

## SUMMARY

### Performance Audit Report

#### “Efficiency of Collecting Own-Source Revenues in Local Self-Governments”

Local self-government units failed to ensure systemic updating of taxpayers' records, continuity in undertaking the measures for collecting, appropriate control and monitoring of effects, which is why the amount of uncollected own-source revenues is significant, followed by an increased risk of being written off

Problems in collecting own-source revenues undermine financial capacities of LSGs and impact the scope and pace of execution of planned expenditures and outflows, quality of public services and need for additional transfers from the Republic of Serbia budget. On average, own-source revenues account for 30-40% of total funds in LSGs, which are also responsible for their identification, collection and control. Uncollected receivables from own-source revenues as at December 31, 2019 stood at 135 billion dinars, at least, which on average constitutes 1/3 of the annual LSG budget. From 2017-2019, 74% of LSGs recorded a rise in uncollected receivables from own-source revenues by a total of 9,6 billion dinars, while in the same period 12 billion dinars of receivable amount were written off by LSGs.

■ Rise in uncollected receivables from 2017-2019  
■ Share of uncollected receivables in total LSG budget  
— Uncollected receivables for over ten years



LSGs – audited entities failed to perform comprehensive checks of data reliability in records that, coupled with absence of procedures and planned approach to updating, resulted in the fact that some tax returns still lack complete and updated information about taxpayers, including the lack of correlation between the property data and the taxpayer, which leads to a risk that determined receivable amounts are incomplete and that there are taxpayers in relation to whom the receivable amounts will not be timely determined.

Receivables from own-source revenues from debtors who failed to make any payments in the period from 2017-2019 account for more than 70% of total uncollected receivables in the City of Belgrade, Leskovac, Sremska Mitrovica and the municipality of Arandjelovac. Overdue payment notices were not sent regularly and to all debtors, which is why the statute of limitation period was not interrupted and the conditions were not provided for the enforced collection of receivables. In enforced collection procedures there is no collection of all receivable amounts ensured, which increases the risk of the receivables being written off due to absolute statute of limitation.

Debts exceeding ten years without being written off by LSGs - audited entities account for 6-18% of uncollected receivables. This unrealistic balance of uncollected receivables and inadequate monitoring of effects after the measures are undertaken, including the lack of risk-based inspection supervision plans and requests to initiate misdemeanour proceedings, further undermine the efficiency of collecting own-source revenues in LSGs, which is also

indicated by the visible rise in uncollected receivable amounts.

### Recommendations

State audit institution issued the following recommendations to the City of Belgrade, City of Leskovac, City of Sremska Mitrovica and Municipality of Arandjelovac:

- to regulate business processes of determining and monitoring the collection of own revenues, through internal procedures;
- to undertake activities towards determining and updating the data in records, in order to identify the taxpayers and the receivable amount from own-source revenues in a more complete and timely manner;
- to undertake regular and comprehensive activities to ensure timely collection of debts due, interrupt the statute of limitation period and initiate the enforced collection procedures;
- to ensure transfer of receivable amounts with absolute statute of limitation to off-balance tax records, in order to achieve more realistic disclosure of uncollected receivable amounts;
- to regulate reporting procedures and ensure monitoring and assessment of effects of measures taken by using the indicators that show their efficiency;
- to undertake measures towards establishing efficient supervision in the tax control procedure.