



# **Overview of Compliant e-Invoicing**

**Den Haag, November 2009**

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## **The program: ....**

- **Fiscalis 2013 program;**
- **The (e-) audit process;**
- **The e-Invoicing  
Compliance Guidelines.**



## **Focus on eInvoicing ....**

- **Important: Lisbon Agenda;  
Europe cannot compete unless it  
becomes more inventive, reacts better to  
consumer needs and preferences and  
innovates more;**
- **The development of eInvoicing is part of  
the eEurope actions plans;**
- **Development of eInvoicing stays behind.**



## eInvoicing in the picture....

- **EXPERT GROUP on electronic invoicing;**

*[http://ec.europa.eu/internal\\_market/payments/einvoicing/index\\_en.htm](http://ec.europa.eu/internal_market/payments/einvoicing/index_en.htm)*

- **CEN Workshop on eInvoicing phase 2;**

*<http://www.e-invoice-gateway.net/knowledgebase/eInvoiceBestPractice/>*

- **Activity “audit of e-Invoicing;**

- .....



## VAT Invoicing Rules

- 28 January 2009. EC proposal to change the VAT-directive 2006/112/EC
- Existing Legislation in the Member States

*[http://ec.europa.eu/taxation\\_customs/taxation/vat/traders/invoicing\\_rules/index\\_en](http://ec.europa.eu/taxation_customs/taxation/vat/traders/invoicing_rules/index_en)*

*[https://globalvatonline.pwc.com/uk/tls/gvol2/gvol2.nsf/AllByCode/RJAI-7CHKU5/\\$File/PwCLegislation](https://globalvatonline.pwc.com/uk/tls/gvol2/gvol2.nsf/AllByCode/RJAI-7CHKU5/$File/PwCLegislation)*



## “Recommendation”

- Equal treatment of paper and e-invoices;
- “Technologically neutral”
- Based on an Consistent Business Control Framework and Tax Control Framework
- **So auditability** for external auditors, as tax auditors, **must be guaranteed.**  
“Authenticity of origin” and “integrity of content” of “the transaction”.



## a changing audit environment: ....

- Computerised accounting systems, cross border exchange of electronic data;
- Change in legal environment;
- **Compliance initiatives in several Member States** (horizontal monitoring) ;
- Change of perception?



**So: .....**

- **Our audit environment becomes more and more complex;**
- **We need a structured audit approach;**
- **We need to work together in our audits**
  - mutual assistance;
  - multilateral audits (joint audits);
- **We need to work together in development,**
- **we need a Framework for e-audit**

