 333  
million**

SHAAM's budget for 2021

**221**

new and ongoing projects in 2021 managed by SHAAM

**119**

improvement projects and changes in the existing systems in 2021 managed by SHAAM

**55%**

the rate of projects with deviations of over 100% in the working days allocated to the project<sup>1</sup>

**583**

employees at SHAAM as of January 2022

**56%**

the rate of state employees among total employees at SHAAM as of January 2022

**120,000**

the average number of inquiries received at the SHAAM help desk<sup>2</sup> in 2019–2021

**66%**

the percentage of forms that are not online out of all the forms in the Tax Authority website

## Audit Actions



From November 2021 to February 2022, the State Comptroller's Office examined the activities of the Tax Authority's information systems – SHAAM. The audit included organizational aspects, the service to SHAAM customers, and the handling of system malfunctions. In addition, the project management in SHAAM, and the monitoring and control of their execution, were examined. The audit also included an examination of key business processes at the Tax Authority and their mechanization manner.

- 1 Of the projects in which the rate of difference between the estimated number of days for the project and the number of days for the project updated in the system was higher than 20%.
- 2 A unit responsible for the interface between SHAAM and its customers.



## Key Findings



**SHAAM's Strategic Plan** – no documents were found by the audit indicating that SHAAM's management discussed alternatives to the strategic plan or its principles. In addition, the audit team interviewed SHAAM senior managers, who all stated they had no part in formulating SHAAM's strategic plan.



### **Planning the Work Plans, Project Management, and Their Control**

- **Prioritization of the Projects** – SHAAM did not perform the processes required for making informed decisions based on updated data and prioritized the projects according to the methodology procedure, including determining estimates and examining the cost-benefit ratio.
- **Base Plan** – in contravention to the methodology procedure and the directive of the Governmental ICT Authority, all 16 non-strategic projects sampled by the audit team and 6 strategic projects have no basic plan, including a definition of actions, schedules, resources, and costs. In the absence of baseline plan data, including estimated completion dates and estimated personnel resources, it is impossible to monitor and control as required by the guidelines of the Governmental ICT Authority and the methodology procedure. Moreover, the organization's management cannot obtain an updated situation report of the project's progress, changes, and impact on the original plan.
- **Entering the Project Data into the Lapid System** – in preparation for the 2020 work plan, SHAAM began to work on the "Lapid" System, in which the project data is fed for management, monitoring, and control.
  - The system has no structured process for non-strategic projects collating all the sub-projects into a super-project. It is impossible to monitor and control the progress and deviations of the project from the set schedules and their overall cost.
  - The project's completion dates and workdays are updated in the Lapid System according to the tasks entered by the project managers and the changes therein. There is no way to verify the project plan is complete and that all the completing tasks have been entered. Moreover, it is impossible to present the projects schedules plan versus execution by Lapid System.
  - There is no report on the actual number of days the employees work; the completion rate is calculated based on the assessment of the task completion rate done by the project managers. The cost of the workforce invested in the various projects according to the type of position and employment is not



calculated, there is no link to the budget, including the costs of external consultants, and there is no data on the procurement of relevant infrastructure.

- **Deviations in the Projects** – in 32% of the new and current projects in 2021, substantial deviations were found (over 20%) between the estimated project workdays for the prioritization meetings and the project days updated in the system, indicating insufficient initial planning before estimating the number of days required for the projects. Furthermore, deviations were found in the content of 34 of the 221 projects in 2021. In 17 of them, the content status was "as planned," though by the work plan manager, there were deviations in the content.
- **Controls on Project Management** – SHAAM and the Tax Authority do not conduct controls analyzing the implementation of the annual work plan at the end of the year, and no conclusions are drawn. Moreover, there is no annual data for each year, only partial data updated by the project managers.



#### **SHAAM's Support of Business Processes and Mechanization of Manual Processes**

- **Data Mining** – to determine tax assessment, the Authority's employees must examine a significant volume of revenues and taxpayers' information. Among other things, the taxpayer's reports, tax withheld information about his employees and salary payments, intelligence information, and more. Although the information exists in the Authority's databases, the tax inspectors access some information through individual queries without an automatic process of computerized information collection and comparison. Moreover, there is no data mining process for processing the thousands of financial and accounting data found in the various information sources regarding the same taxpayer.
- **Declaration of Capital** – a capital declaration is an essential tool the income tax assessor uses when checking the taxpayer's reports. The Tax Authority employees carry out a process of capital comparison, which is a comparative examination of declarations of capital submitted over several years. The mechanization of the capital declarations will automatically enable the comparison of the capital, thus saving the Authority's employee work hours. In addition, it will enable capital comparisons of all taxpayers required to submit capital declarations and select an individual examination of taxpayers of whom the automatic examination identified unexplained capital differences. The audit found that the Tax Authority carried out the capital comparisons manually. Furthermore, the Authority did not promote the project after its characterization by a dedicated committee in 2013. At the audit completion, the online capital declarations project do not appear in the computerized system to manage SHAAM work plans (the Lapid System).
- **Withholding Tax** – withholding tax is the tax offset from revenues. The payer deducts the tax and transfers it directly to income tax. The taxpayer from whom



