

EURORAI Seminar on the Audit of Public Revenues

Austrian Court of Audit
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Austrian Court of Audit (ACA)

**Mandate and goals, tasks, strategic plan,
independence, audit procedures**

Audit of Public Revenues

Internal control, risk management

- **Austrian Court of Audit (ACA) has been set up as independent Supreme Audit Institution for the federal government, Laender and municipalities**
- **Executes its mandate - as laid down in the Federal Constitutional Act – directly and independently**
- **Reports to the national council, Laender Parlements and municipal councils depending on the audit topic**

Partnership with the audit institutions of the Laender and the city of Vienna

- reflected in agreements on cooperation
- coordination of audit programmes regarding partly overlapping audit mandates
- common auditing standards
- coordinated positions and approaches

ACA

- audits the accounts and financial management of the state

In its audits and consultation services ACA

- aims at the most effective use of public funds,
- examines whether public funds are raised and used in a lawful manner, as well as in a cost-efficient, economical and effective way,
- according to the principles of sustainable development.

- **ACA is bound only to the law and not subject to instructions from third parties**
- **The ACA in particular**
 - **has sovereignty in staff and financial matters**
 - **draws up its own audit programme, which is predominated by audits ACA performs on its own initiative**
 - **selects its own audit priorities and audit subjects**
 - **chooses its own audit methods.**

Core task

- Auditing and consulting

Competences

- Federal and Laender levels of Government; communities with more than 20.000 inhabitants
- Legal entities, funds, foundations, institutions
- enterprises with over 50% public stake or predominant position
- professional representative bodies

Values defined in the Mission Statement

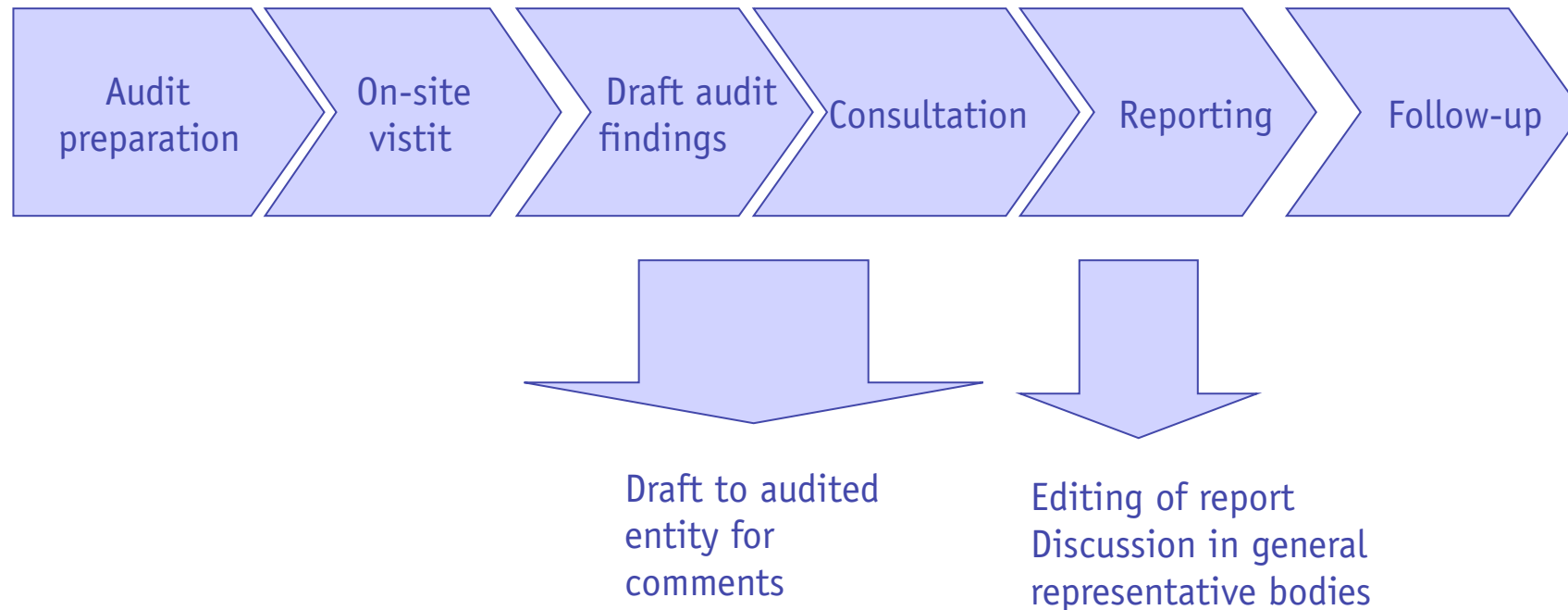
- **Independence**
- **Rule of Law**
- **Sustainability**
(adequate evaluation must include considerations regarding sustainability)
- **Equal Opportunities**
equal opportunities for all employees
- **Objectivity and Credibility**
objective, unbiased and free from influence along political lines in their work

Audit Planning

- **annual audit programme based on a mid-range-planning**
- **strategic audit focus**
 - all political fields of action
 - innovation and structural reforms
 - control systems and important areas (e.g. levying fees and taxes, procurement, government aid..)
- **principles for the selection of audit topics**
 - amount of money, risk potential,
 - special public interest etc.

