



# Overview of Tax Audit in the ATO Countries

Michael Masiya

Friday, 03 September 2021

# Outline

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- Types of audits carried out in ATO countries
  - The role of tax audits in revenue generation
  - How strong are the audit capacities in the ATO?
  - Auditor performance and tax recovery rates in the ATO
  - Some Good Practices in Audit Efficiency
  - On the path to improving audit efficiency in the ATO
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# Types of audits carried out in ATO countries

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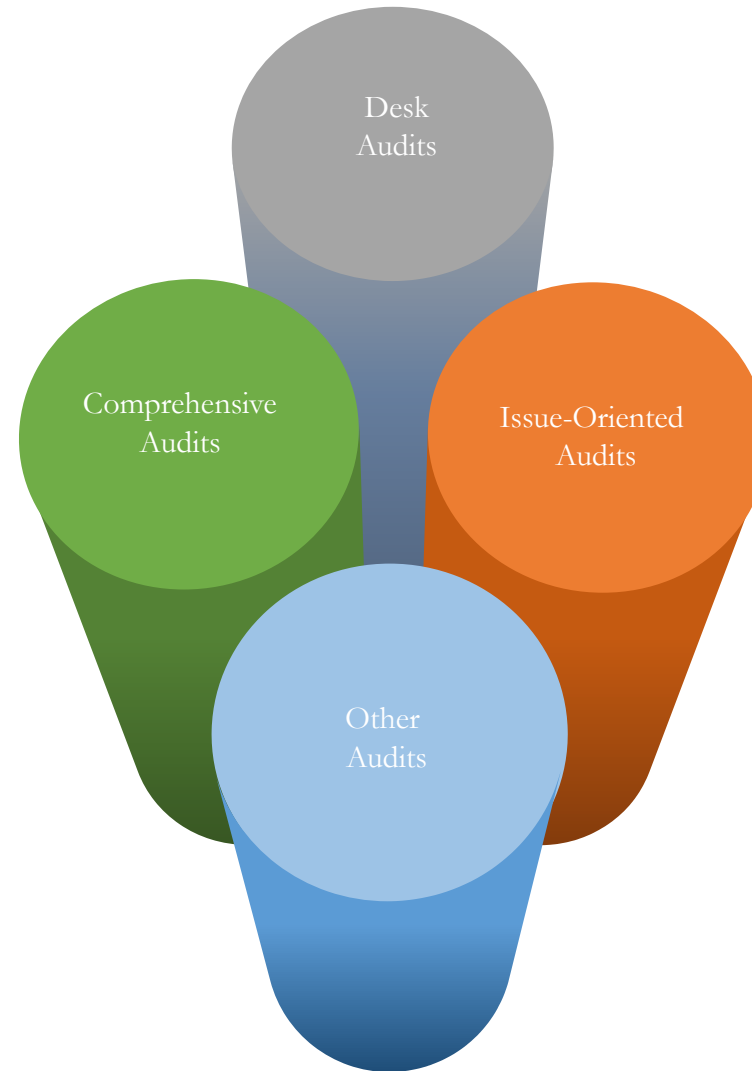
## Desk Audits

Examination of tax returns against the information available in the taxpayer file held by the revenue service.



## Comprehensive

Tax auditors may visit the premises of a taxpayer to ensure the tax returns filed by taxpayers are complete and free of inaccuracies. A field audit may stem from a desk audit and an issue audit may become a comprehensive audit.



## Issue Audits

Arising on-demand by the tax office from any tax issue. An issue audit may be done at the office or in the field.



## Other Audits

The composition of “Other Audits” varies by country. Examples include: return examination; compliance advisories; taxpayer self-health checks; Spot inventory audits; inspection actions and register cleaning. TADAT defines “Other Audits” as inspections of books and records, examination of VAT refund claims, and in-depth investigations of suspected tax fraud.

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# Types of audits carried out in ATO countries

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Most widespread type of audit



Mozambique  
Ghana  
Liberia  
Gambia

**Comprehensive  
audit**



Benin  
Cape Verde  
Namibia  
Senegal

**Desk audit**



Seychelles  
Uganda  
Botswana  
Malawi  
Zambia

**Issue audit**



Mauritius  
Eswatini

**Other audits**

*Source: ATO (2020)*

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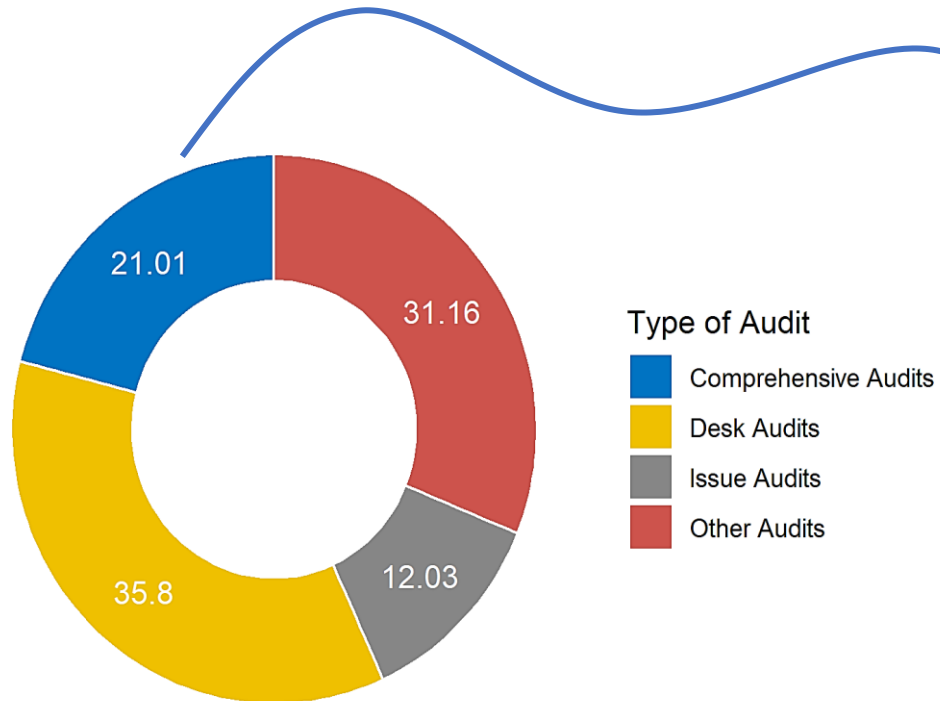
# Types of audits carried out in ATO countries



