



Czech Republic
Supreme Audit Office

AUDIT OF PUBLIC REVENUES

QUESTIONNAIRE EVALUATION



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Introduction

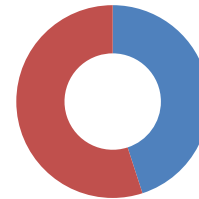
This publication was compiled by using the questionnaire completed by 20 Supreme Audit Institutions (SAIs). However, some questions were not responded by all 20 participants, in those cases the outcome is based on the number of responses we received. In a very limited number of questions we excluded some responses due to the extreme value reflecting a specific situation in some countries.

I. Organisation of audits

The total number of auditors in participating SAIs varies from 38 to 600. In case of 9 SAIs there is a specialised unit or a team of auditors focused on audits of public revenues. The number of auditors in these specialized units ranges from 5 to 21, on average 12, which means around 8% of all auditors.

How audit of public revenues is incorporated in the organisation structure

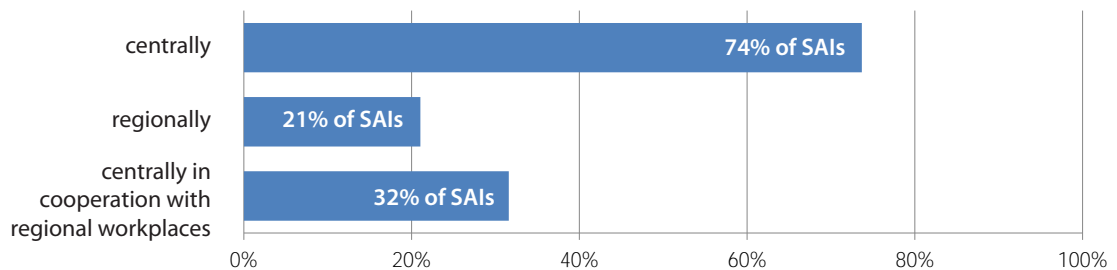
55% of SAIs
no separate section



45% of SAIs
separate section

Most of the countries pursue audits of revenues as a part of the financial audit. Additionally countries with specialized auditors focus on performance audit, some SAIs without auditors specialised in public revenues perform a thematic audit on public revenues on ad-hoc basis.

Which way the audit of public revenues is performed

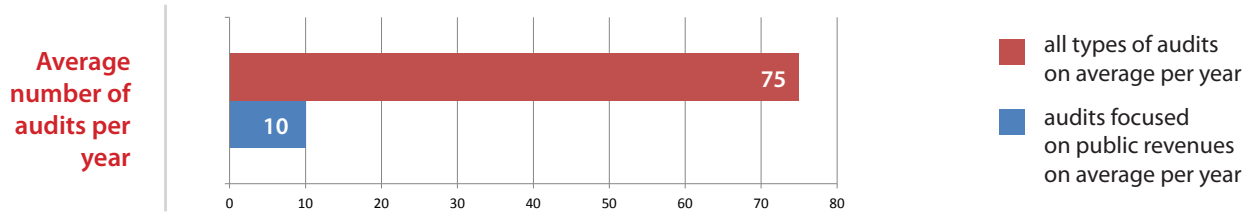


The number of auditors participating in an audit of public revenues varies from 1 to 16, usually 5 auditors.

II. Characteristic of audits

The total number of audits per year carried out by the participating SAIs is between 22 and 147, of which audits focused on public revenues represent on average 13%.

The duration of the audits focused on public revenues varies from 4 to 75 weeks, 23 weeks on average.



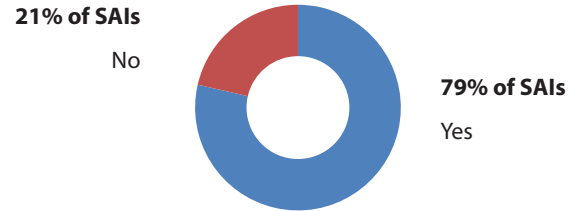
How the audit of public revenues is carried out

	% of SAIs
as a separate audit	75%
as a part of an audit focused on management of institutions or financial audit	55%

Person responsible for the audit of public revenues

	% of SAIs
high-level representative of SAI	21%
head of auditors/head of unit	42%
audit team leader	37%

Cooperation with potential audited person before the beginning of an audit



Generally, the audit of revenues contains these main phases: Preparatory phase, Execution of audit and Final report compilation. Not all of them must be carried out at the audited person.

