



PUBLIC SECTOR AUDIT INSTITUTIONS IN SPAIN (OCEX) AND THE AUDIT OF PUBLIC REVENUES

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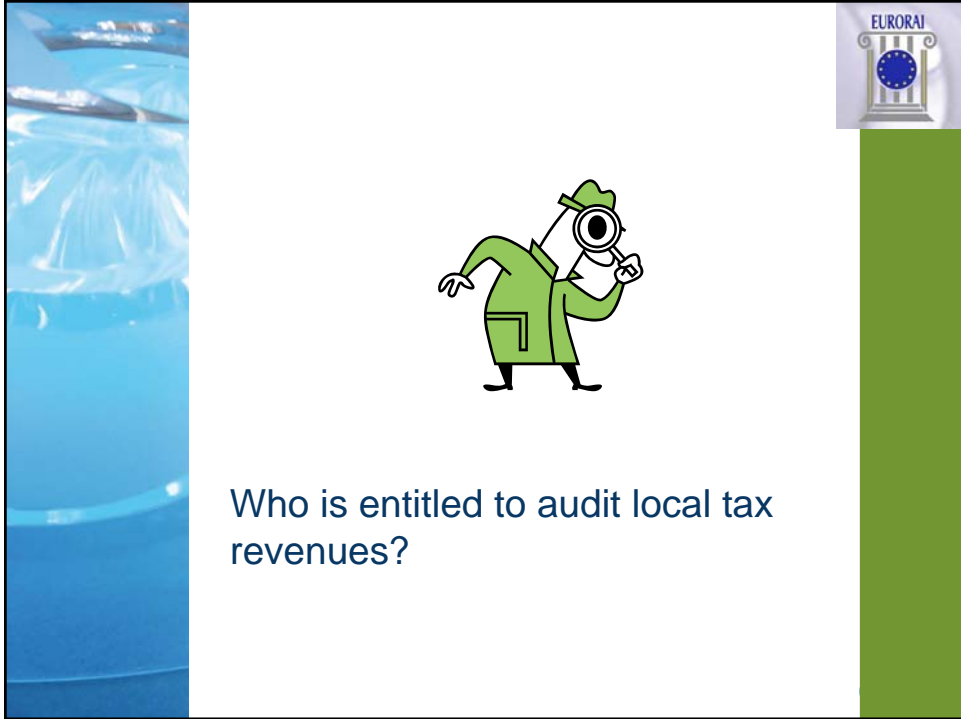


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Summary



- General aspects of the audit of public revenues
 - Audit responsibilities of public sector audit institutions
 - Objectives, types and scope of the audit work
 - Audit methodology
- Presentation of some Spanish experiences



EURORAI

Who is entitled to audit local tax revenues?



