



FINANCIAL AUDIT OF 2021 TAX INFORMATION REFERRING TO THE FEDERAL TAX MANAGEMENT

The Court conducted an audit to verify the reliability and transparency of the information regarding the Federal Tax Management recorded in the Accounting Records of the Ministry of the Economy (ME) for the year 2021. The work covered relevant elements of the ME's accounting records; therefore, it is a significant component and an integral part of the audits of the balance sheet of the Federal Government and the ME. Rapporteur for both was Minister Aroldo Cedraz.

The audit was conducted from 1 October 2021 to 31 March 2022 in accordance with the Auditing Standards of the Federal Court of Accounts (NAT) and with the TCU Financial Audit Manual (MAF), and is part of the strategy to strengthen the financial audit at the TCU, approved by Court Decision 3,608/2014-TCU-Full court, of conducting annual audits for the purpose of attesting accounts.

Overview of the object of the audit

The audit assessed the relevant elements of the information regarding the Tax Management entered in the accounting records of the Ministry of the Economy (ME) for the year 2021. The book-entry accounts analyzed in this audit were:

STATEMENT OF FINANCIAL POSITION (Audited resources BRL 2.12 trillion)

Tax Credit
Receivables (CTR) e
Overdue Federal Tax
Liability (DAU)

Fiscal Risk
Provisions

BUDGET REVENUE AND CHANGES IN EQUITY

(Audited resources BRL 1.96 trillion)

Tax recorded in
changes in equity
(net profit)

Revenue from Taxes
recorded in the
Balanced Budget

Based on materiality and identified risks, the audit selected significant elements of the accounting records. Although there were some operational limitations, they were not severe enough to render the work impossible. As a result, appropriate and sufficient audit evidence to support the audit conclusion could be obtained.

Main findings

The audit identified improprieties that were primarily classified as misstatement of value and misstatement of presentation. As for the first one, the audit found the following: no derecognition of tax liabilities receivables, in the sum of BRL 6,114,868,576.29 billion; existence of extinguished tax liabilities, kept in non-current assets totaling BRL 5,472,808,411.24; and non-recognition in balance sheet accounts of the balance accumulated in Sida, totaling BRL 404,933,588.80.

Regarding the classification misstatement, the audit observed that the tax liabilities receivables were inappropriately divided between current and non-current assets. It also identified as significant control deficiency the lack of methodology update to adjust the loss in the recovery of the DAU tax, which is under the jurisdiction

of the Office of the General Counsel for the National Treasury (PGFN).

Although the following themes were not labeled as findings, they called the attention of the audit team: non-uniform accounting treatment of the recognition of tax credits; and late recognition of changes in equity.

TCU's decisions

- **Determination to the Federal Revenue Service of Brazil** that, as of the 2022 financial year, it derecognises the CTR classified in the B and C ratings, considered irrecoverable, without prejudice to the recording of these elements in control accounts 8.9.9.9.1.66.01 and 8.9.9.9.1.66.02, in accordance with the accounting rules provided for in the Brazilian Public Sector Accounting Standards (NBC TSP) and in the Public Sector Accounting Handbook (MCASP).
- **Determination to the Federal Revenue Service of Brazil** that, as of the financial year 2022, classify the tax credits receivable in current and non-current assets, in accordance with the accounting rules provided for in the MCASP and in the NBC TSP, especially those recorded in Book-Entry Accounts 1.1.2.1.1.01.00, 1.1.2.1.1.02.00, 1.1.2.1.1.03.00, 1.1.2.1.1.04.00, 1.2.1.1.1.01.03, and 1.2.1.1.1.01.04.
- **Inform the Ministry of Economy, jointly with the Attorney General's Office of the National Treasury**, based on item I, Art. 9 of Resolution-TCU 315, of 2020 that the SIDA and DW systems must timely

reflect the changes in the balances of DAU credits, in compliance with the accounting standards provided for in the MCASP and in the Siafi Macrofunction 021112 – Government Tax Debt.

- **Inform the Attorney General's Office of the National Treasury**, based on Art. 9, item I of Resolution-TCU 315, of 2020 that the untimeliness in carrying out monthly reconciliations to suppress differences between the consolidated balance of the Government Tax Debt (non-social security tax), shown in the DW/SIGPGFN system, comparing with the amounts imported from this official source by the corresponding control accounts of Siafi, has led to an underestimation of the equity element of the Government, considering that the value recorded in Assets consists of replicating the balances of the control accounts to strictly comply with the provisions in sub-item 9.1.8 of Court Decision 158/2012-TCU-Full court;

The benefits expected from this audit include, most notably, the improvement of accounting records, especially with regard to the classification and recognition of assets, as well as the improvement of the calculation of accounting estimates. Likewise, with the fulfillment of the proposed set of decisions, there is expectation that the public accounting practiced by the Government become more compliant with the public accounting standards adopted by the STN through the MCASP, as well expectation of increased credibility and transparency of information about these elements of the accounting records to users and decision makers.

DATA OF THE DECISION

Court decision: 1153/2022-TCU- Full court

Session date: 25/May/2022

Rapporteur: Minister Araldo Cedraz

TC: 037.612/2021-2

Technical Unit: SecexTributária