Preparatory phase

usually attended to understanding of the audited environment, analysis of statistics, regulations and all relevant information, identification of risks, determination of control procedures; in some countries interviews with the auditee’s management and staff or preparation of a questionnaire.

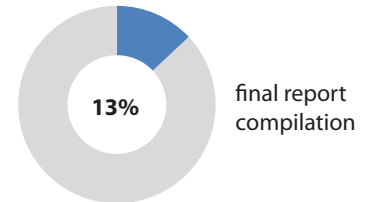
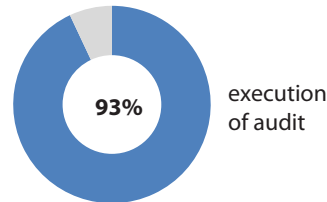
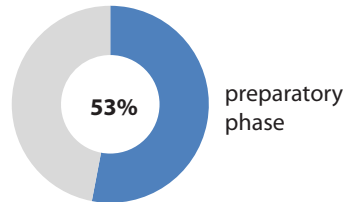
Execution of audit

examination of control procedures and detailed inspections, full audit trail to the source documentation, analysis of requested data and information, interviews with auditee’s management and staff; in some countries a preliminary report is prepared and contradictory phase takes place.

Final report compilation

final procedures are performed, findings and areas of concern are summarised, in some countries recommendations for improvement are set up and eventually agreed with the auditee.

Phases carried out at the audited person



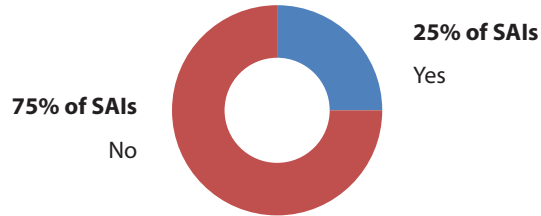
Post-audit activities

Some SAIs understand as an integral part of the audit the post-audit activities: e.g. assessment of the final report (internally), deliberations on the report (Ministries, Government, Parliament), communication to the public, etc.

External experts

Several SAIs have the possibility to involve external experts, however, this opportunity is used rarely.

Possibility to use
external experts



III. Audited persons

The type of persons audited by SAI differs among countries, basic facts are summarised in the following tables:

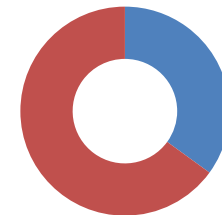
type of person	% of SAIs
public institution	100%
state enterprise	75%
regional self-governing unit	40%
legal person with state property interest	35%
bank or another financial institution	20%
legal person	20%
natural person	10%
funds	5%

body of public institution	% of SAIs
Ministry	90%
central authority (other than ministry)	85%
middle-level management body	45%
low-level management body	30%

Some SAIs indicated potential problems with the accumulation of several audits at one audited person.