*(invoice directive December 2001).*

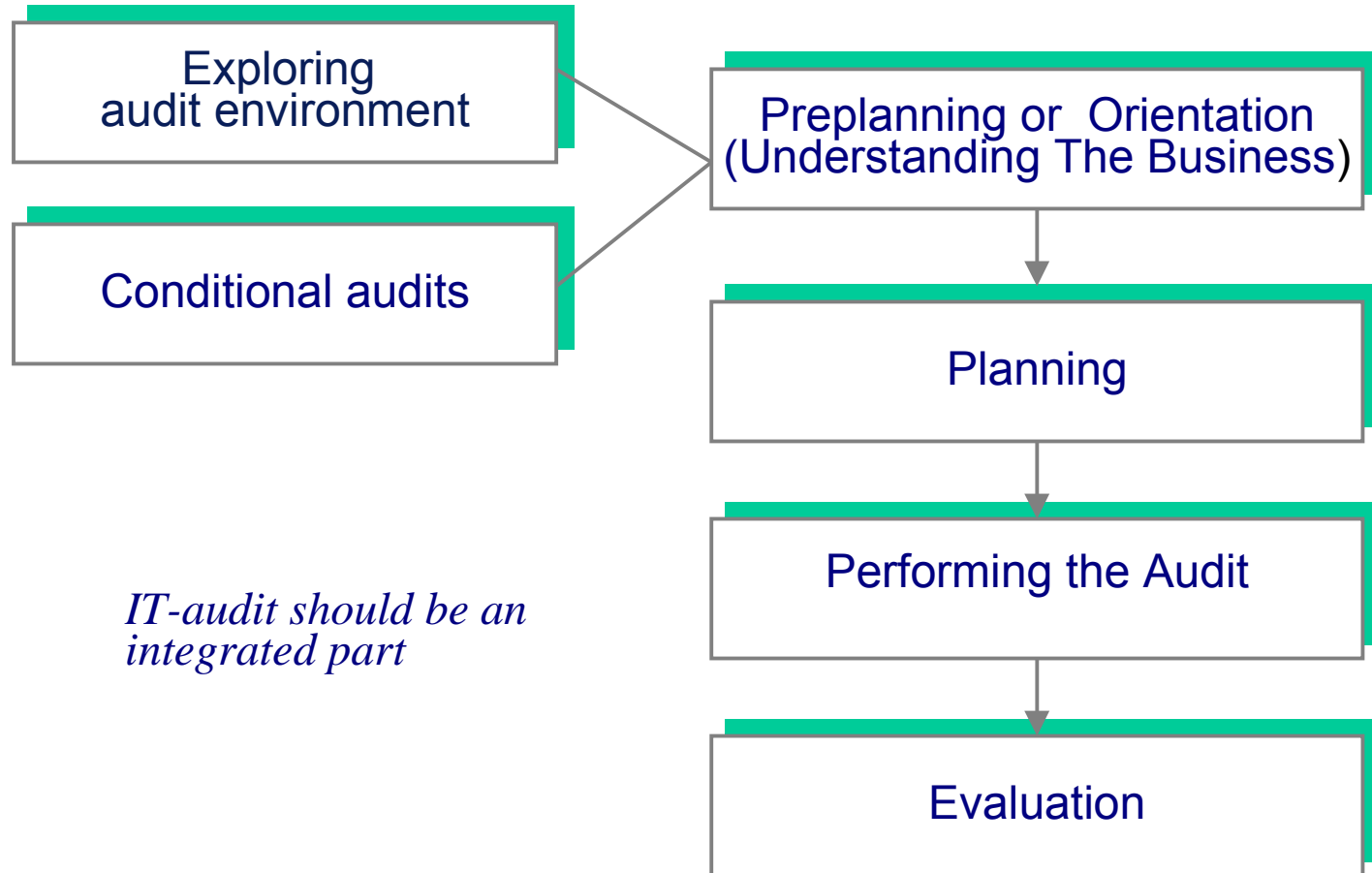


## **The (virtual) eAudit Group...**

- **Steering group.**  
**Meeting of the steering group (results projects, exchange of information);**
- **Contact persons in every Member State;**
- **Brother countries system.**
- **Seminars, workshops, working visits, targeted fiscalis exchanges, twinning projects.**
- **E-audit Forum**



# The audit model (e-audit road map, 4 section 2)



*IT-audit should be an integrated part*



## **Preplanning: Exploring audit environment ....**

**Audit the presence;**

**UNDERSTANDING THE ENTITY**

**AND IT'S ENVIRONMENT**

**AUDITABILITY**

- organisation: nature and size of the organisation. Internal organisation**
- system: inventarisation ICT. Logistic, financial, personnel systems, packages (in relation to the organisation)**