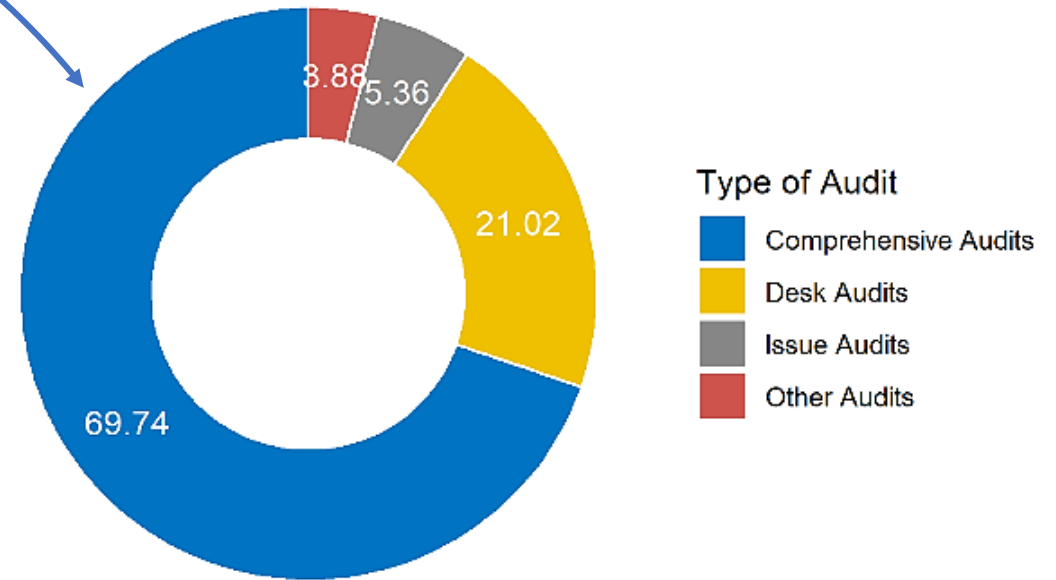
Source: ATO (2020)

# Types of audits carried out in ATO countries

**Panel A: Tax Audits by Frequency**



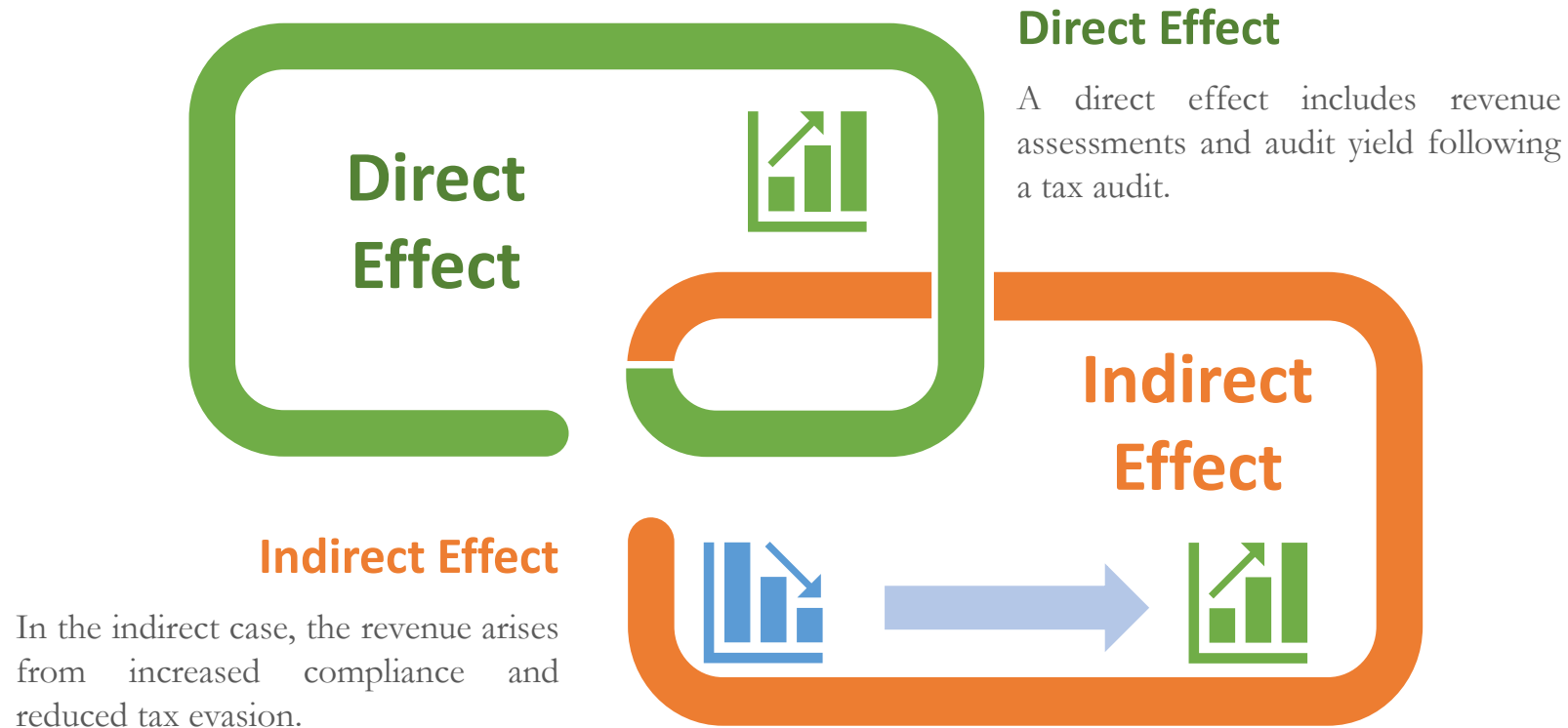
**Panel B: Revenue Yield per Tax Audits**