Difficulties with a concurrence of several audits at the same audited person

65% of SAIs
No

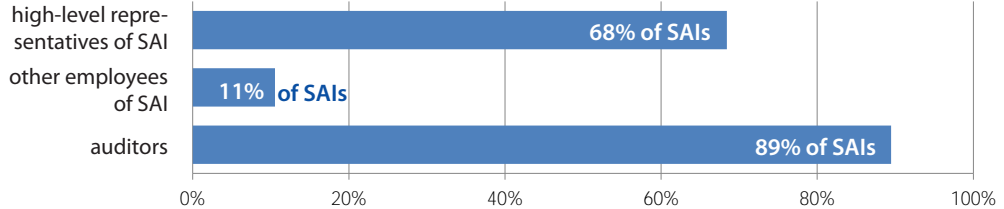


35% of SAIs
Yes

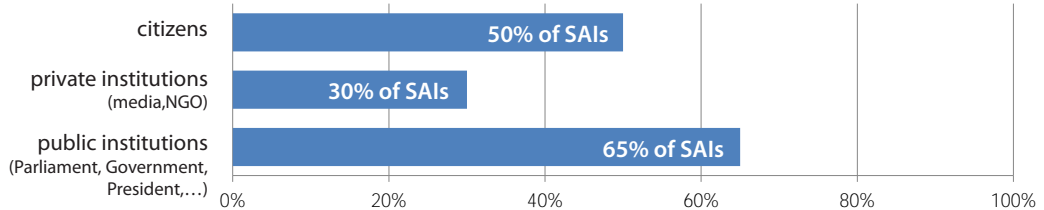
IV. Selection of topics for audits of public revenues

Selection of topics for audits on public revenues is based on internal or external suggestions.

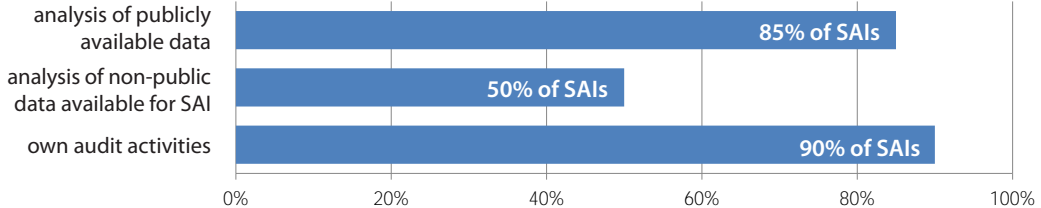
For pre-selection of topics of audits focused on public revenues SAIs use the internal suggestions of:



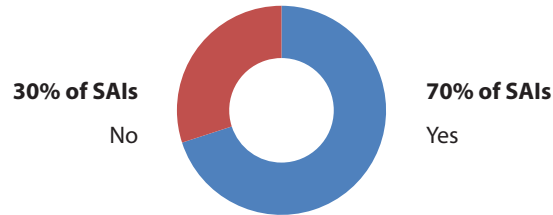
For pre-selection of topics of audits focused on public revenues SAIs use the external suggestion of:



Internal suggestions are based on:

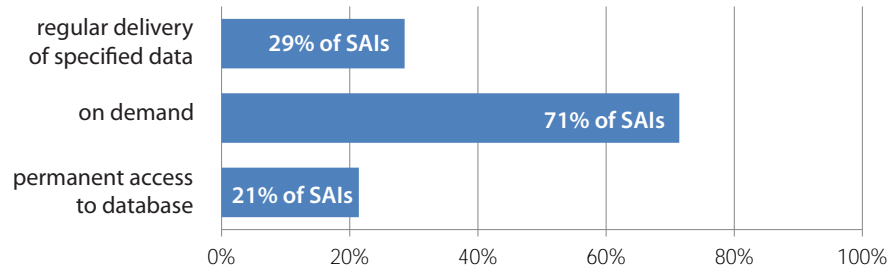


Access to non-public data from public administration ICT systems before the beginning of an audit



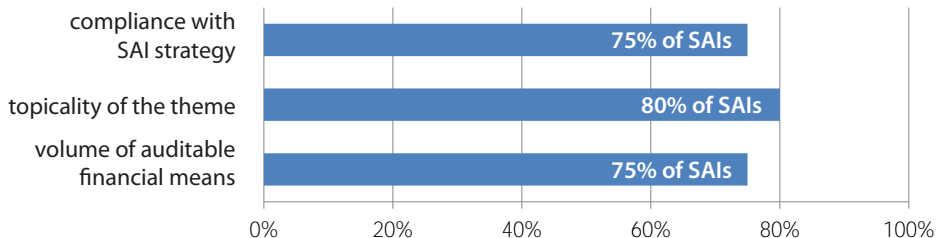
From countries reporting the access to the non-public sources of data, 86% SAIs have an access to the detailed data, not only to the aggregated statistics.

Type of access to non-public data from public administration ICT systems



Three SAIs reported an access to all information systems of public administration (direct access or on demand) regardless the audit performed; other SAIs stated usually an access to State Treasury Information System (7 countries), Custom Administration Information System (4 countries) and Financial Administration Information System (7 countries).