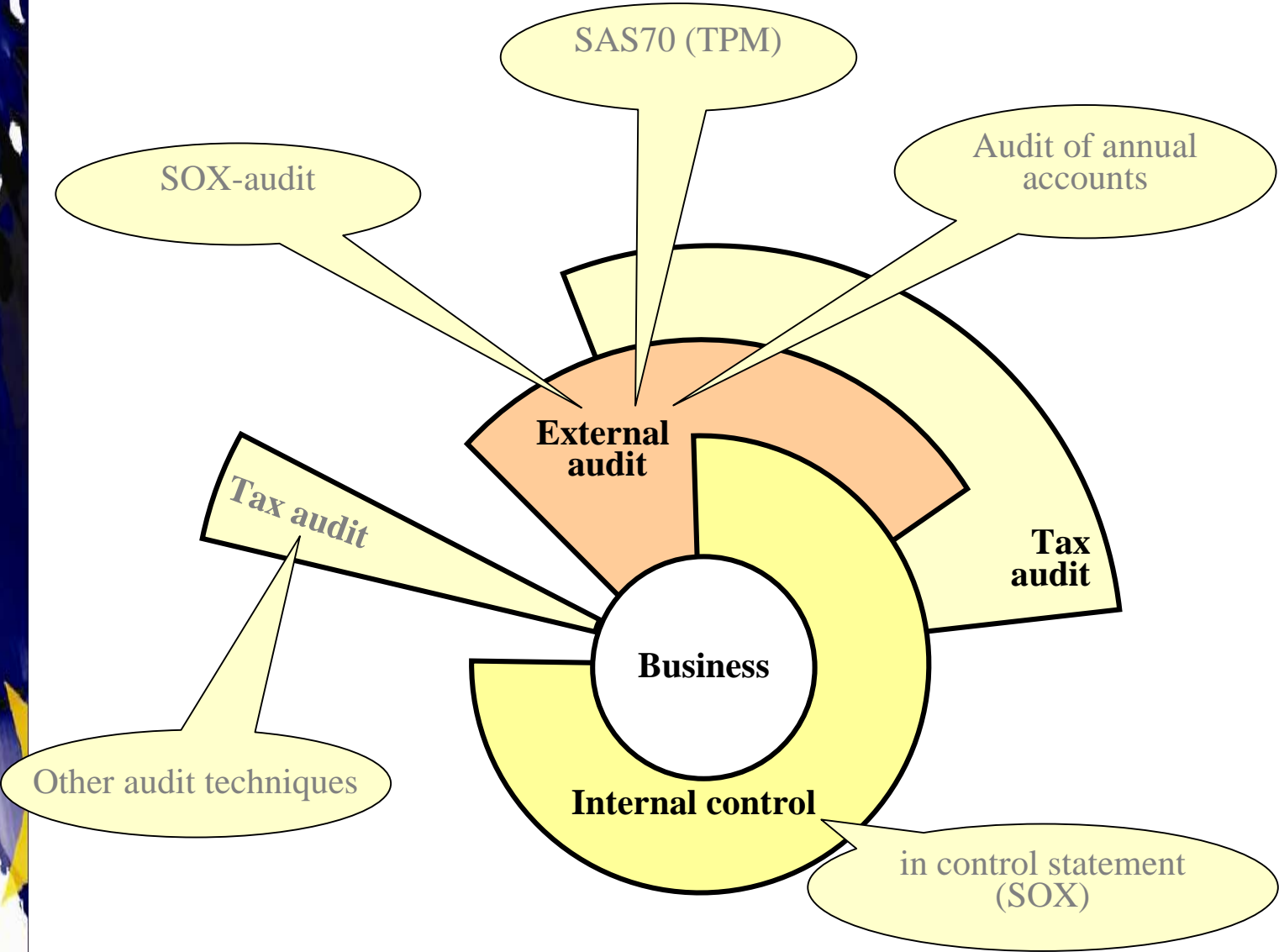
# Preplanning: conditional audits

- **completeness transactions**
- **completeness and correctness recording**
- **availability for audit (kept for x years)**
- **auditability (audit trail)**