Tribunal de Cuentas

+ 12 OCEX

Autonomous regions without OCEX

Conselho de Contas de Galicia

Sindicatura de Cuentas del Principado de Asturias

Cámara de Cuentas de Navarra

CAMARA DE COMPTES DE NAVARRA

SINDICATURA DE COMPTES DE CATALUNYA

SINDICATURA DE COMPTES DE LA COMUNITAT VALENCIANA

SINDICATURA DE COMPTES Illes Balears

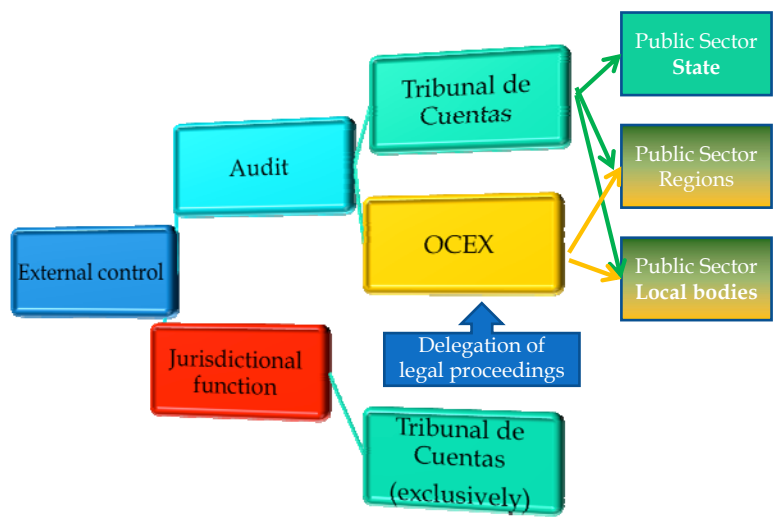
Auditoria de Cuentas de Canarias

Audit powers in matters of public revenues



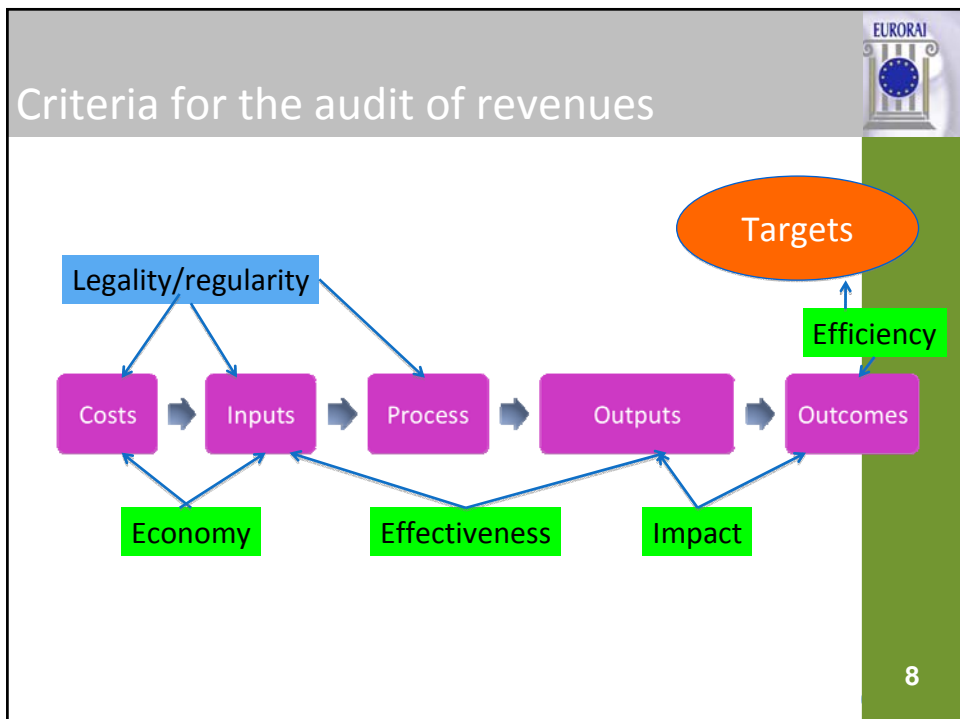
- o Tribunal de Cuentas (Tcu) : (National Court of Audit)
 - LOTCu: (Court of Audit Act)
 - o Tcu has responsibility for "The audit of accounts and financial management of the state and the public sector;" (art. 1). Public sector includes CCAA (Autonomous regions) and CCLL (local corporations).
 - o "The Tcu' audit work applies to all public income and public spending programmes." (art. 9.2).
 - o The Annual Report will refer to the following aspects:
 - o The observance of the Constitution and the legislation and regulations of public income and expenses
 - o The compliance with the provisions of the budget (national, regional and local) and their implementation
- o Regulations for OCEX (Regional Audit Offices)
 - A) General references:
 - **Subjective** criterion: Audit of the economic activity of the public sector (regional + local) with different expressions:
 - o Regional public sector (Asturias)
 - o Public sector of the Autonomous Region
 - o Region + other public bodies (Castile and León)
 - **Objective** criterion: Audit of public funds of the Autonomous Region (Andalusia)
 - **Subjective + objective**. Regional public sector + public funds (Navarre)
 - B) Specific references to revenues
 - o Mention of rights and obligations (Andalusia, Canary Islands, Castile-La Mancha)
 - o Regularity and legality of revenues and expenses (Castile and León, Madrid, Basque Country, Catalonia)
 - o Exemptions and direct and personal tax reliefs (Asturias, Balearic Islands, Galicia, Madrid, Navarre, Basque Country, Catalonia)