Criteria which are often used for selection of topics of audits focused on public revenues



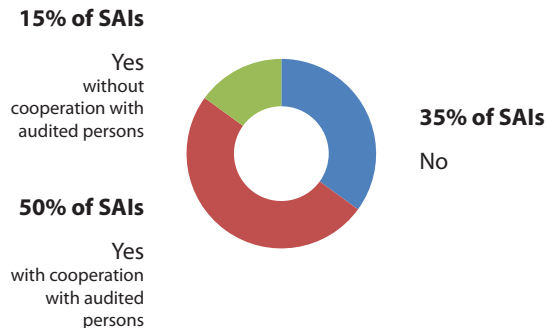
Two SAs reported additionally other criteria – level of risk and law requirements.

Majority of SAs prepare a preliminary study of the audit, half of SAs in cooperation with the audited persons.

Most often the preliminary study contains the following points:

- Information about the audited area – legislation, current situation, assessment regarding the potential audit;
- Problems detected in the past;
- Objectives of the audit – issues, key questions, reasons for auditing;
- Methods, criteria of the audit;
- Public interest, benefits of the audit.

Preparation of Preliminary Study

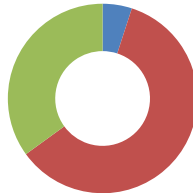


V. Audited period

In 45% the audited period includes the actual year as well.

Audited period

35% of SAIs
2-3 years

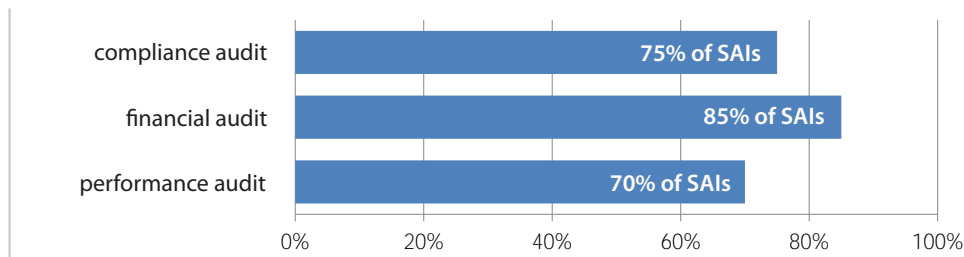


5% of SAIs
shorter than 1 year

60% of SAIs
1 year

VI. Procedures of audits focused on public revenues

Types of audit performed in the course of audits of public revenues



The following procedures are used by SAs during gathering evidence.

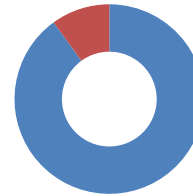
Procedures which are used during gathering evidence

	% of SAs
inspection, i.e. examining books, records and other case files or physical assets	95%
observation of processes and procedures being performed	90%
analytical procedures involve comparing data, or investigations of relationships that appear inconsistent	90%
formal written inquiries	90%
less-formal inquiries, e.g. oral discussion	85%
sending questionnaires to target groups	65%
information from internet sites	5%
substantive testing in case of compliance and financial audit	5%

Most of SAIs stated the audit programme is compiled by auditors involved in the audit. The audit programme is prepared before or within the audit.

**Preparation
of a plan/programme
of an audit of public revenues**

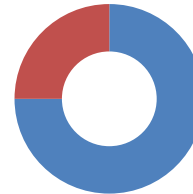
10% of SAIs
No



90% of SAIs
Yes

**Time when the programme
is made**

25% of SAIs
after the beginning
of an audit



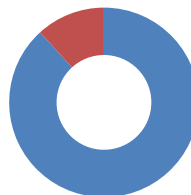
75% of SAIs
before the beginning
of an audit

In case of 59% of SAIs the audit programme includes detailed audit procedures, particular methods, audited documents, audit criteria and the like, 41% of SAIs submit only the programme with the key aims of the audit and recommended methods and procedures.

