



Republic of Serbia
State Audit Institution



AUDIT OF COMPLETENESS OF REVENUES AND AUDIT OF STATE CLOSING ACCOUNT

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Public Revenues and Receipts



- Law on the Budget System introduced the term *public revenues and receipts* in the Republic of Serbia;
- Public Revenues:
 - mandatory payments
 - revenues on using goods and services
 - other revenues collected by public funds beneficiaries
- Receipts:
 - receipts on sale of non-financial assets
 - receipts on borrowing
 - receipts on sale of financial assets

Public revenues and receipts are used for financing government expenses, procurement of assets and loan repayment

Tax Revenues

- Personal income tax
- Corporate tax
- Property Tax
- Transfer of rights tax
- Value added tax (VAT)
- Excise taxes
- International trade and transaction tax

Mandatory Social Insurance Contributions

- For pension and disability insurance
- For health insurance
- For unemployment insurance

Non-Tax Revenues

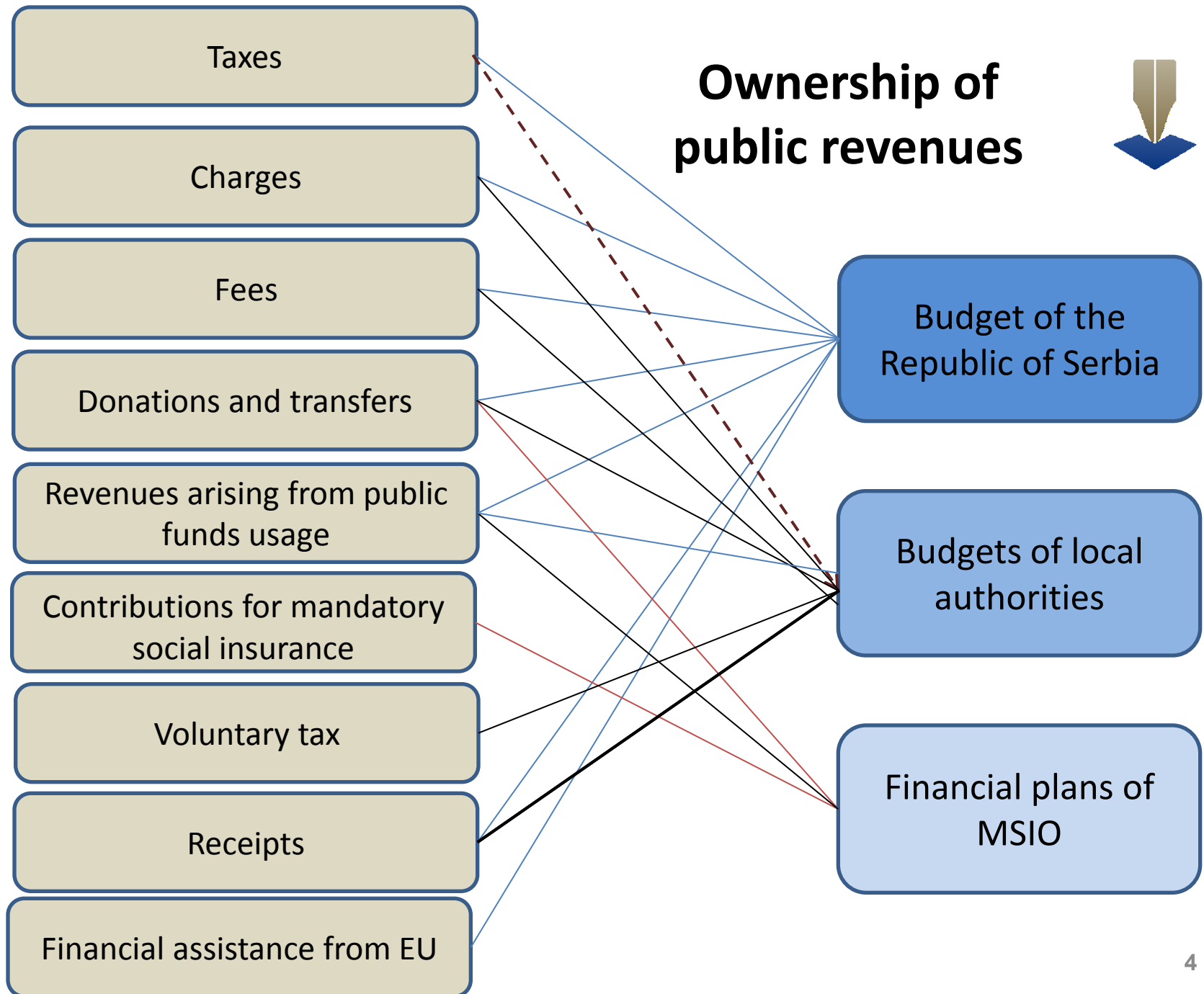
- Fees
- Charges
- Penalties
- Revenues arising from public funds usage:(interest , rent, services and penalties)