*Source: ATAF (2020)*

# The role of tax audits in revenue generation

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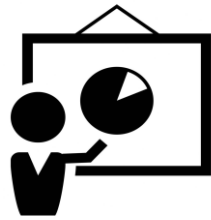
# The role of tax audits in revenue generation

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The ATAF Secretariat has conducted 26 Transfer pricing Missions to 9 African countries. The technical assistance offered was twofold:

## Workshops

To build effective international tax auditing skills with a focus on transfer pricing auditing skills.



## Reviewing regulations

Assistance with reviewing existing regulations on transfer pricing, interest deductibility and any other legislation relating to profit shifting



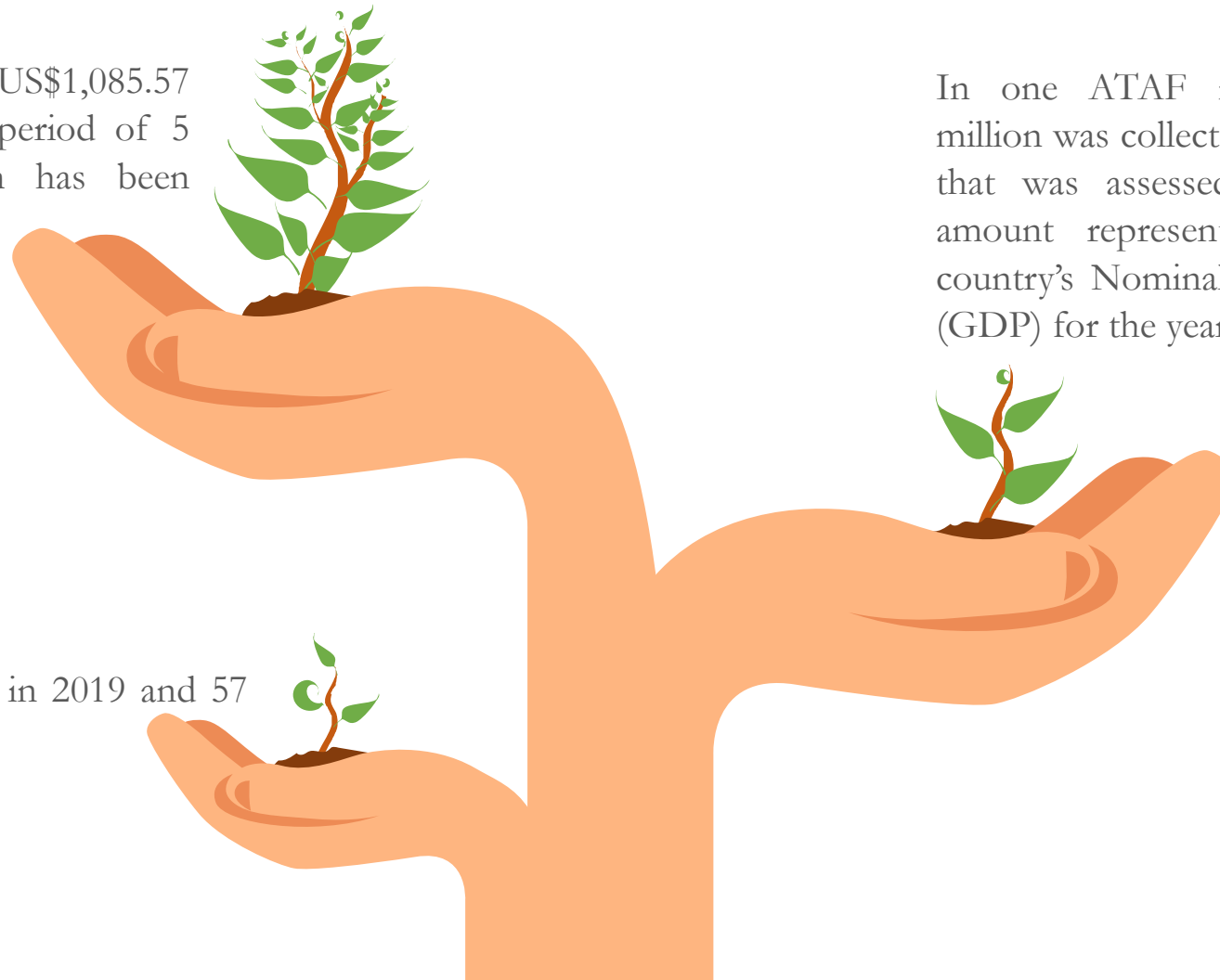
# The role of tax audits in revenue generation

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In 6 ATAF member countries, US\$1,085.57 million has been assessed in a period of 5 years while US\$272.41 million has been collected in a period of 5 years.

In one ATAF member country, US\$5.1 million was collected out of US\$14.38 million that was assessed in 2019. The assessed amount represented 0.1 percent of the country's Nominal Gross Domestic Product (GDP) for the year 2018.

186 audit cases were opened in 2019 and 57 audit cases closed in 2019.