Possibility to deviate from the programme

12% of SAIs

No



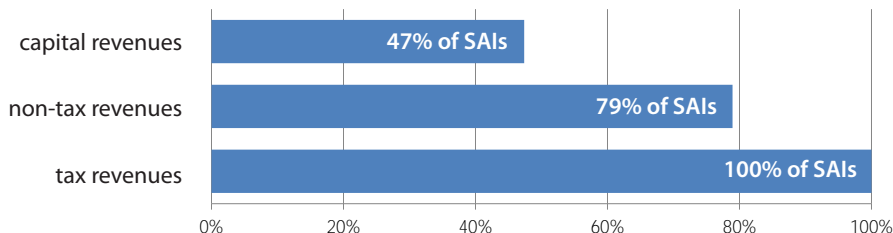
88% of SAIs

Yes

Most often it is possible to deviate from the programme because new unexpected facts and circumstances are detected or there is a lack of documents and proofs. In case of some SAIs, there must be an amendment of the programme made.

Extent of audits focused on public revenues

The subject matters of audits focused on public revenues



Note: ECA not included - subjects limited to custom duties, VAT and Gross National Income.

Most of the countries specified the subject of the audit of public revenues is focused both on verifying particular issues of a selected type of revenues and on verifying functionality and efficiency of the collection.

Tax revenues

Audits of tax revenues are focused on:

	% of SAIs
economy, efficiency and effectiveness of tax revenues administration	75%
administration of particular types of taxes	65%
accounting and record of particular types of taxes, reporting	60%
accounting of tax receivables, tax arrears and overpaid taxes	60%
audited persons procedure of administration of particular types of taxes	55%
internal control system	55%
tax evasions in connection with legal adjustment and control mechanisms of particular types of taxes	55%
impact of a new legislative provision on administration and collection of particular types of taxes	45%
effectiveness of newly adopted legislation	45%
comparison of efficiency of administrative authority divisions inside the institution, throughout institutions or in relation to similar foreign administrative authorities	25%

Selection of audits performed with focus on a specific type of tax revenue

Tax revenues	Number of audits	Specific topics
VAT	9	VAT tax administration (procedures, efficiency); intra-community transactions; tax credits; fiscal receipts; evaluation of the anti VAT fraud strategy; VAT - eco-contributions; impact of legislative changes on the fight against VAT frauds etc.
Income tax	3	compliance audit of corporate income tax; property declaration versus income declaration; income tax of specific groups of taxpayers etc.
Excise tax	1	tax administration
Revenues from lottery	2	income completeness
Efficiency of tax administration	4	income completeness; efficiency of system of tax collection
Tax fraud	2	fraud prevention plan of the tax administration; system of fight against tax fraud
Tax arrears	5	evaluation of tax arrears; revenue from VAT falling in arrears; collection procedures; results achieved by the tax amnesty
Tax incentives	2	tax incentives; agricultural concessions
Tax revenues of regional units	2	regular audit of tax revenues of municipalities; performance audit

Non-tax revenues

Audits of non-tax, capital or other revenues are focused on:

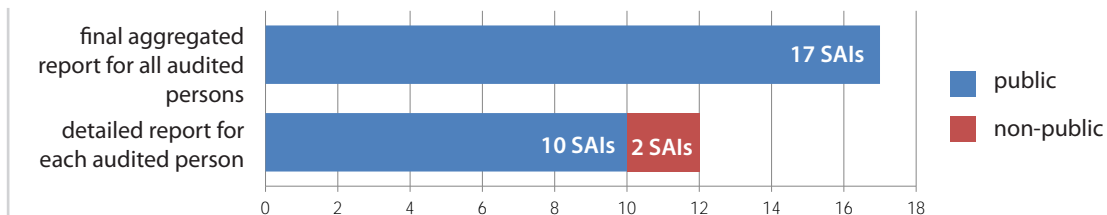
	% of SAIs
administration of selected revenues	65%
internal control system	60%
economy, efficiency and effectiveness of expenditures on administration of these revenues	60%
audited persons procedure of administration of selected revenues	55%
accounting and record of selected revenues, reporting	50%
impact of a new legislative provision on administration and collection of selected revenues	35%
effectiveness of legislation and its adjustments	30%
comparison of efficiency of administrative authority divisions inside the institution, throughout institutions or in relation to similar foreign administrative authorities	20%