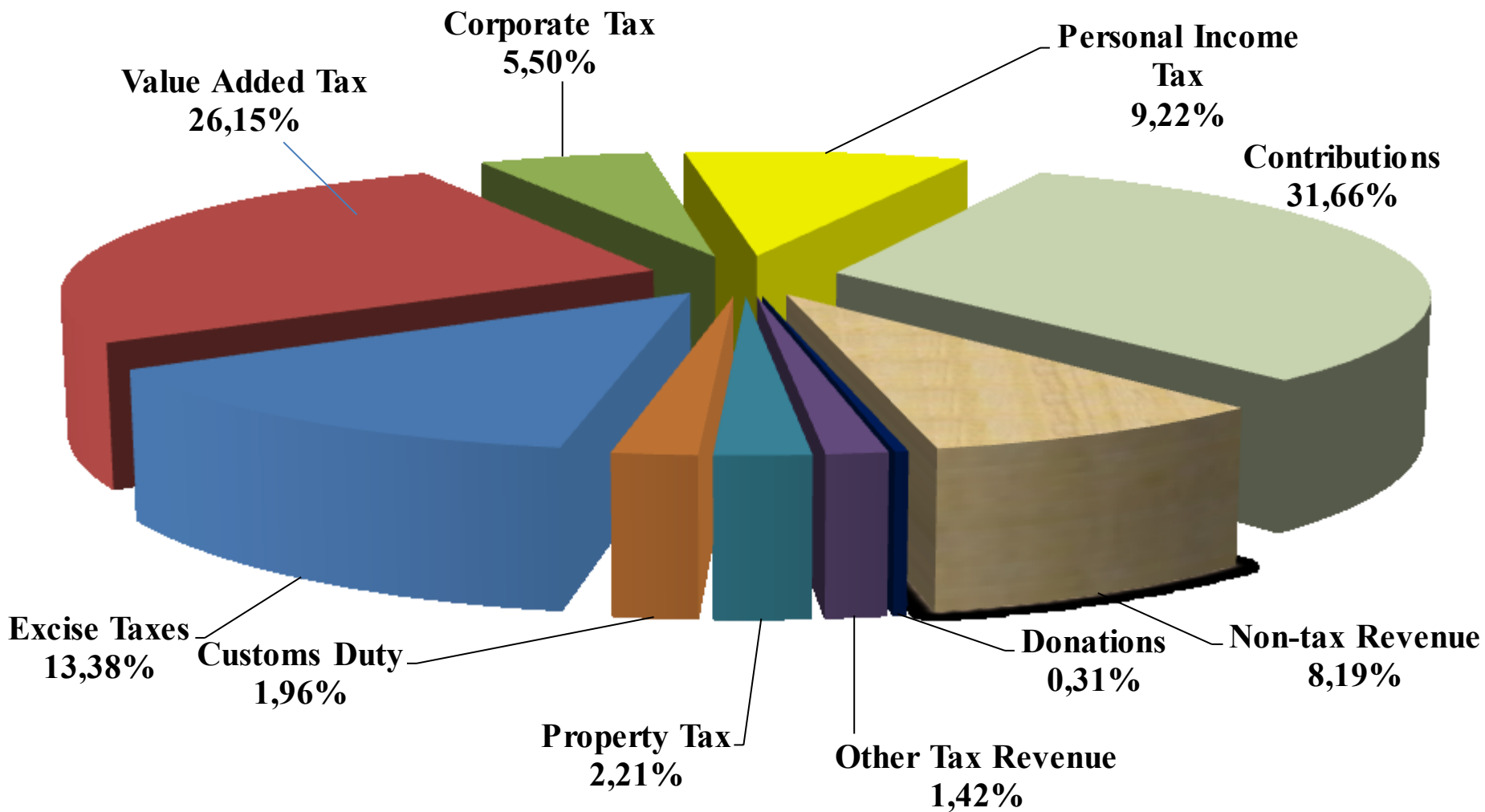
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