Auditing is done in structured audit procedures:

Folie 9



- **Variety of different audits:**
 - Selective audits focus on specific topics, on parts of financial operations or on a specific project
 - Crosscutting audits are horizontal or vertical comparisons between systems
 - Follow-up audits aim at enhancing the effects of audits
 - Sample audits: preemptive effect
 - Special audits: according to the legal mandate

Auditing public revenues

Auditing public revenues

tax administration – background and risks

audit topics and methods

findings and recommendations

Audits of Tax Revenues carried out in the period 2007-2009

- **assessment of VAT, income tax, corporation tax**
- **refund of value added tax to entrepreneurs not established in Austria**
- **Wage tax (= income tax from employees)**
- **Energy taxes**
- **Recovery of tax debts**
- **Combating tax fraud – illegal employment**

Revenue offices collect taxes amounting to
€ 62 bn per year

40 tax offices

**7.400
employees**

- VAT: 21 bn euros
- wage tax:
21 bn euros
- income tax:
3 bn euros
- corporation tax:
4 bn euros
- others: 13 bn euros

The main focus of tax administration is to

- collect the statutory taxes
- improve transparency and create confidence in the tax system
- develop strategies to enhance compliance with tax laws
- create structures to prevent tax fraud.

Background

- constant increase of workload (e.g. higher numbers of taxpayers, complex tax laws...)
- on the other hand, staff cuts caused a shortage of manpower
- structural changes lead to the omission of a hierarchical level
- contract management with performance agreements and agreements on objectives
- A prompt execution was considered more important than careful settlement.

ACA identified tax-related risks as follows:

- large number of taxable persons and services
 - e-commerce development
 - complexity of business structures
 - complexity of tax rules
 - reduction of staff and restrictions of budgets
 - limited training and education
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Based on the identified risks ACA chose the following audit topics

- internal control system
- risk management
- agreements on performance and objectives: how the objectives were achieved
- effectiveness of the checks, which were carried out by the tax offices

The audits aimed at

- a comparison among tax offices on the basis of key figures

Control system – audit findings

- wide ranging powers: an employee was entitled to carry out all work steps of the assessment procedure (registration, decision, checks...)
- principle of dual control was applicable only in exceptional cases
- internal controls to ensure the quality of work remained partly undone
- ACA stated wrong assessments and disbursements of incorrect amounts of money

Control system – recommendations

- **Improvement of the control system:**
 - **restrict the wide-ranging power of employees and in addition**
 - **reinforce the system of dual control;**
 - **provide process integrated controls by the computer system**
 - **ensure that internal checks are carried out**
 - **further training of staff**

Risk management

- Tax offices examine only a certain number of tax returns
- These checks are either
 - carried out in the office and include the accuracy in terms of contents and the completeness of information or
 - in contact with the taxpayer to get additional documents or
 - complete audits.

Risk management – selection of tax returns for checking purposes

- Selection of cases for further checks is done electronically based on risk criteria
- development, targetting and programming of selection criteria are incumbent on a special unit within tax administration
- all other cases are completed without further checks.

Risk management – audit methods by the ACA

- Analysis of the used criteria with regard to
 - number of hits
 - average tax surplus
 - frequency.
- Analysis of databases
- Deployment of an audit software

Risk management - audit findings

- A high number of criteria
 - never lead to corrections of tax returns,
 - caused minor tax surplus or
 - lead to the selection of the wrong cases for checking purposes
- no regular data maintenance
- fully reliable and updated data of taxpayers not available
- obsolete information reduced the quality of the risk analysis process

Risk management - example

- **Audit topic: Refund of value added tax to entrepreneurs not established Austria**
 - applications for VAT refund amounted to more than a billion Euros per year
 - selection of sample for checking purposes was largely based on only one criterion
 - this criterion was not applicable to the specific group of businesses
 - in total more than 1 billion Euros were paid out without risk-adequate controls.

Risk management – recommendations

- **Improvement of risk analysis for checking purposes through**
 - regular maintenance of data base
 - additional information about tax-relevant facts
 - comprehensive checks when taxpayers are registered for the first time
 - updating tax-relevant information about tax payers
 - access to external data base.

Auditing public revenues

Vielen Dank für ihre Aufmerksamkeit.