# How strong are the audit capacities in the ATO?

Two indicators are used to measure the audit capacities of a revenue administration service:

(i) the percentage of auditors in the total tax workforce.

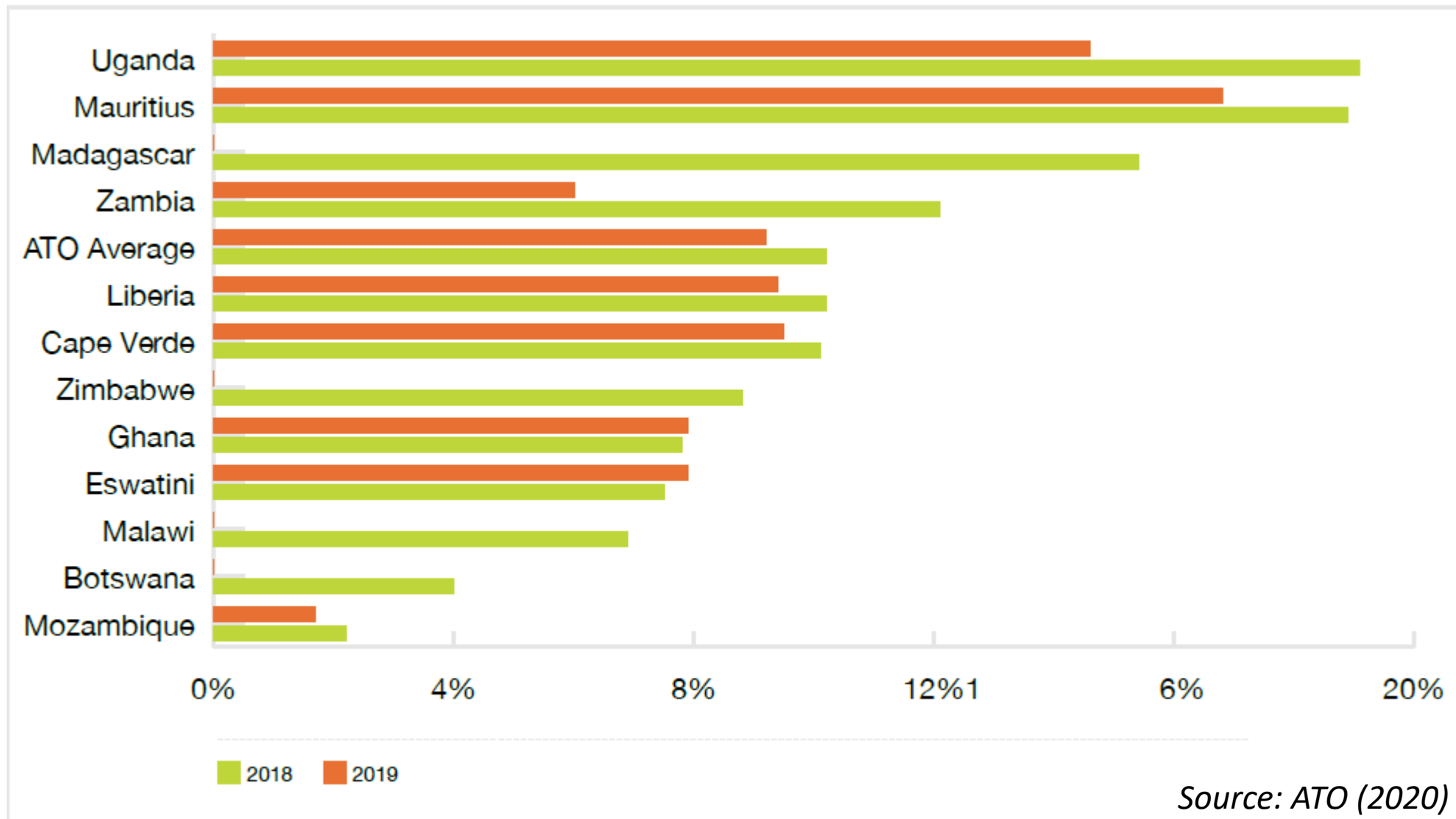
(ii) the number of registered taxpayers per auditor.

	Auditors 	Taxpayers per auditor 
<b>2019</b>	<b>9.9%</b>	<b>3 675</b>
<b>2018</b>	<b>9.9%</b>	<b>2 982</b>
<b>2017</b>	<b>10.1%</b>	<b>2 873</b>

Source: ATO (2020)