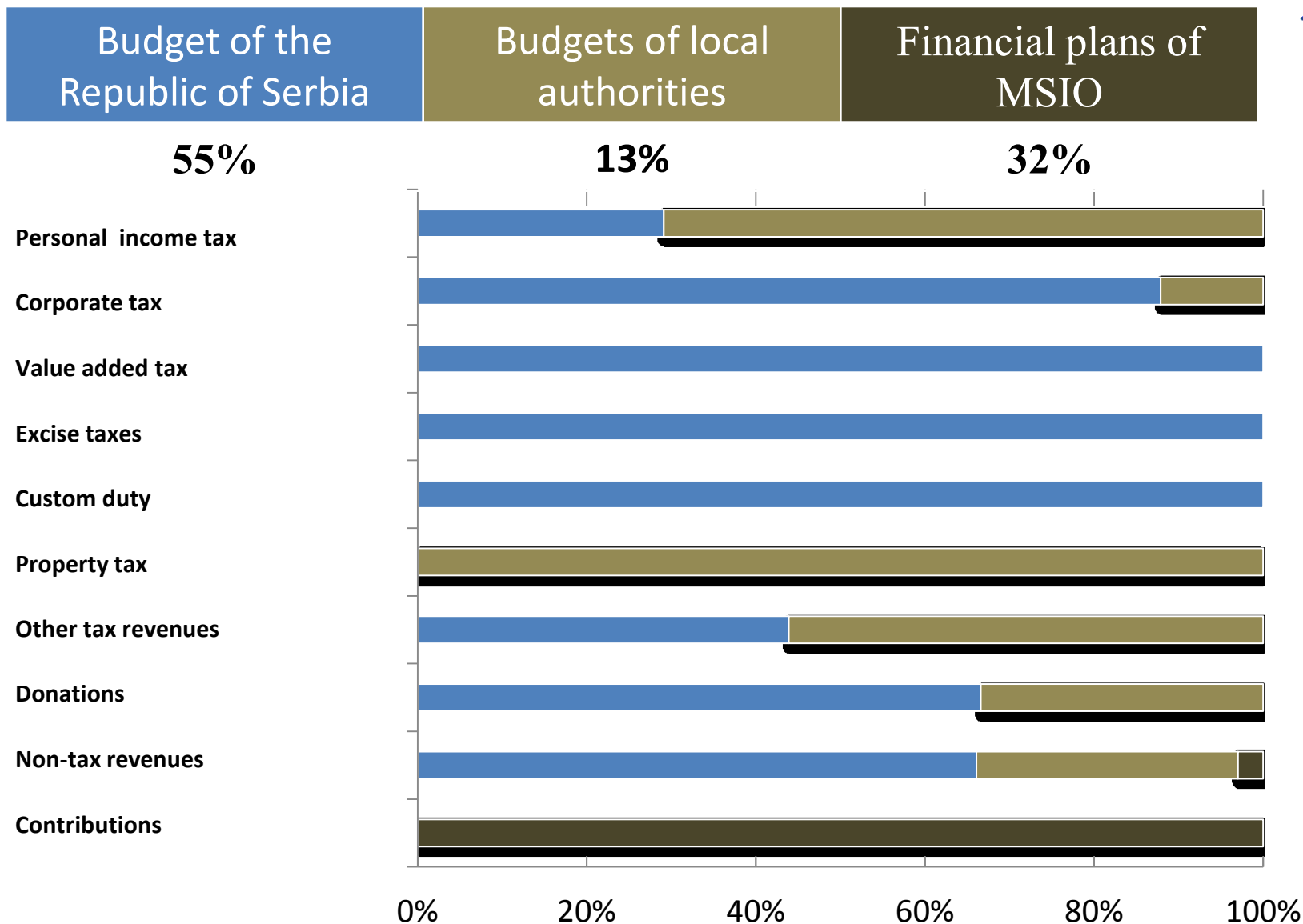
Ownership of public revenues