Selection of audits focused on a specific type of non-tax revenues

Tax revenues	Number of audits	Specific topics
Revenues from state property	5	revenues due to government property department; economic management of companies with a state share; state property managed by a special government unit
Fees collected from embassies	2	compliance audit; revenues collected from embassies abroad
Other	5	management of the derelict, confiscated property or property handed over to the state otherwise; fees from the Land and Public Registry; public broadcasting services - revenue from advertising; results of operations of privatization; collection of fines and penalties

VII. Outputs of audits of public revenues

Audit outputs



Note: The question was answered by 17 SAIs.

The detailed report contains:

	% of SAIs
all partial findings (both positive and negative)	50%
only partial negative findings	50%
only summarization and assessment of all findings	8%
recommendations	100%
draft measures	25%

The final aggregated report contains:

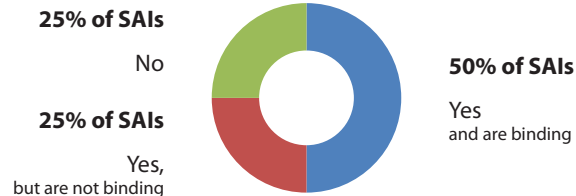
	% of SAIs
all partial findings (both positive and negative)	35%
only partial negative findings	29%
only summarization and assessment of all findings	35%
recommendations	88%
draft measures	12%

Usually, the audited persons have an opportunity to defend themselves against findings and conclusions mentioned in audit outputs through Contradictory procedure (37% of SAIs) or written answers/statements (63% of SAIs).

After the final report is officially accomplished/ approved by SAI, it is put forward to Ministry of Finance/ related Ministry/ Government (64% of SAIs) or to Parliament (55% of SAIs).

In general, after the final report is published, most of the SAIs place the final report on their web page, and some SAIs communicate the report through media or in SAI annual report.

Right to impose measures on the basis of output of audits

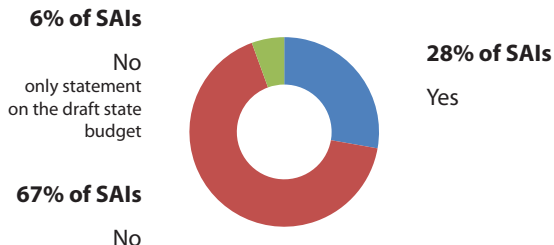


80% of SAIs reported they monitor the application of the recommendations, which means usually follow-up audits (53%), reports from audited persons and other means of verification.

Persons imposing the measures	% of SAIs
Particular SAI	27%
Government	33%
Authorised Ministry	40%
Parliament	40%

VIII. Audit of state budget and state closing account

Audits focused on the preparation of a draft state budget

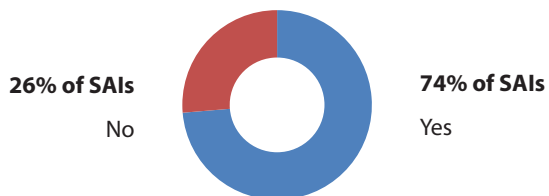


Audits of the preparation and fulfilment of the state budget are focused on:

% of SAIs

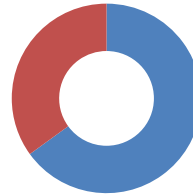
verifying selected data of the state closing account	68%
verifying materials for drawing state budget	53%
monitoring and impact assessment of taken remedial measures	47%

Use of results of audits of preparation and fulfilment of state budget during drafting the opinion on the state closing account



**Opinion on draft
state closing account**

35% of SAls
No



65% of SAls
Yes

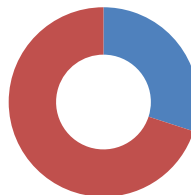
In most cases, the source of information for the opinion on draft state closing account are the proper auditing activities of SAI (financial or other audits), in some cases SAls reported statistical resources, annual reports of the tax and customs administration and other.

In general, the opinion on draft state closing account is based on the recent period – one year, some SAls stated relevant periods in the past.