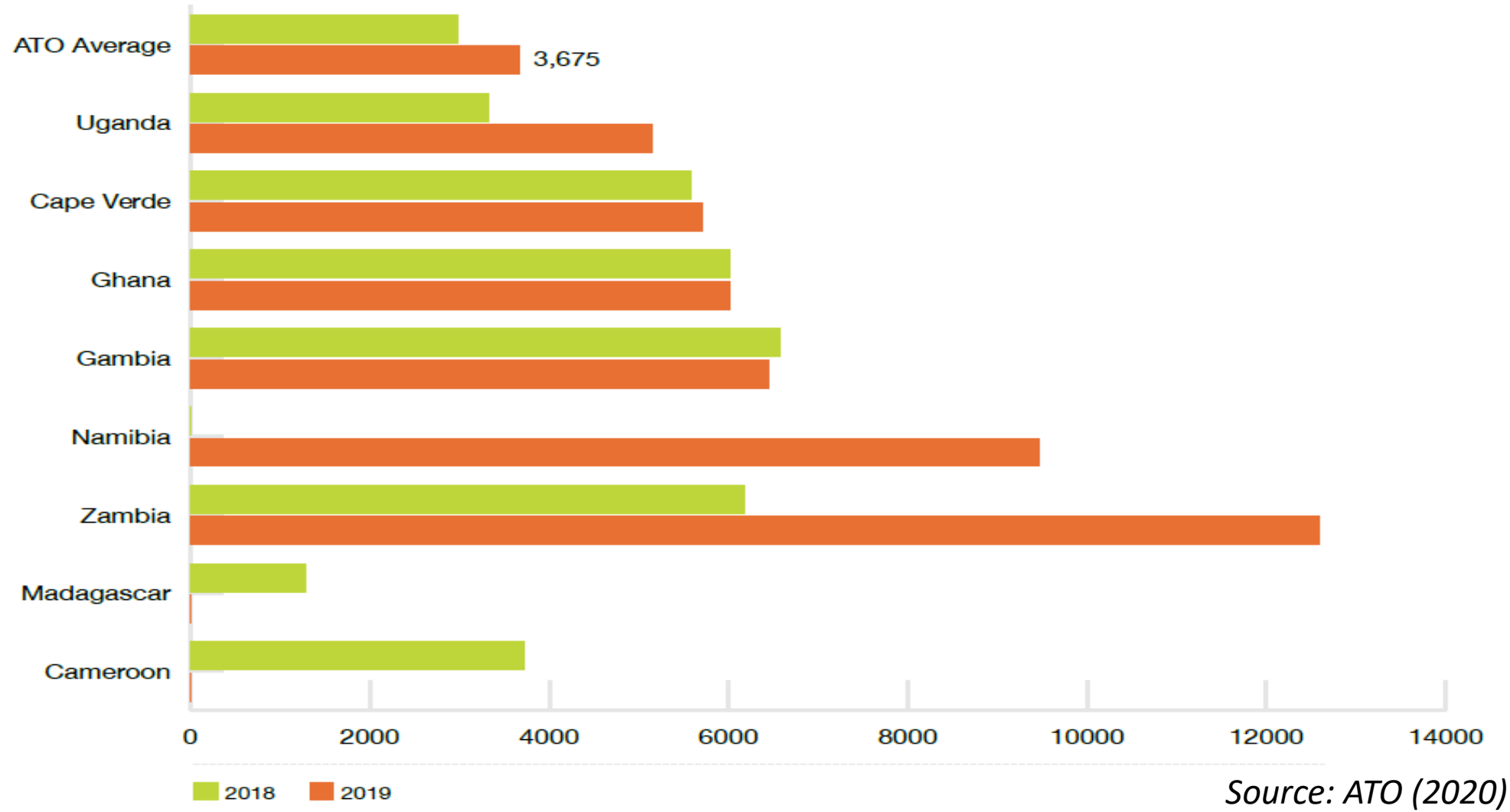
# How strong are the audit capacities in the ATO?

*Proportion of auditors in the tax administration workforce, 2018-2019*



# How strong are the audit capacities in the ATO?

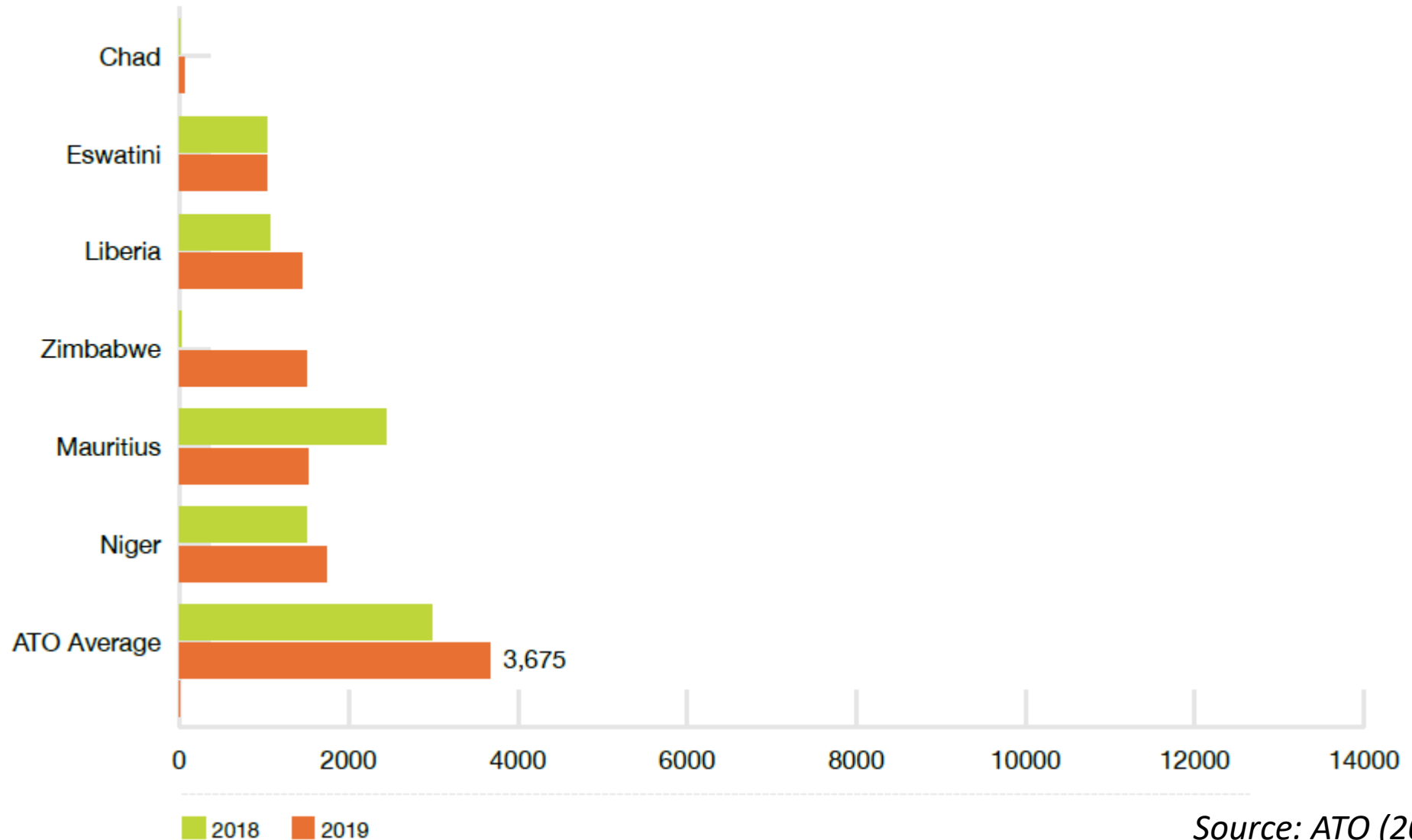
*Average workload for each tax auditor, 2018 and 2019-HIGH*