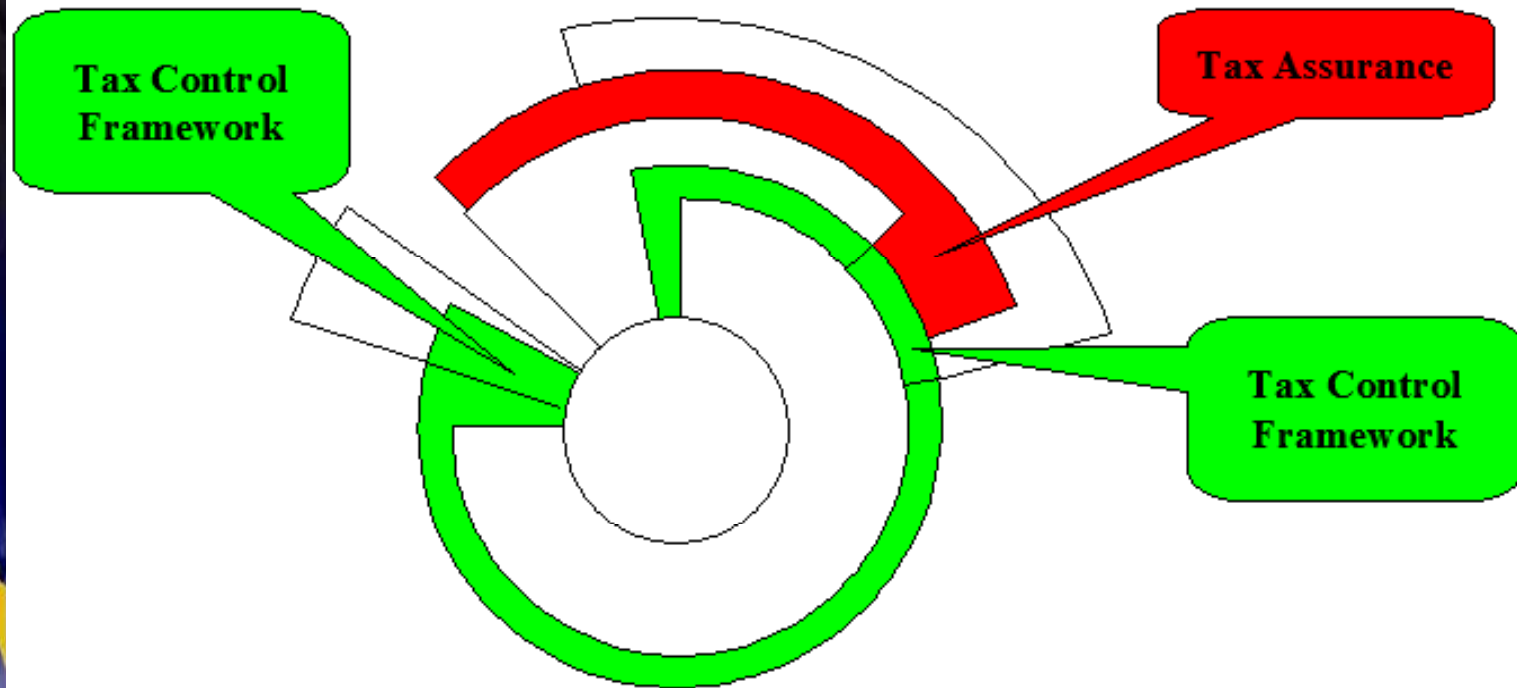
*Every taxable person has the obligation to ensure that the data is stored electronically (incl. electronic signature), as produced or received. Readability should be guaranteed throughout the storage period.*

*The taxpayer should co-operate and support the auditor, including exercising data access. Supporting documentation including file structures, field formats and sizes should be provide’.*

# Preplanning:



# Preplanning: included horizontal monitoring (NL)





## **Audit techniques completeness checks**

- **Analytical reviews;**
- **Rely on internal control;**
- **Rely on external control;**
- **Movement of goods, monetary transactions;**
- **Observations (audit on the spot);**
- **Third party information;**
- **Third party investigation.**



## **Audit techniques correctness checks**

- **Analytical reviews;**
- **(statistical) Sampling;**
- **File interrogation (may also give information for completeness)**
- **(other) Audit tools**



## **E-invoicing, about the perception of complexity and not clear (VAT-)regulation...**

- Corporate e-invoicing users, Service Providers and solution vendors (did) feel insecure about their e-invoicing solutions. They want to be (VAT-) compliant;
- Tax administrations (did) seek for guidance how to audit e-invoicing solutions. They feel insecure



## Activity “audit of e-Invoicing” ....

- Audit process facilitation
  - Producing of audit standards (guidance paper) for tax auditors. Including verification of the authenticity and integrity of invoice transmissions.
  - Produce training standards (requirements) for different target groups;
- Audit facilitation.



