

What is an accounting audit?

The accounting audit's aim is to examine, in the premises of the entity, their accounting by confronting data to ensure the accuracy and sincerity of the filed tax returns.

How is an accounting audit undertaken?

- An accounting audit cannot be undertaken without notifying the taxpayer by sending an audit notice (by registered mail) or in person.
- The charter of rights and obligations of the taxpayer must be enclosed with the audit notice.
- A delay should be left between the receipt of the audit notice and the first on-site intervention of the auditor in the entity (in practice usually 15 days).

An exceptional case: the unexpected accounting audit is strictly regulated by law. This procedure is justified by the need for immediate physical findings, for example, examination of the stock.

The charter of rights and obligations of the audited taxpayer: these rights are defined and guaranteed by law.

The guarantees granted to the taxpayer are defined by law or jurisprudence and are included in this document systematically handed to the taxpayer before any on-site audit.

How does an accounting audit take place?

- Unless specifically requested by the taxpayer, it takes place on the entity's premises.
- The first intervention: the auditor provides the taxpayer with the taxpayer's charter and they both decide on the framework and modalities of the audit operations. This first intervention allows to discuss the particular characteristics of the entity, its economic situation and its relevance and then seek jointly the most appropriate intervention modalities.
- During the examination: a constructive dialogue must be established, punctuated with regular progress points. The auditor has a transparent and pedagogical approach to the taxpayer who is associated with all operations. In return, the taxpayer must make available to the auditor all the documents necessary for the audit (accounting record, invoices, bank statements, contracts ...).

The audit modalities are appropriate for the computerization of accounting systems

- **The obligations: Starting January 1st 2014, if they are subject to an on-site audit, the entities that keep their accounts using computerized systems must provide the administration with their accounting in a dematerialized form. The accounting record files must conform to standards set by Article 47 A A-1 of the Tax Procedure code.**

- **The guarantees:** This procedure does not question the respect of the oral and adversarial debate with the entity. On the contrary, the provision of accounting entries in dematerialized format enables extensive discussions between the auditor and the taxpayer on inconsistencies or omissions in reading the files.

Moreover, when data processing are considered on the files of the accounting records, the entity is kept informed of the nature of the investigations conducted by the Tax Administration (Article L.47 A-2 of the Tax Procedure Code).

The end of the on-site operations

At the last meeting on the premises of the entity, the auditor summarizes the planned adjustments, gives explanations on the nature and amount of any penalties and collects the arguments of the taxpayer in response. If the arguments are allowed, some planned adjustments may be discontinued at the end of this exchange.

In all cases, the audit operations undertaken in the framework of an accounting audit result either by sending a notified adjustment, or by sending a notice of absence of adjustment in the case where the reported figures have not been challenged.

How long does the auditor stay on the entity's premises?

Overall, 98 % of the audits of small and medium entities and 88 % of the audits on large entities have a duration of less than 9 months.

Note that, with exceptions, for small businesses, the legal duration of intervention is limited to three months.

In addition, whenever it can, the administration carries out targeted audits (either on a tax or on a fiscal year, or on a particular point); and it limits the time spent by the auditor within the entity.