Source: ATO (2020)

# How strong are the audit capacities in the ATO?

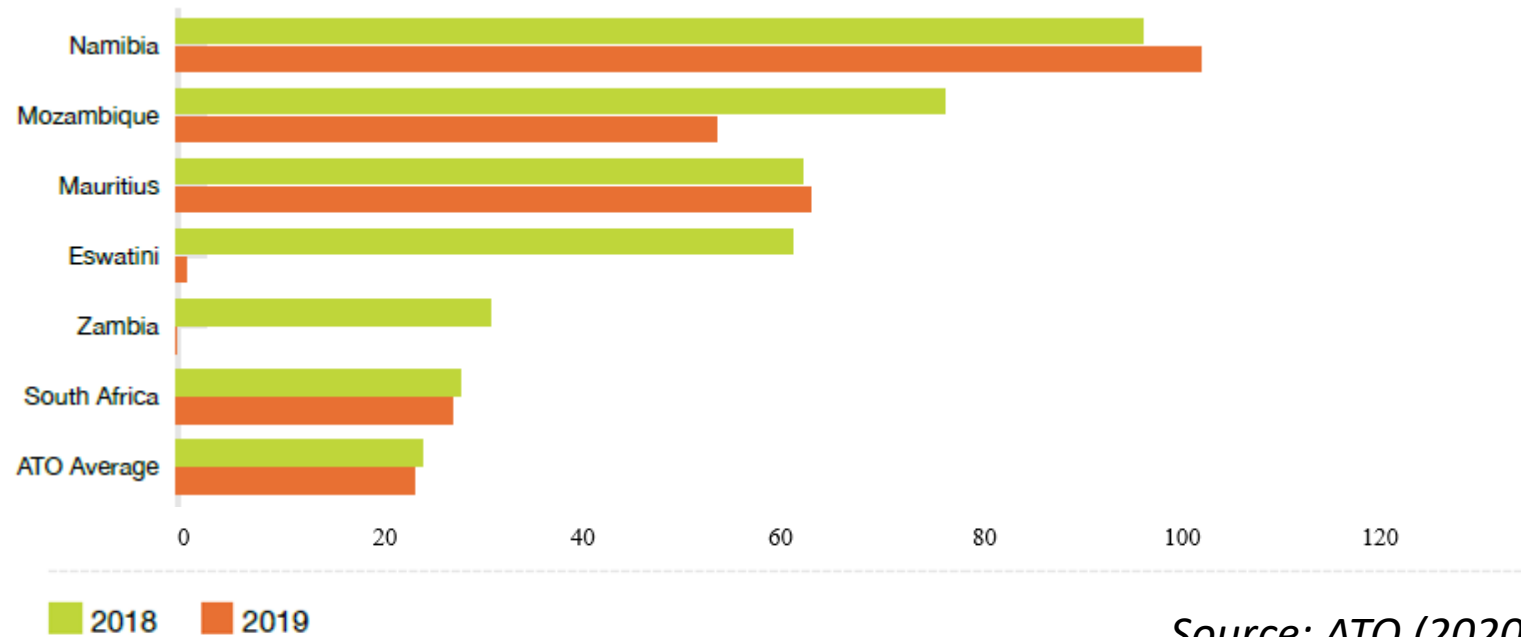
*Average workload for each tax auditor, 2018 and 2019-LOW*