IX. Sanctions

Right to impose any sanctions

70% of SAIs
No

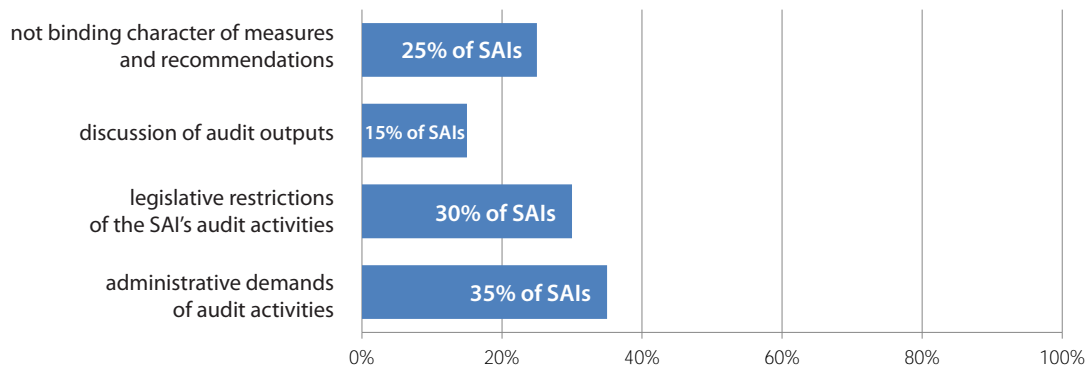


30% of SAIs
Yes

Some SAIs reported the right to impose sanctions: fine for not giving access to information, lack of cooperation on audit, only one SAI reported fines to force the auditees to bring the accounts into shape.

X. Problems related to carrying out audits of public revenues

Most problematic areas related to audits of public revenues



There are SAIs that see a problem in a lack of experience with audits of public revenues. One SAI misses some compulsory mechanism in relation to the measures imposed by SAI.

XI. Best practice regarding auditing public revenues

Areas of auditing of public revenues with the greatest successes:

evasion and frauds	Completeness of revenues, tax evasion and frauds regarding VAT (VAT frauds and evasions, abuses in the compensation of tax credits, intra-community transactions, system of fight against VAT tax frauds, etc.) (7 countries)
municipalities	Completeness of revenues of a regional municipality, local government units (2 countries)
water management	Audit on the water management law resulted in additional charges for using water
tax payers	Tax evasions by groups of tax payers
tax amnesty	Programmes and results achieved by the tax amnesty
electronic tax declaration	Audit of use of electronic tax declaration
non-tax revenues	Collection of non-tax revenues (court fees and fines, social security contributions, capital transfer duties, fees collected from the elderly residing in government-owned residential homes...)
arrears	Completeness of revenue falling in arrears

Procedures, methods and data analyses used within audits of public revenues specially successful and beneficial:

all available data	Analysis of all available data, including outside the auditee (e.g. other ministries, official bodies, statistical data...) (3 SAIs)
software	Analytical methods and tools, use of specific software in the financial audit (3 SAIs)
legislative system	Analysis of the legislative and procedural system - the outputs have led to new legislative measures (2 SAIs)
questionnaires	Preparation and use of standardised questionnaires in order to save time (2 SAIs)
parallel audit	Parallel audit at more auditees (countries, municipalities/regions, different tax administration offices) allows comparing data, procedures and examples of best practices (2 SAIs)
audit programme	Detailed audit programme prepared by expert group (e.g. taxes) including the standardised form of outputs; after the audit is carried out by several teams it is possible to summarise all findings and compile one common output
risk-based approach	Risk-based approach to audit of revenue (e.g. risk analysis during the selection of topic and preparation of audit programme)
access to the databases	Permanent access to the databases of the auditees
statistical samples	Statistical samples enabling extrapolation of identified errors
cooperation	Cooperation with tax payers, professional associations - share of problems or ideas on how to improve the state budget revenue administration

Notes

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Supreme Audit Office, Jankovcova 2, Prague 7, Czech Republic

Authors:

PaedDr. Irena Vašíčková, Ing. Michaela Jetmarová, Bc. Richard Čuntala, MBA