Extent of the audit



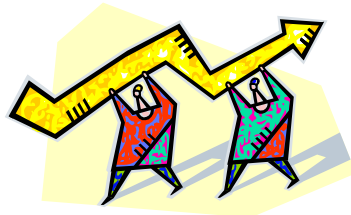
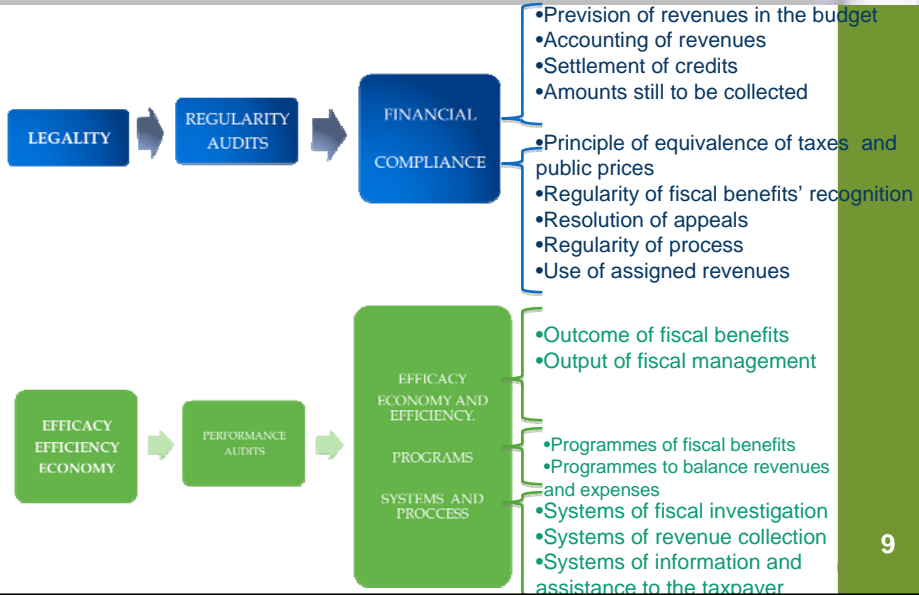


Which tools can we use to audit local tax revenues?





Audit methodology. Types of audits.



Which aspects of local tax management can be audited?

Financial Audits

- Criteria for budgeting revenues:
 - Aspects subject to audit:
 - Provision of revenues
 - Accounting of fiscal benefits
 - Audit tools:
 - Budget: economic reports & actual budget outcome
- Audit of the accounting of revenues:
 - In case of self-payment
 - Accounting of the payment or simple declaration
 - In case of debts quantified by the public administration
 - Accounting of rights quantified
 - Other non-fiscal revenues (subsidies, transfers)
- Verification of tax amounts still to be collected:
 - Clean up of tax amounts still to be collected in case of:
 - Time limits/expiration
 - Insolvency

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Compliance audits

- Real taxation of ability to pay
 - Special attention in case of taxes collected by private bodies
 - Elements of contrast:
 - Indirect evidence of ability to pay
 - Fiscal efforts
- Principle of equivalence of taxes and public prices
 - Contrast between amounts collected and cost of services
 - Analysis of economic and financial reports
- Compliance with the aims of some taxes:
 - Use of the funds of taxes with specific use
 - Achievement of aims for regulatory taxes
- Audit of the process of fiscal benefits recognition
 - Verification of compliance with legal requirements
- Claim for interest payments for delay
 - Verification of accuracy of payments of interests and other fees
- Punishment of illegal behaviour
 - Verification of initiation of disciplinary proceedings