STRUCTURE OF PUBLIC



DISTRIBUTION OF PUBLIC REVENUES



Audit of Completeness of Public Revenue



- **Objective**

Expressing opinion as to whether public revenue has been:

- recorded in full (all receivables posted into books)
- recorded in an appropriate period (CUT-OFF)

- **Additional goal**

Expressing opinion as to whether:

- public revenue has been collected as calculated:
- measures have been taken to collect uncollectible revenue

Determining, Collecting and Controlling Public Revenues



Tax Administration

Collection of tax revenue

- 1) Registration and keeping register of taxpayers
- 2) Determining taxes, control and collection
- 3) Discovering tax related criminal acts
- 4) Keeping tax accounting and UIS (Unif. Inf. Sys.)

- Head office
- CVPO
- Branches (78)
- Local offices (95)

Customs Administration

Collection of international trade and transaction tax

- 1) Customs proceedings in commodity exchange
- 2) Customs clearance of goods, prevention of illegal imports
- 3) Sale of customs goods and enforced collection of customs duty

- Head office
- Regional customs offices with branches and units (15)

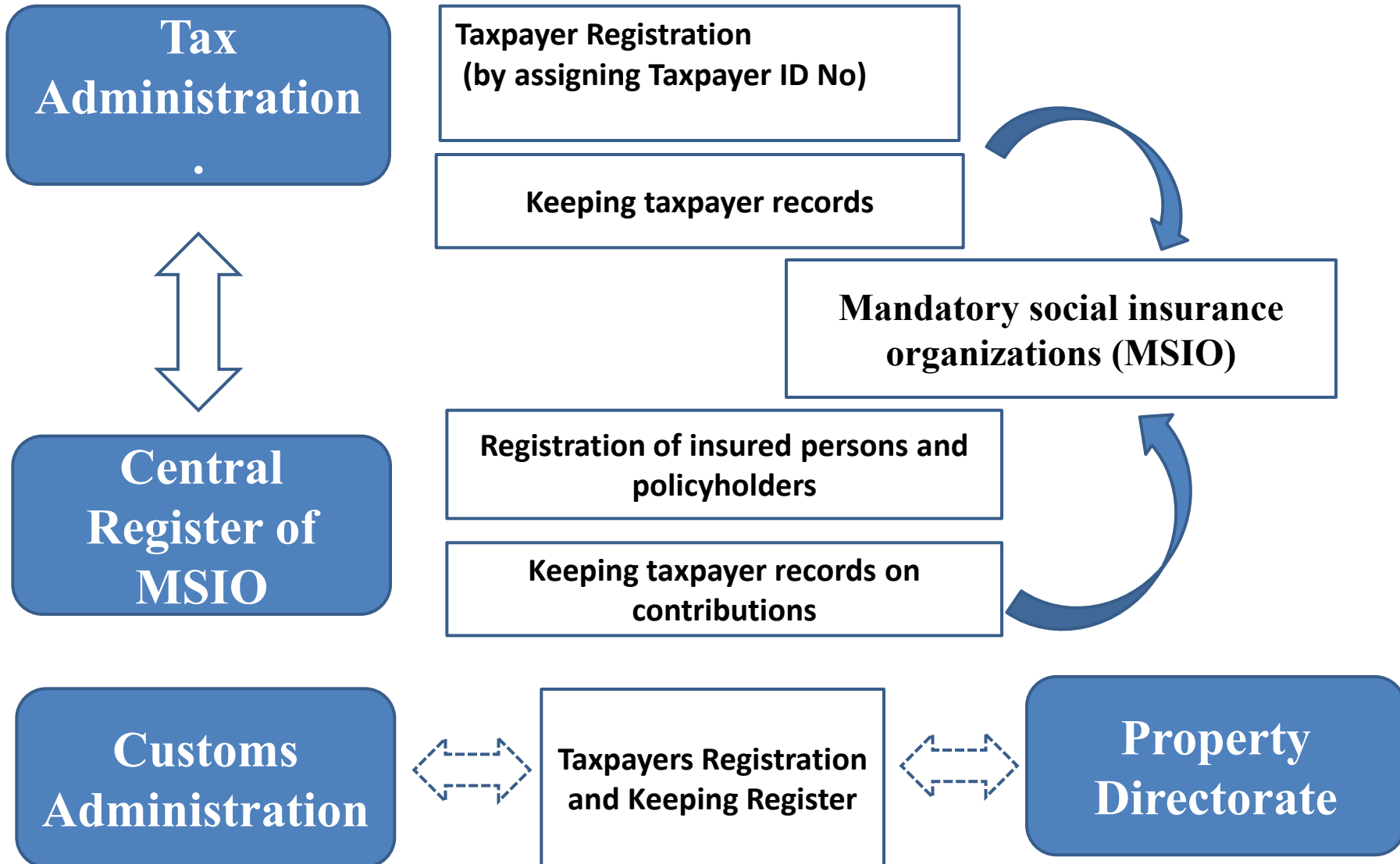
Serbian Property Directorate

Collection of non-tax revenue on property

- 1) Keeping unified records on real estate
- 2) Entering state property into cadastral records
- 3) Disposing, granting usage rights, and/or leasing real estate
- 4) Monitoring collection of rental payment

- Director
- Sectors (5)

Taxpayers Registration and Keeping Register of Taxpayers of Public Revenues



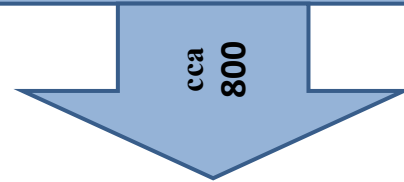
Collecting, Recording and Distributing Public Revenue

Phase I
Collecting

Phase II
Recording

Phase III
Distributing

