

EFFICIENCY AND REGULARITY OF OPERATIONS OF  
INFORMATION SYSTEM OF THE  
TAX ADMINISTRATION OF THE REPUBLIC OF SLOVENIA

SUMMARY OF THE AUDIT REPORT

The functioning of the Tax Administration of the Republic of Slovenia (hereinafter referred to as TARS) which is linked to the efficiency and regularity of its information system has been exposed to criticism and comments several times in the preceding period from various controlling authorities verifying different performance and regularity aspects of TARS. The functioning of TARS has been audited twice in the past by the Court of Audit of the Republic of Slovenia (hereinafter referred to as Court of Audit). The first audit report was issued already in 1997, which is soon after the foundation of TARS, and the second one in the year 2003.

The Court of Audit decided to carry out an audit the goal of which was to find out *whether TARS provides efficient and proper functioning of the information system* in order to give an answer to publicly expressed misgivings and doubts and to gain assurance that the TARS information system is operating efficiently and properly. Audit procedures and gathered evidence described in the audit report have sufficiently highlighted the past and present functioning of the TARS information system.

In order to express *the opinion on the efficiency of the information system functioning*, the Court of Audit evaluated the functioning quality of the TARS main information processes and information quality as provided by some of the most important application support units for audit processes. The overall estimate of the functioning of the TARS information system based on the average of all estimates *fails to achieve a satisfactory standard* that could provide an efficient business operation support.

Based on the above findings, the Court of Audit expressed the opinion that the Tax Administration of the Republic of Slovenia *does not provide efficient functioning* of its information system.

In order to increase the efficiency of the functioning of the TARS information system, the Court of Audit made several recommendations for improvements in the following areas:

- strategic planning;
- annual planning and reporting;
- technological platform complexity;
- IT organization and relationships;
- IT project management;
- control over proper functioning of new or modified programmes;
- managing third-party services;
- information system security;
- distribution of responsibilities for working with a tax accounting software (DPx);
- protection of data integrity related to the DPx software;
- allocation of user rights.

In order to express *the opinion on the regularity of the information system functioning*, the Court of Audit studied the implementation of legal obligations of TARS related to the information system functioning and established that the information system *did not function in accordance with regulations* because:

- it did not provide tax bookkeeping records as laid down in the Tax Administration Act since they do not enable integrated control and central tax record organization;
- it permitted incorrect personal income tax calculation and had no established controls which would detect and rectify mistakes. In addition, for the greater part of mistakes, which have financial consequences, a simulation of financial consequences was not carried out until the completion of audit examinations. Based on this simulation, it would be possible to assess the scale of calculation mistakes and define injured parties (taxable person, state budget or local community budget).

Due to the found deficiencies of control functions, the Court of Audit expressed the opinion that the information system functioning is in important inconsistency with regulations (*negative opinion*).

In order to eliminate the found deficiencies of the functioning of the TARS information system, the Court of Audit issued a request for the submission of a response report. In the response report, which has to be submitted within 90 days, TARS has to:

- state and describe implemented procedures and activities for the establishment of tax bookkeeping records enabling integrated control and central record organization;
- state and describe activities for the elimination of personal income tax mistakes;
- state and describe procedures and measures from which it is clearly evident in what way TARS is planning to establish controls which will enable the detection and rectification of mistakes in personal income tax calculation in due time.

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