## **CEN/ISSS workshop e-invoicing 2**

- Compliance of electronic invoice implementations with Council Directive 2001/115/EC and the national legislation as regards electronic invoices
  - Criteria for certification of service providers and e-invoice solutions
  - A framework for tax authorities to audit VAT invoice solutions



## Draft CWA E-Invoicing Compliance Guidelines

- Based on strong similarity between the Fiscalis project and CEN WG2 en WG3 (Cost effective authenticity and integrity) tasks for guidelines
  - Desire to avoid overlap
  - Exploit synergies
  - Joint promotion & implementation opportunities

*[Http://www.e-invoice-gateway.net/  
knowledgebase/eInvoiceBestPractice](http://www.e-invoice-gateway.net/knowledgebase/eInvoiceBestPractice)*



## Draft CWA E-Invoicing Compliance Guidelines

- Business process analyse (matrix) and a commentary paper:
  - for business (including service providers):
    - to verify they're in control (self assesment)
  - for external auditors (including tax auditors):
    - to be able to verify if a business is in control.

*The model is based on trust in companies,  
but verifiable for external audit*



## Draft CWA E-Invoicing Compliance Guidelines...

- Commentary paper: background, definitions, descriptions
- Excel document where ~100 process steps are mapped to:  
Risks (why), requirements (what), controls (how)
- Process filters allow viewing specific end-to-end process configurations  
Examples: Direct e-invoicing, Self-billing, Service provider(s), Audit step correlation, Integrity/authenticity method

Technology neutral, non-discriminative, protecting investment, protecting SME's.