the tax was deducted reports the tax deducted. The total differences in absolute value between the deductions reported by those deducting and those reported by individual taxpayers was 8.65 billion in 2017 and 3.64 billion in 2018 (a decrease of 58%). In taxpayers who are companies, the total differences in absolute value were 3.02 billion in 2017 and 1.89 billion in 2018 (a decrease of 37%). The total cumulative difference (in absolute value) in 2017–2019 was about 18.6 billion. The Authority's new computerized system enables structured control to identify the differences. Still, its use is impossible for all tax inspectors and unit coordinators. The normal work process at the Authority is a manual inspection by the tax inspectors of only some files entered into the work plan and processed for assessment.

- **Computerization of the Authority's Forms** – the Tax Authority has a database that includes 322 forms in all tax systems: income tax, VAT, real estate taxation, import and customs taxes, other indirect taxes, and labor and Covid-19 grants. 111 of them are online forms. Given the rate of 63% of the customs and the import taxes forms that were computerized (out of all the customs and import taxes forms), the insignificant low rate (24%) of the computerized income tax forms (out of all the income tax forms) stands out. In addition, the rate of the customs and import taxes forms that were computerized out of all the Authority's computerized forms is 45%. In comparison, the rate of computerized income tax forms (out of all the Authority's computerized forms) is lower (35%), despite the core of the Authority's activity being income tax collection.

### Organizational Aspects of SHAAM's Activity

- **Employee Sanctions** – given the disagreement between the employees at SHAAM and the management regarding the employment of outsourced workers and the use of external consultants, the workers' committee initiated sanctions. By SHAAM management documents, these actions included non-cooperation with the incubator<sup>3</sup> and preventing the allocation of users in SHAAM systems to new, not permanent, employees in the headcount. Moreover, the workers' committee actions delayed projects included in SHAAM's work plan.
- **Shortage in Personnel** – at the audit completion, 40 civil servants positions, about 11% of the 367 existing positions, are not permanently staffed. Furthermore, 19 student positions, about 32% of the 60 current positions, are not staffed. The shortage has worsened over the years due to computer programmers' departure and the failure to replace them. The total number of permanent positions not stuffed is 59, about 10% of the 606 SHAAM employees of all types of employment.

3 A development body at SHAAM where people with knowledge of new technologies work; The body operates using an agile development method.



## Customer Service

- **Scattering of the Service Between Several Entities** – the strategic plan deals with a customer's response provision at one location. By the audit date, the support for representatives is divided between 3 entities (the Help Desk, the Customer Service Center, and the Representative Registration Department) providing representatives with different services. As a result, some representatives mistakenly contact the Tax Authority's Customer Service Center, which is not the entity suitable for the provision of the service.
- **The Help Desk** – the Help Desk supports thousands of customers a month and responds to inquiries that require significant knowledge. The rate of phone inquiries is 82%–87%, and the rest are through the portal. In 2019–2021, about 24,000 inquiries were received from representatives due to login difficulties, about 5,800 due to customers' computer operation problems, and about 10,000 inquiries for technical support. The department does not have a knowledge management system that enables the supporter to locate the relevant information at the click of a button. The administrative reports of the Help Desk do not include reports on days of peak inquiries or periodic characteristics of inquiries, such as peak reports of login difficulties in preparation for the reporting dates under the law – the 15th of the month, the reporting dates of the annual reports as well as when a new application goes live. In 2019, 2020, and 2021, 72%, 73%, and 75% of inquiries at the Center were closed without being forwarded to external parties. The parties to whom inquiries from the Help Desk are forwarded do not ensure the closing of the inquiry in the system after completing the handling. The Help Desk lacks handling completion information in about a quarter of the inquiries made.








The State Comptroller's Office commends the Authority's actions to significantly shorten the waiting times for SHAAM Help Desk inquiries and recommends that the Help Desk continue improving the service.

The State Comptroller's Office commends the Authority's database establishment, a prerequisite for data mining, and recommends the Authority promote the accessibility and comparison of additional information automatically and complete the rapid advancement of the data mining process.