Incoming payment accounts for public revenues



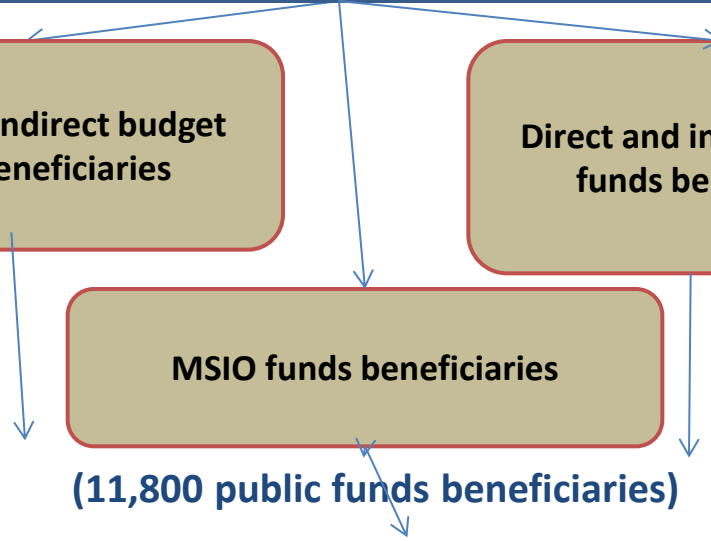
Serbian Ministry of Finance
Treasury
Consolidated account

Direct and indirect budget
funds beneficiaries

Direct and indirect budget
funds beneficiaries

MSIO funds beneficiaries

(11,800 public funds beneficiaries)



Audit of Completeness of Public Revenue



➤ Risks:

- Risk from expressing incorrect opinion - always present
- **In order to acquire sufficient and appropriate evidence, it is necessary to:**
 - Identify sources (risks) that may lead to misstatement of public revenue
 - Implement audit procedures as a response to identified risks

Sources that May Lead to Misstatement of Public Revenue in the Republic of Serbia



1. Complex legislation;
2. Complex organizational structure of entities in charge of control and collection of public revenue;
3. Incomplete and unreconciled records on public revenue taxpayers;
4. Large number of incoming payment accounts;
5. Many different information systems (lack of unified taxpayers' records);
6. Tax evasion;

Risks Jeopardizing Statement of Completeness of Public Revenue



- Errors in implementation of laws (tax obligation not determined);
- Receivable on public revenue not recorded;
- Collection of public revenue not recorded;
- Theft or loss of monetary receipts prior to recording them;

Some of the Responses to identified risks



- Horizontal and vertical analysis;
- Comparison of database of issued decisions per years;
- Review of timeliness of adoption of decisions;
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- Review of timeliness of submitting decisions;
- Observing and assessing separation of duties, review of addressing complaints;