*Source: ATO (2020)*

# Auditor performance and tax recovery rates in the ATO

*Number of audits per auditor per year in ATO countries, 2018 and 2019-HIGH*

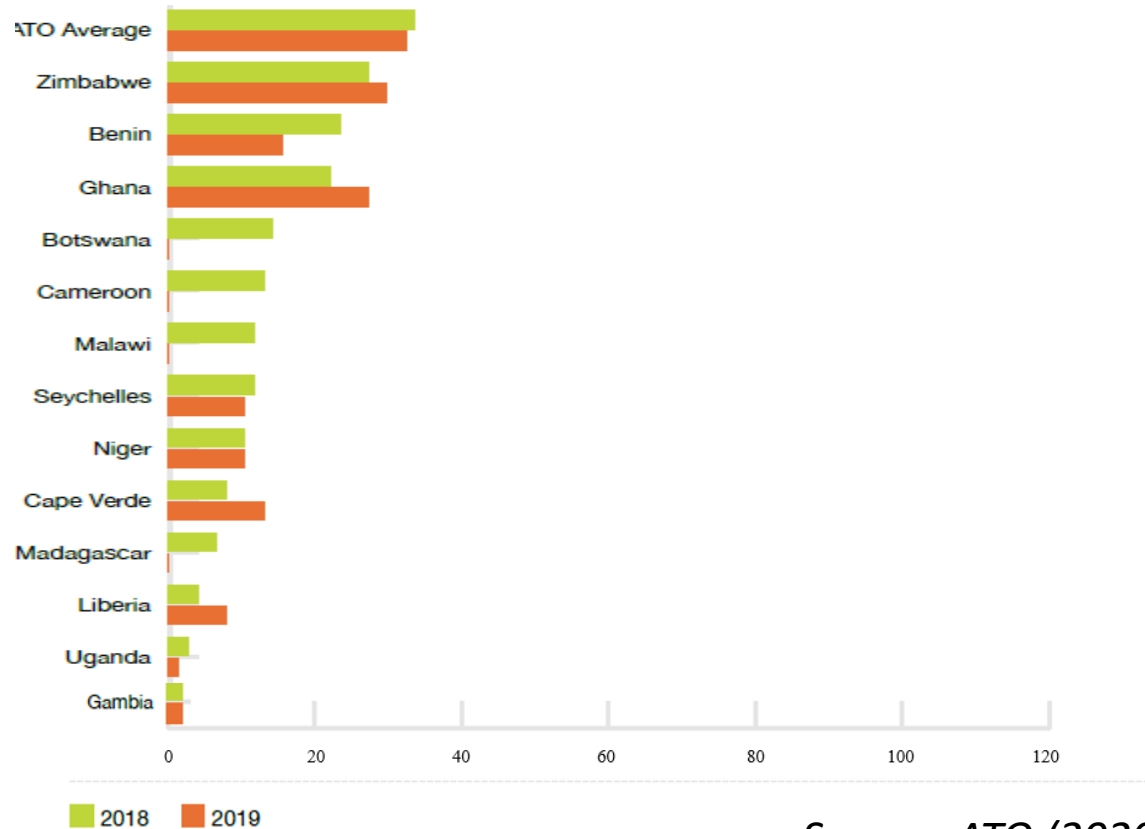


*Source: ATO (2020)*

In ATO countries, the average auditor performed 25 audits per year between 2017 and 2019. Figure shows countries that had a higher average than the ATO.

# Auditor performance and tax recovery rates in the ATO

*Number of audits per auditor per year in ATO countries, 2018 and 2019-LOW*

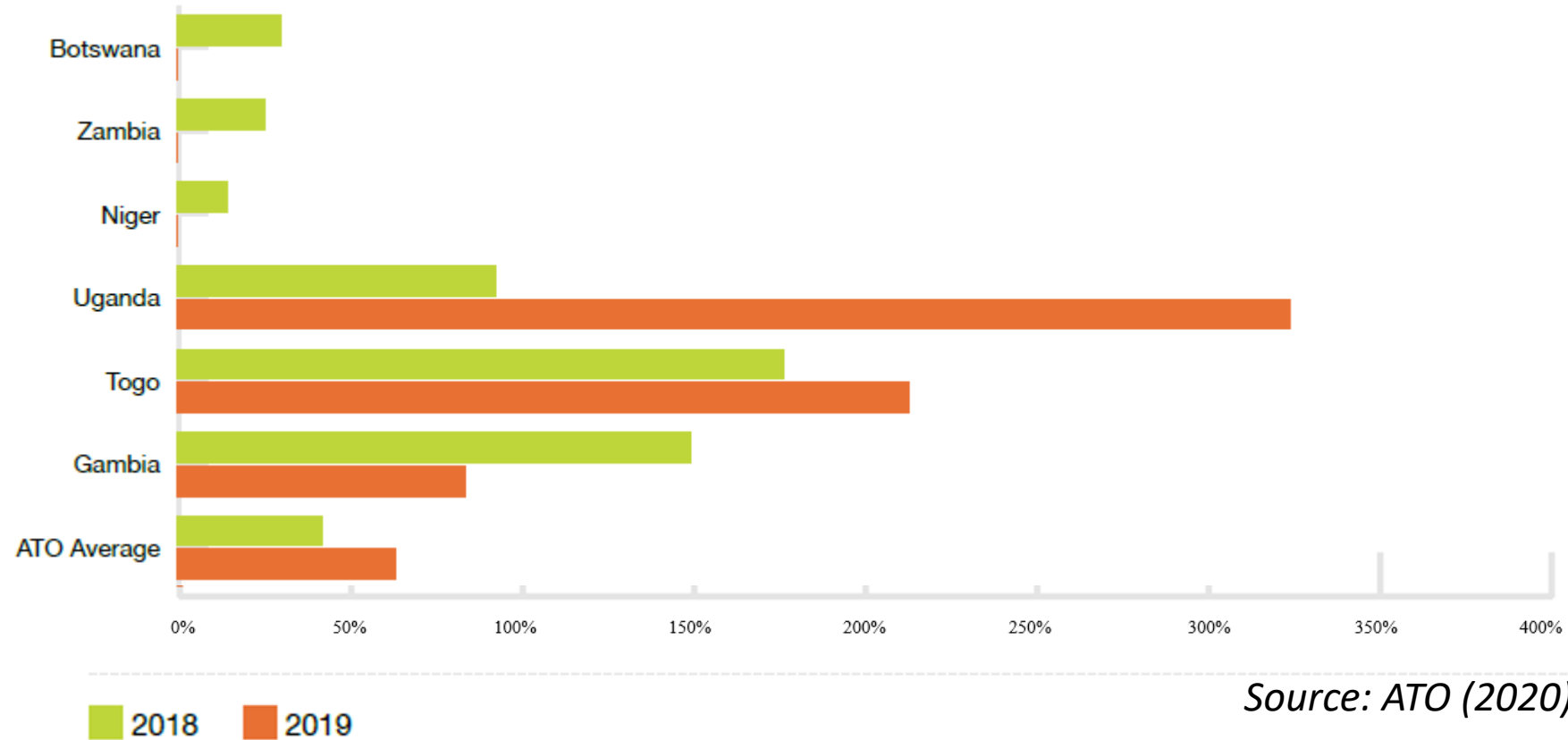


*Source: ATO (2020)*

In ATO countries, the average auditor performed 25 audits per year between 2017 and 2019. Figure shows countries that had a lower average.

