



ROMANIAN COURT OF ACCOUNTS

Presentation





Annualy financial audit missions, control activities and performance audit actions: Finance Ministry, The National Fiscal Administration Agency and also their subordinated tax offices

Results:

- Adjustments of the financial statements content;
- Irregularities in applying the procedures in the fiscal administration activity: financial and fiscal evidence activity, collection activity, fiscal control activity or custom activity;
- Fraud detection in VAT reimbursements revealed by the auditors.

For all these correction decisions have been released and some cases have been sent to the Penal Court





Two performance audit activities conducted by our department related to this seminar purpose:

- in 2010 a performance audit of the Romanian tax administration VAT management;
- in 2011 a performance audit regarding the collection of public budget taxes.





The performance audit of the Romanian tax administration VAT management (2010)

Most important findings of the audit:

A limited performance level of the tax administration management regarding VAT. Fiscal administration must adapt easier and quicker to the constant changes that occur in the economic and social life.

- Further efforts in fighting against tax fraud are required in VAT administration. We talk here about 20% of black economy.
- tax administration should improve risk analysis procedures in order to better select taxpayers for fiscal control.
- new procedures have not been developed and implemented in order to identify related VAT risks. The current system should be more flexible on that regard
- the audit has also revealed that custom and fiscal administration still need to work in fighting against VAT fraud (together).





- for a more efficient Data from the informative statements regarding domestic deliveries and suppliers a shorter reporting period is required: monthly instead of semestrial. This action will allow a better analysis in correspondence with the monthly VAT return;
- a tax risk management is required for granting and revoking the registration code for VAT purposes;
- improving procedures for declaring of inactive taxpayers
- the tax administration activities are characterized by a high number of IT databases; still a faster development of IT applications that deal with interchanging all the information contained in those databases (including those for the subsidiaries) is required;
- a higher degree of correspondence and multiway access from other Romanian state institutions to those databases is required (internal and external interoperability).





RECOMANDATIONS





Implemented recommendations

(a total of about 50 specific recommendations), of which:

- Introduction of risk analysis to granting VAT code
- Improving the process of inactivation of the VAT Code
- Development of IT applications used by tax authorities
- Completion of new protocols for access to information held by other entities (banks, police, local government etc).
- Reducing the reporting period for informative statements from six months to one month
- Development of new procedures to identify risks to VAT.

We are also monitoring other recommendations that are to be implemented.





The performance audit regarding the collection of public budget taxes

The performance of The National Tax Administration Agency in dues and tax collection presents a high impact on Romanian budgetary balance.

The Romanian tax administration performance is best represented by the evolution of two negative streams:

- the tax evasion- rather extended and generalized in some sectors of the national economy, significantly affecting the public budget incomes ;
- low level of the voluntary payment. Quality improvement of enforced execution activity of ANAF 's territorial structures is essential in recovering state budget claims, based on a high level of the arrears.





Vulnerabilities revealed:

- the scarce regulation of explicit working procedure of the enforced execution activity. The existent procedures/regulations are sometimes confusing, unclear and they allow subjectivity
- the insufficient reaction of specialized functional structures in National Tax Administration Agency to counteract the companies' patrimony sale, the cash liquidation in bank accounts or intended insolvency proceedings of some contributors made with the aim to „escape” from payment of the debts to the consolidated budget.
- the software from the National Tax Administration Agency does not provide sufficient informations on the operations generating incomes of the contributors and on the level of their expenditures. This situation is mainly generated by the lack of protocols of information exchange with the external possessors of data, but also the contextual situation of those external possessors of data: generally they are not completed or poor computerised, and the informatic platforms are various.





Vulnerabilities revealed:

- the scarce regulation of fiscal inspection programming selection criteria
- the VAT reimbursement made on contributors' demand is highly demanding, diminishing the fiscal control force available time, at the expense of their own risk analysis fiscal verification
- the internal interoperability of databases between all the structures of the National Tax Administration Agency must improve
- establishment of a small number of insurers seizures decisions
- deficiencies in *intra-community acquisitions* monitoring.





Recommendations:

1. Implementing rules and operational procedures in order to better define duties and responsibilities for all personnel involved in the enforcement activity, both at execution level and management level. Rules and operational procedures are designed to strictly regulate the activity of:

- payment demands;
- issuing seizures;
- execution of the seizures;
- establishment of collateral;
- execution of collateral;
- enrollment in the list of creditors;
- Joint liability of the taxpayer's administrator.

2. Ongoing evaluation and regular reports to board management about the enforcement activity regarding the list of taxpayers that records unpaid debts; this step should help in taking all necessary measures to avoid the sale of shares by the taxpayer to persons that are impossible to identify later.





Recommendations:

3. Review of all the rules and procedures applicable on the activity of insurers seizures. Clear deadlines and responsibilities should be set at execution and management level.

4. Establish rules and internal procedures to define clearly the terms, conditions and those responsible to attract liability for the legal representatives for taxpayers who declare bankruptcy.

5. Development for the tax control department of internal rules and procedures related to:

- the selection criteria used to include taxpayers in the control program;
- the selection criteria used to determine sample checked in tax audit, for each tax and period control.
- conditions under which the tax payers must prepare and submit a transfer pricing case





Recommendations:

6. Obtain reasonable assurance that on the tax audit were considered all fiscal and legal relations relevant for taxation.

7. Achieving interoperability of all IT systems from the National Tax Administration Agency by creating a common platform so that transferred data between subsystems of the tax claims management system to be made quickly, automatically and permanently.

8. An analysis to be made by the National Tax Administration Agency to identify data and information available by the taxpayers regarding properties owned and expenses made. The National Tax Administration Agency must identify entities managing such database information in order to conclude protocols allowing real-time access to these databases.

These recommendations as well as others continuing to be implemented by ANAF in 2014.





THANK YOU!

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