



Audit of Public Revenues

Exchange of Experience Problems and Best Practice

EUROSAI SEMINAR

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Revenue Auditing

The objectives of revenue audit are to:

- ensure completeness of income - the procedures used by the entities for receiving, handling, safeguarding and depositing of revenue;
- ascertain efficiency in internal control and accounting system;
- determine the degree of compliance with existing rules and regulations; and
- ensure timely realisation of revenue and that it is credited to the consolidated fund.

Malta Government Revenue

- Customs and Excise Duties
- Licences, Taxes and Fines
- Income Tax
- Value Added Tax
- Social Security Contribution
- Fees of Office
- Reimbursements
- Public Corporations
- Transfer of Net Profit from the Central Bank of Malta
- Rents
- Dividends on Investment
- Interest on Loans made by Government
- EU Grants

Recording the Income

Methods of issuing receipts

- Computerised receipts generated through the 'Departmental Accounting System' (DAS)
- Receipts issued manually and then revenue is accounted for by means of a global DAS generated receipt

Audit of Receipts (1)

- Manual Receipt books are serially numbered
- Issues of the manual receipt books and the return of the used booklets are properly recorded
- The number of manual receipt books recorded as 'stock received' agree with the purchased/printed quantities and securely stored
- Original copies for cancelled receipts are retained
- All receipts are posted daily in the cash book

Audit of Receipts (2)

- All sources of revenue are reviewed to ensure that money is collected within every set interval
- Printed pre-numbered official receipts are issued for all income, whether in cash or by cheque
- All receipts are duly signed by the accounting officers
- Officers collecting income are authorised to do so

Manual Cash Books (1)

- Pre-numbered pages to ensure completeness
- The opening balances of amounts (cash and bank) are correctly brought down
- The records are arithmetically correct
- All entries are supported by copies of the corresponding receipts issued
- All revenue collected is properly supported by relevant documents and recorded in the cashbook on the same day

Manual Cash Books (2)

- The cashbook is closed every day, and closing balances are verified at least once a month by an Accounts Officer, as well as the Head of Section, and endorsed accordingly
- Once entries are recorded in the Cash Book they are not altered or erased
- Large cash balance is not unduly retained but kept within the limits of the prescribed amounts

Weaknesses (1)

- Lack of proper audit trails
- Lack of segregation of duties - high level of dependency on one staff member
- Weak internal controls or intentional bypass of the established procedures
- Lack of reconciliation of the income received and investigation of discrepancies

Weaknesses (2)

- Original cancelled receipts not retained
- Untimely deposit of cash
- Lack of proper safekeeping facilities to safeguard public funds until they are deposited
- Inadequately trained staff members

Investigations -- Case 1

- Destruction of various pages from the manual cash book, the pages of which were not enumerated
- Receipts not entered in the cash books, thus relative amounts not forwarded to Accounts Section
- Missing original and duplicate counterfoil manual receipts
- Total amount of receipts and relative entries in the cash books did not always tally
- Tampering with computer records
- No security at the Cash Office

Investigations -- Case 2

- Lack of audit trail of cash and cheques received
- Missing receipt books
- A debtors' ledger showing outstanding refunds by individual not held
- Amounts received not covered by an official receipt
- Receipts issued twice for same payment
- Multiple manual cash books and receipt booklets used concurrently
- No control over receipt books purchased



Questions



Thank you for your attention

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