# Auditor performance and tax recovery rates in the ATO

## Tax audit recovery rates in ATO countries, 2018-2019 -HIGH

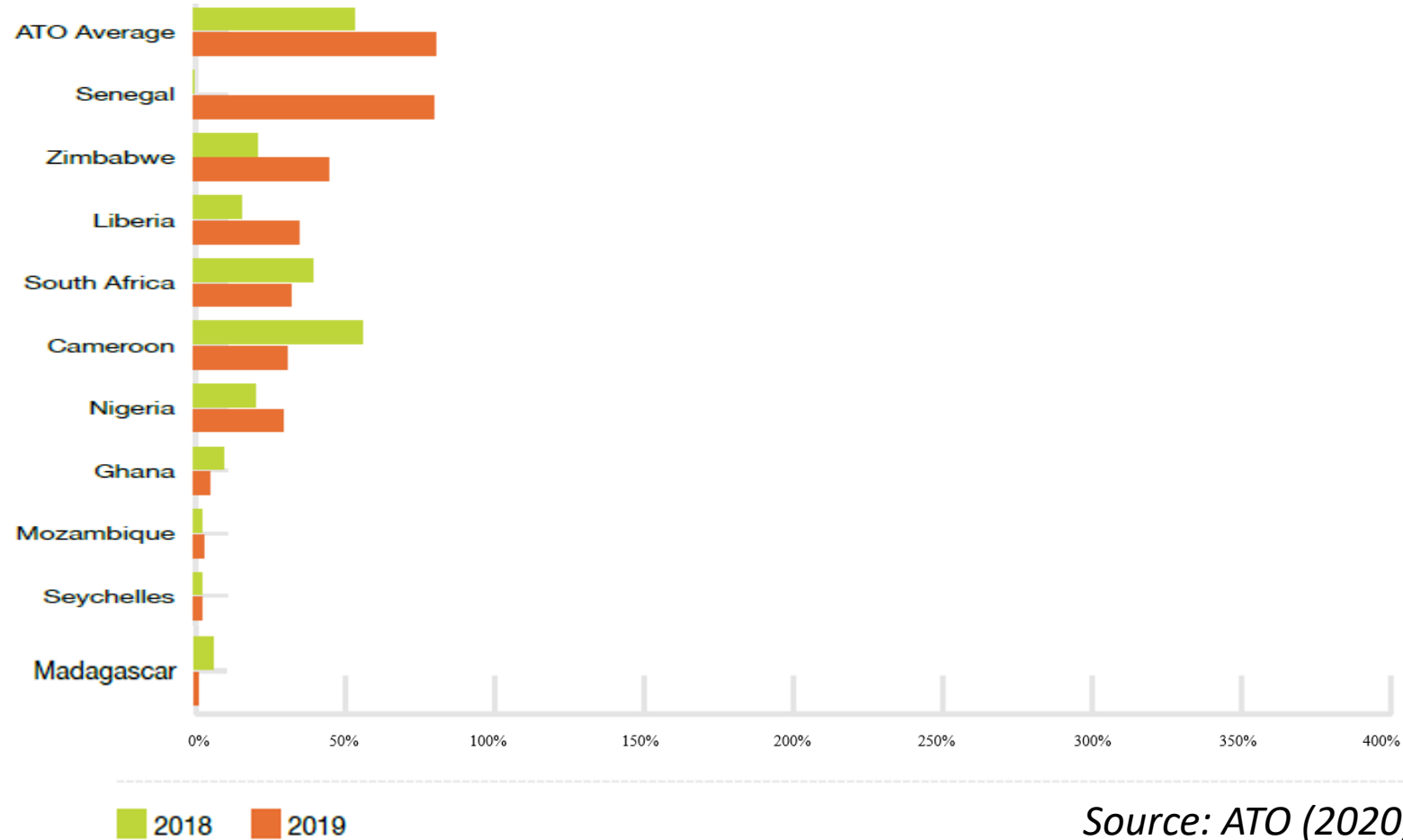


In 2019, the average recovery rate for ATO countries was 76.21%, a significant improvement on the 49.91% of 2018. Uganda drove the increase with a recovery rate of 388.2%. Also noteworthy were the performances of Togo, Senegal and Gambia, with rates of more than 75%.



# Auditor performance and tax recovery rates in the ATO

## Tax audit recovery rates in ATO countries, 2018-2019 -LOW



In 2019, the average recovery rate for ATO countries was 76.21%, a significant improvement on the 49.91% of 2018. However, recovery rates were less than 50% in most countries, while Madagascar, Seychelles, Mozambique and Ghana recorded under 10%.

# Some Good Practices in Audit Efficiency

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## Good practice Zimbabwe: Electronic Case Management

- Electronic case management is a system that is designed to select audit cases using set parameters, allocate the cases, monitor case progress, record decisions, store working papers and data, and generate management reports (ATAF, 2017).
  - The use of Electronic Case Mgt platform has made the ZIMRA administration more efficient.
  - The system is supported by staff and client's alike leading to a better audit experience for the parties as clients are able to get feedback from the process.
  - The Electronic Service Platform also performs a function of audit logging of system interactions and events, thereby providing the additional benefit of being able to retrieve audit data for the previous three years, taxpayer data for the previous six, and archived data older than six years (ATAF, 2017).
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# On the path to improving audit efficiency in the ATO

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## **Some Policy Considerations to enhance audit efficiency in the ATO:**

Investing more in comprehensive audit

Adopting Technological Solutions in Audit

A robust Compliance-Risk Management System

Strengthened Internal departmental synergies

Enhanced Auditor training

Enhanced data management

Automated data crosschecking

Exchange of information

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