

Accounting and legality of the transactions of the Tax and Customs Board in 2004

Audit report No. OSI-2-6/05/94 of 1 August 2005

Summary

The State Audit Office carried out an audit titled 'Accounting and Legality of the Transactions of the Tax and Customs Board in 2004' the purpose of which was to audit the organisation of accounting in the Tax and Customs Board as well as accounting the main transaction classes such as public revenues and operational expenses and the compliance of the performed economic transactions with the relevant legislation. As a result of the audit the annual accounts of 2004 have not been evaluated. Instead, the audit points out the main observations regarding the organisation of accounting, the legality of the transactions performed in the audited area and the operativeness of the internal audit system.

According to the State Budget Act, a person responsible for the internal audit of the Ministry of Finance must assess the annual report and the legality of transactions of the Ministry of Finance (incl. the Tax and Customs Board) in 2004. The State Audit Office must assess the state's aggregate annual report and the legality of transactions in 2004. While auditing the state's annual report the State Audit Office may rely on the assessment of a person responsible for the internal audit of the state accounting entity with respect to the correctness of the annual report and the legality of the transactions of the state accounting entity.

Main observations

- The organisation of accounting in the Tax and Customs Board has, compared to the previous year when the State Audit Office did not give an opinion regarding the Tax and Customs Board's annual report 2003, improved considerably.
- The State Audit Office found shortcomings in accounting and indicating public revenues in the following areas: inventory checks and accounting results, registration of taxes receivable and taxes payable.
- As for the legality of the transactions and the operativeness of the internal audit system the State Audit Office found that the Public Procurement Act had been violated (public procurement had not been organised, the total amount of the procurement contract had been exceeded).
- According to the State Audit Office, regulations 'Procedure for Writing off and Cancellation of Tax Arrears' and 'Procedure for Allocation of Income Tax of Natural Persons to Local Authorities' of the Minister of Finance need modification. The former must be modified in respect of declaring taxes receivable as irrecoverable and the latter must be modified in respect of registration of the place of residence of taxpayers.

Main suggestions

To the Minister of Finance

- Modify Regulation No. 61 of the Minister of Finance of 2 May 2002 in such a manner that the Secretary-General of the Ministry of Finance must approve declaring taxes receivable as irrecoverable.
- Amend Regulation No. 10 of the Minister of Finance of 19 January 2004 in such a manner that the income tax of natural persons would accrue to the local authority of their place of residence within one month.

To the Director-General of the Tax and Customs Board

- Modify the procedure for inventory checks in such a manner that all taxes receivable and taxes payable would be checked and indicate the results of the inventory checks in the register of taxable persons and in the accounting register.
- Improve the internal audit system in such a manner that adherence to the Public Procurement Act would be ensured. For example, start accounting public procurement amounts, contracts and submitted declarations in greater detail.

The replies of the Minister of Finance to the suggestions made have been given in the audit report of the area of government of the Ministry of Finance.

In his reply regarding the audit report of the State Audit Office the Director-General of the Tax and Customs Board said that he will take the observations into account and start fulfilling the suggestions of the State Audit Office, except the observations pertaining to the adherence to the Public Procurement Act where he disagrees with the State Audit Office. The full text of the reply of the Director-General of the Tax and Customs Board has been annexed to the report.

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