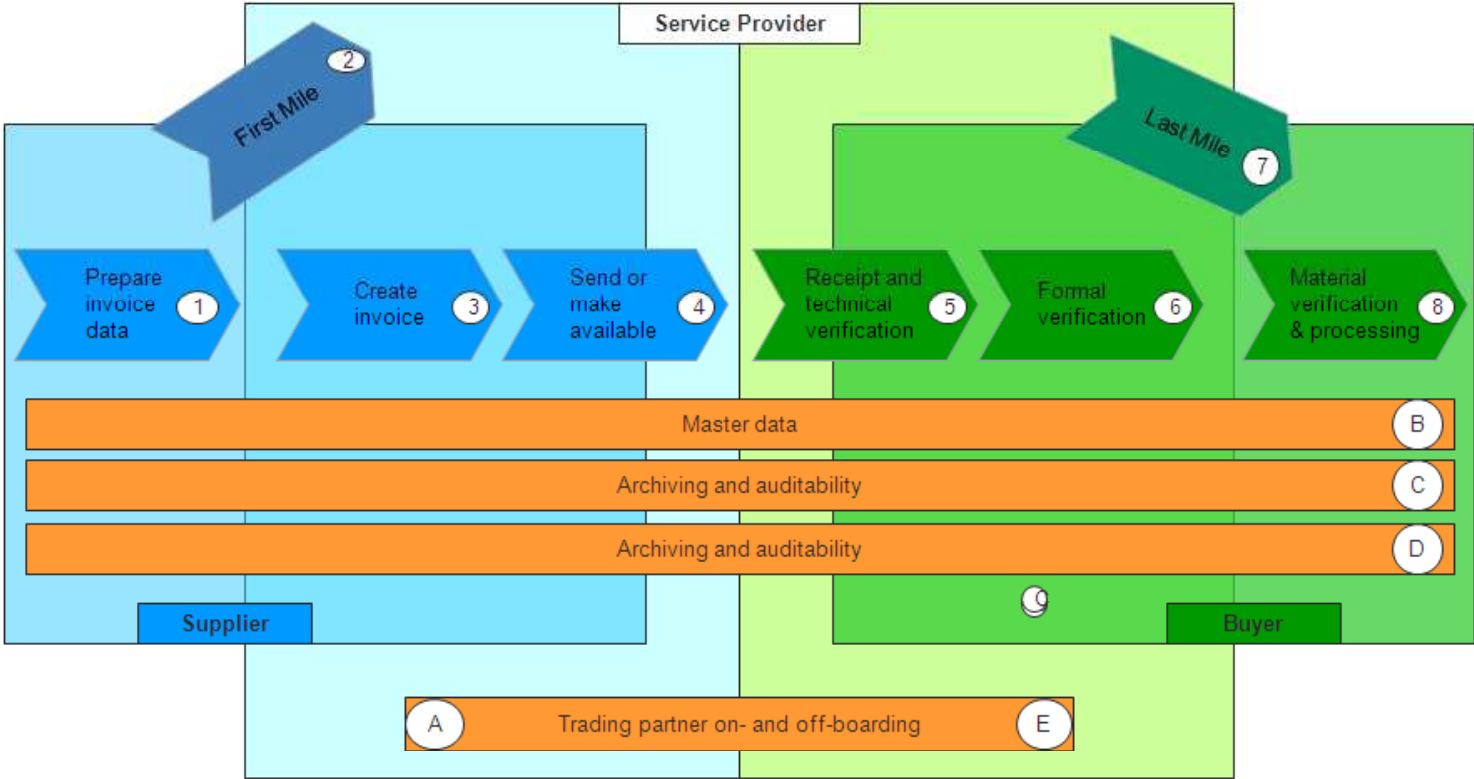


## **The Guidelines are addressed to:**

- Companies engaged in e-invoicing
- Service and solution providers offering e-invoicing functionality.
- Internal and external auditors.
- VAT auditors in tax administrations



# Process overview: life cycle....



# The Matrix ....

A	B	C	D	E	H	I	J	K	L	
Who	Process step (the order can be adjusted)	Business implementation classes B-D			WHY (RISK)	WHAT (REQUIREMENTS)	HOW (CONTROLS)	Reference Examples. N.B. The examples listed are non exhaustive and provided only to illustrate the kind of measures envisaged as being used.	Further Guidance [See referenc	Implementa [To be used for ]
		B	C	D						
<b>All (Supplier and Buyer Side)</b>										
	0 - Generic	x	x	x	General risks on IT systems	Support general commercial good security practices	Implement recognised standards based on good practices for the security, continuity and integrity of the business system. These practices shall be applied and audited in line with the requirements of recognised	Taking into account the size and nature of the organisation, appropriate (general IT) controls should be implemented	7.3.1 7.3.7	
	0 - Generic	x	x	x	Service provider has responsibilities to both the supplier and the buyer, with potential for conflicts of	The responsibilities of each party must be clearly delineated.	The processes implementing the supplier and buyer requirements shall be clearly separable with separate audit records, separate archives, separate management control	Clearly document on whose behalf functions are implemented		
	0 - Generic	x		x	The process and procedures	Documentation of processes and	Process and system documentation should be			

# The Matrix ....

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		B	C	D						
0	A - Trading partner onboarding	x	x	x	Trading partners are given access to the e-invoicing system without sufficient training of key staff.	The trading partners/service providers should ensure that the trading partner in question is trained to perform the required system activities, including processes	The trading partner/service provider must make documentation or other appropriate learning tools available that allow the trading partner to effectively train relevant staff. A minimum skill level must be verifiably obtained by key	Online documentation and tool tips, multi-lingual support, clearly mark user IDs to indicate and separate test and production accounts (that no test account message can be sent to production accounts).		
1	A - Trading partner onboarding	x	x	x	Inconsistent application of security of information exchange between parties	Security mechanisms employed across parties involved with exchange of E-Invoice shall address identified risks in a	Parties involved in exchanging E-Invoices shall agree security mechanisms or controls applied to address identified threats to the exchange of information.			
	A - Trading partner onboarding	x	x	x	Trading partners are given access to the e-invoicing system without	The proper technical functioning of the trading partner's	The trading partners/service providers test plans and test results should be agreed by both parties	Online testing and tight controls; separated testing and production accounts; self service facilities to create test E-Invoices		



## **We are we now:**

- Last CEN-meeting “e-Invoicing2”  
Madrid 10 September 2009
- We had a lot of positive feedback,
- The e-Invoicing Compliance Guidelines are adopted by the Expert Group on e-Invoicing



## From now:

- CEN/e-Invoicing 3?
- The invitation still stands:
  - We invite companies, Service Providers and developers of e-invoicing solutions to assess the applicability
  - We invite all auditors specialising in e-invoicing applications and VAT administrations to review the Guidelines



**I thank you  
for  
your attention**