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Efficiency audits

- Management indicators:
 - Ratio of activity:
 - Finished proceedings / Total proceedings
 - Ratio of accumulation
 - Unresolved proceedings last day of the year/ Unresolved proceedings first day of the year
 - Ratio of length:
 - Duration of the proceedings
- Inspection indicators
 - Initiated proceedings/ No time limited proceedings
 - Use of general management indicators

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Efficiency audits

- Rates of tax collection
 - Ratio of collection
 - Amounts collected/quantified rights (last year or previous)
 - Ratio of compulsory collection
 - Amounts collected/Total amounts in proceedings
 - Period between closing date and real collection
 - Useful to quantify financial costs of delay
 - Useful to verify quantification of interest and other fees
 - Ratio of insolvency
 - Ratio of bad debts
- Rates of appellations
 - Ratio of litigiousness
 - Ratio of success
 - Duration of the proceedings
 - Delay between tax quantification and final solution of the appeal
- Audit of contracted-out services for tax management
 - Efficiency: The rates mentioned above
 - Economy and effectiveness: Comparison of internal management costs and costs of contracted-out services

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Systems audit



- Systems of information and assistance to taxpayers
 - Resources of the system
 - Proceedings of information and assistance
- Support to management and collection of debts
 - Computing systems for tax management and collection
 - Systems of information exchange
- Systems and collection proceedings
 - Proceedings of voluntary payment
 - Proceedings of compulsory collection
- Systems of disciplinary proceedings

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Effectiveness audits and audits of impact



- Difficulties of audits referred to aims:
 - Public revenues are simple instrumental resources (not finalistic)
 - Absence of explicit and quantified aims
- Possibilities of auditing outcome:
 - Audit of outcomes (impact)
 - Relation between revenues and outcomes
 - Redistribution and solidarity as general principles
 - Behavioural impact of fiscal benefits
 - Behavioural impact of environmental and other extra fiscal taxes
 - Audit of achievement of aims (Efficiency)
 - General aims related to fiscal justice. (Redistribution and solidarity)
 - Specific aims:
 - Aims fixed for fiscal benefits
 - Aims fixed for extra fiscal taxes

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Some Spanish experiences

Spanish experiences on audit of revenues

- Tax revenues.
 - Audit of specific taxes
 - Taxes: audited by OCEX
 - Personal Income tax
 - Corporation Tax
 - VAT
 - Special taxes (hydrocarbons, tobacco, electricity and insurances)
 - Inheritance tax
 - Tax on transmissions
 - Taxes and public prices
 - Fiscal Benefits
 - Audit of systems
 - Control system by AEAT (National Agency for Tax Administration)
 - Resolution of claims and appeals
 - Management of executive collection
 - Tax management by local corporations
 - Audit of tax management by concessionaires:
 - Water management and charges related to its use
- Other revenues
 - Subsidies and transfers: more from the point of view of the expense than of the income



Spanish experiences: Conclusions

- Audits focus on the following aspects:
 - Compliance with laws and regulations
 - Financial reports
- Audits verify available resources, processes and they also include some indicators
- Lack of standardized ratios
- Lack of explicit aims and outcome indicators
- The audits are sporadic and not reiterated in the time
 - This absence prevents from extracting conclusions on evolutions and trends

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General conclusions

- It is necessary to audit public revenues (particularly tax revenues)
- The TCu and the OCEX have the responsibility for the external audit of local tax management
- The different types of audits are useful tools in order to audit tax management
- There are many important aspects which are liable to auditing on the basis of legality, efficiency, effectiveness and economy criteria
- To standardize ratios becomes necessary: it allows comparison
- We have to do periodic audits in order to evaluate the trends and evolutions

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