Summary of Identified Irregularities in Audit Process

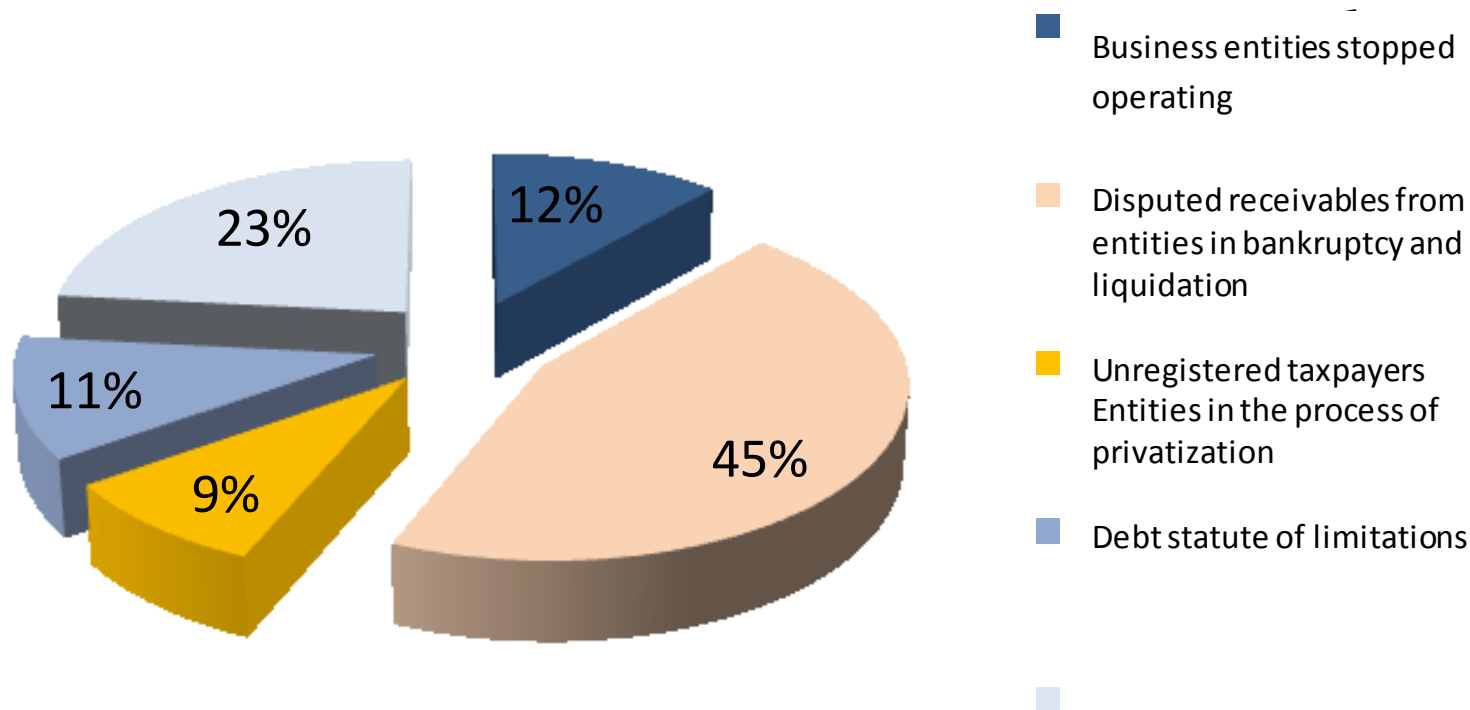


- Timely and complete payment of public revenue to the Treasury consolidated account was not ensured
- Excess of authority when determining tax facilities and amount of tax obligation
- Significant amount of uncollectible receivables

Summary of Identified Irregularities in Audit Process



Structure of Uncollectible Receivables per Causes



Summary of Identified Irregularities in Audit Process



- Public internal financial control (PIFC) not fully established;
- Tax accounting system not established;
- Payment of appropriate portion of profit not paid into the Budget of RS;
- Not all revenues are stated;
- Payments not made to appropriate incoming payment accounts;
- Receivables on public revenues not reconciled;
- Less fees collected;
- Revenues collected that are not stipulated by the law;



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