

Computer-assisted audits

What it means for you



Introduction

Inland Revenue recognises the challenges associated with auditing accounting systems and records kept on computers. We have a specialist computer team which works alongside the investigations team during a customer audit.

Computer-assisted auditing is a very efficient way of auditing your records because we don't need hard copy reports of information and we can do more work off-site. This means:

- less disruption to your business
- fewer demands on your staff – investigators keep a copy of your accounting data
- reduced costs – fewer requests from investigators, no printouts
- you'll receive an overview on how your accounting system works.

A member of the investigating team will make the first contact between the computer team and the customer.

www.ird.govt.nz

Visit our website for services and information. Go to:

- **Get it done** online to file returns, register for services and access account information
- **Work it out** to calculate tax, entitlements, repayments and due dates and to convert overseas income to New Zealand currency.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.

How to get our forms and guides

You can view copies of any forms and guides mentioned in this booklet by going to www.ird.govt.nz and selecting "Forms and guides", or you can order copies by calling INFOexpress—see page 10.

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Types of computer-assisted audits

Systems audit

This is a detailed analysis and evaluation of a complete accounts computer system—from data entry through to posting in the financial accounts.

We'll talk to the members of your staff who have a day-to-day understanding of the computer programs and their operations, and we'll also consult with your accounts people. We don't need to operate your computer system.

After documenting the system, we evaluate controls and weaknesses and discuss our findings with you. We'll usually request data to test some of the findings. We may be on site with you for up to a week for an average of three hours a day. We may need the use of a meeting room and a photocopier but we aim to cause you as little disruption as possible.

Data download

We'll analyse your electronically stored accounting data using commercially available software.

Data analysis varies with every audit but common procedures are:

- getting a data profile, ie, working out the size, number and distribution of transactions in a file
- sorting, extracting and listing records based on certain criteria
- sampling.

We'll keep any information or data you give us confidential and secure.

Keeping computer records

You must keep your business records for seven years. They can be either paper or stored on electronic media. Your records must:

- contain enough information to meet legal requirements
- be in English, unless we've approved another language.
- be stored in New Zealand unless approval has been given to store them elsewhere.

Read our factsheet *Record keeping (IR 323)* for more details.

If you aren't already keeping your records electronically (eg, disk, tape) we strongly suggest you consider it.

What to keep

As well as your business records, you must also keep these specific records for computer-assisted audits.

- Accounting or transaction level records, including the general ledger and other journals and subsidiary accounts books in electronic format.
- Charts and accounts codes, accounting instruction manuals, and system and program documents which describe the accounting system.
- Layouts of all retained files if your systems have been modified. Keep old and new records.

Legal definitions

- "Records" includes account books and accounts stored in an electronic format.
- "Documents" includes electronic data, computer programs, computer tapes and disks.

Technological specifications

During an audit we'll help you work out the most practical format to extract data from your system.

You can give us your electronic data on portable media, eg, CD Rom, DVD or USB memory sticks.

We'll advise on secure modes of transport of data.

Upgrading your computer system

When you're installing or upgrading a computerised accounting system, keep these important points in mind:

- Can the new system retrieve and read data from the old system? If not, can the data from the old system be converted?
- If it's too expensive or not feasible to convert data, do you want a third party to maintain your old data or would you prefer to print hard copies?

Your electronic data must be retrievable and readable at all times. You'll need to follow appropriate back-up procedures and install a regular maintenance programme to stop your electronic media deteriorating.

Confidentiality

Inland Revenue takes data security very seriously. We work under strict secrecy obligations and constantly review new security products. Please read our guide *Inland Revenue audits (IR 297)* for more details.

Other systems reviews

- The specialist computer team periodically reviews commercial accounting and payroll software for its tax usability. We'll suggest any improvements to the software providers.
- The team also reviews PAYE intermediary software to ensure the information technology and administration systems can support our compliance requirements.

Need to know more?

If you have any questions about the specialist computer team please go to www.ird.govt.nz or email cta@ird.govt.nz

Privacy

Meeting your tax obligations involves giving accurate information to Inland Revenue. We ask you for information so we can assess your liabilities and entitlements under the Acts we administer.

You must, by law, give us this information. Penalties may apply if you do not.

We may exchange information about you with the Ministry of Social Development, Ministry of Justice, Department of Labour, Ministry of Education, New Zealand Customs Service, Accident Compensation Corporation or their contracted agencies. Information may be provided to overseas countries with which New Zealand has an information supply agreement. Inland Revenue also has an agreement to supply information to Statistics New Zealand for statistical purposes only.

You may ask to see the personal information we hold about you by calling us on 0800 377 774. Unless we have a lawful reason for withholding the information, we will show it to you and correct any errors.

If you have a complaint about our service

We're committed to providing you with good service. If there's a problem, we'd like to know about it and have the opportunity to fix it.

If you have a complaint, the quickest and easiest way to resolve it is usually with the staff member you've been dealing with. If you're not satisfied, ask to speak to their manager.

If you're still not satisfied, our Complaints Management Service can take a fresh look at your complaint. You can go to www.ird.govt.nz, call us on 0800 274 138 between 8 am and 5 pm weekdays, or put your complaint in writing and send it to:

Complaints Management Service
Inland Revenue
PO Box 1072
Wellington 6140

If you disagree with how your tax has been assessed, you may need to follow a formal disputes process. For more information, read our factsheet, *If you disagree with an assessment (IR 778)*.

INFOexpress

INFOexpress is our automated phone service. You can request personal tax summaries and order many of our publications using our natural language speech recognition system. This lets you use your voice instead of keying in numbers on the phone keypad. For all other services you'll need to use a touch tone phone and key in numbers for options.

Remember to have your IRD number with you when you call.

It's also helpful if you know the number or name of any publications you're ordering. For personal information, such as account balances, you'll also need an INFOexpress personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

You can call INFOexpress for the following services between 6 am and 12 midnight, seven days a week:

- Order publications (speech recognition) 0800 257 773
- Request a personal tax summary (speech recognition) 0800 257 444
- Confirm a personal tax summary (speech recognition) 0800 257 771
- Request a taxpack 0800 257 772
- Request a summary of earnings 0800 257 778
- All other services 0800 257 777