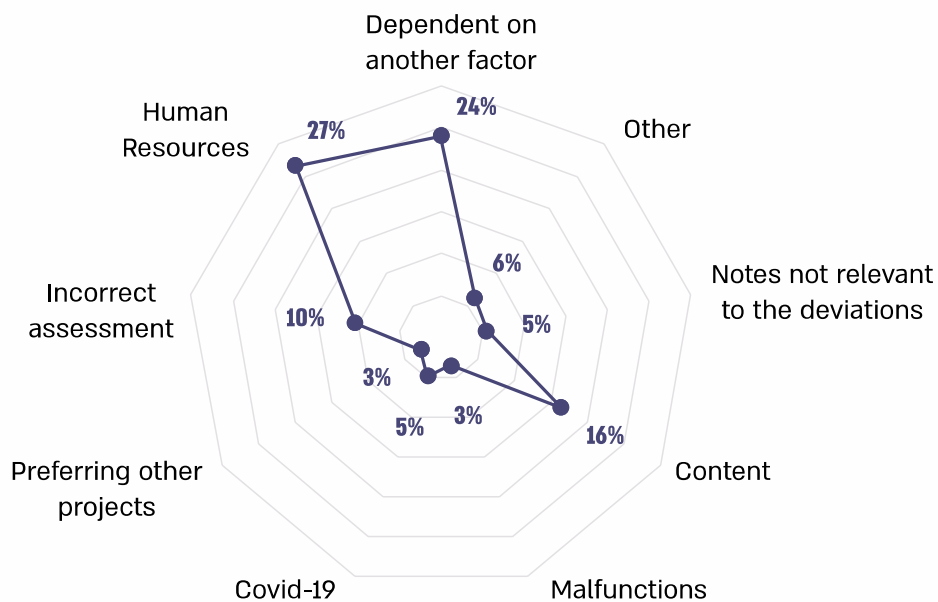
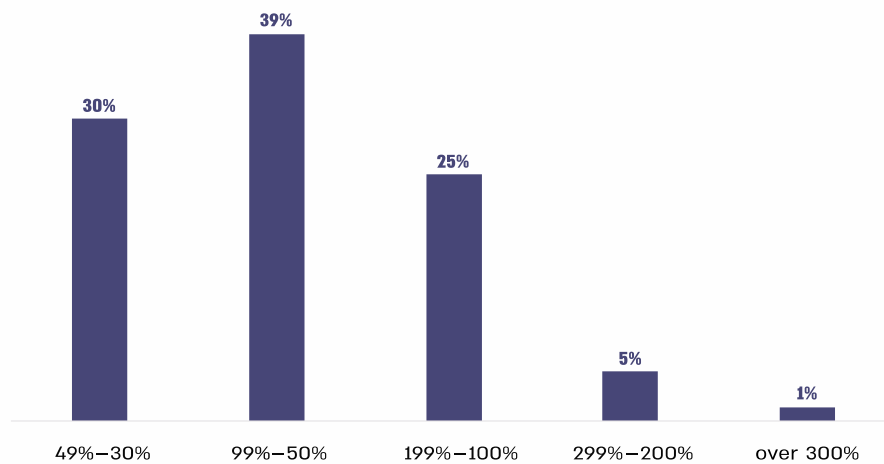


## Key Recommendations

-  SHAAM should prepare basic plans for all projects upon their beginning, according to the methodology procedure and the instruction of the Government ICT Authority.
-  It is recommended that when converting to a project, SHAAM will feed the tasks for the execution of the entire project, except for unexpected changes. It is also recommended to monitor the actual execution beginning dates vis-a-vis the basic plan dates. Furthermore, it is recommended to ensure that the system execution rate corresponds to all the required tasks, including those added.
-  SHAAM should feed the tasks for the execution of the entire project in the Lapid System, including all the project costs, actual workdays, and external consultants' costs. In addition, SHAAM should include the pricing of costs affected by the positions of the personnel associated with the projects and the type of employment. At the project demand converting stage, all the tasks required for its execution will be fed into the Lapid System. A total estimate of the days required until the end of the project will be determined for project cost information and monitoring of their execution. It is further recommended that the Tax Authority and SHAAM conduct an annual audit of the latest data of all projects for a yearly analysis of SHAAM's compliance with the work plans and draw conclusions.
-  The Authority is recommended to develop a platform to receive reports into its computerized systems for retrieving reports and performing analyses and cross-checking of the information to improve the assessment processes. It is also recommended that the Tax Authority mechanize the capital comparisons, enabling automatic comparison and thus saving the working time of the Authority's employees. Furthermore, it will enable the capital comparisons of all taxpayers required to submit capital declarations and select taxpayers whose declarations have an unexplained capital difference from the outset.
-  It is recommended that the Authority centralize the response to the representatives under one roof to optimize the service. It is further recommended that SHAAM maintain regular contact with the Liaison Committee of the Institute of Certified Public Accountants to complete the handling of the issues raised by it.



**Distribution of Projects in 2021 in Which the Rate of Deviations Between Estimated Project Days and Updated Working Days in the Lapid System Exceeds 20% and the Distribution of the Reasons for These Deviations<sup>4</sup>**



<sup>4</sup> According to the notes of the work plan manager.



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## Summary

By the report findings, SHAAM is having difficulty meeting the development requirements of the Tax Authority and with its optimal preparation for an emergency. The acceleration in technology development is expected to increase the Tax Authority's need for additional developments. In the absence of a solution to reduce the gap between the Tax Authority's computing needs and SHAAM's development capabilities, the collection and enforcement capabilities, the creation of deterrence, and the exhaustion of the taxpayers' rights at the Tax Authority will be adversely affected.

It is recommended that the Tax Authority rectify the deficiencies noted in this report and consider promoting computerization and improving the service to taxpayers, their representatives, and the Authority's employees.

