

LA PISTE D'AUDIT FIABLE

“ Reliable Audit Trail,
Are you ready ? ”



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WHAT IS THE RELIABLE AUDIT TRAIL ?

«La Piste d'Audit Fiable», the Reliable Audit Trail is a mandatory regulation for all companies, tax associations or organizations that use invoices in their transactions.

The Reliable Audit Trail must demonstrate to the tax administration, the reality and compliance of transactions, establishing the path and controls carried out between the invoice and the delivery of goods and services for all invoices issued or received by the company.

Although set up in 2013 (resulting from Directive 2010/45/EU of 13 July 2010), many entities have still some difficulties to comply with this obligation: lack of visibility on the result expected by the tax administration, lack of time and resources in the face of a time-consuming project, relative tolerance until now of the tax administration.

The tax administration defines the PAF* as follows:

«Approach consisting in the establishment of a continuous and integrated process, with the description, in a clear and exhaustive way, of the progress of operations (information flows, financial flows), their documentation (accounting documents and supporting documents) and their control.»

* PAF : Piste d'Audit Fiable, Reliable Audit Trail



WHO IS CONCERNED, WHAT OBLIGATIONS ?

The PAF regulation applies to any entity that uses invoices in its transactions, and concerns both the seller and the buyer.

The set-up of a reliable audit trail is necessary for all documents whose level of security is not considered compliant. The vast majority of them are invoices in paper format as well as those in simple PDF format, or X invoices. But the same applies to all invoices that do not comply with the tax EDI format or invoices signed with a signature that does not represent the guarantees of an RGS** signature, the RGS level certificate of the electronic signature being considered insufficient.

Since 1st January 2013 (Article 289 VII of the CGI), following the transposition of a European directive, 3 billing methods coexist:

- Tax EDI exchange (electronic data exchange)
- The secure invoice «General Security Database» (RGS**)
- Other invoice formats (Paper, Simple PDF, PDF RGS**)

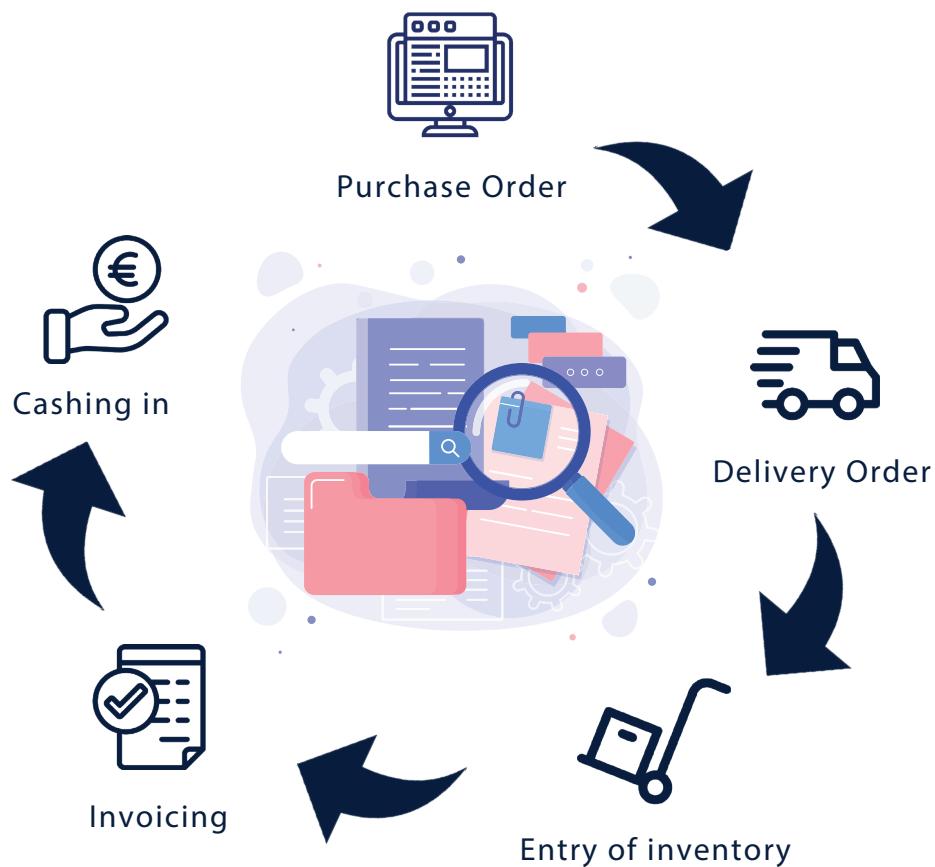
** Référentiel Général de Sécurité

All companies, including taxed associations are concerned by the reliable audit trail but the tax administration specifies that the documentation must be adapted to the size of the company. Thus, it is planned:

- For VSEs, a «light documentation»
- For SMEs, summary written documentation
- For large companies, detailed written documentation

Attention: in case of control, VSEs must be able to justify the operation of their billing process. This requires at least a mapping supported by a diagnosis to identify the strengths and weaknesses of the current organization with regard to the reliable audit trail to make improvements and secure the processes.

In case of control by the tax administration, your company must present within a maximum period of 30 days the procedure justifying the reality of a transaction.



An audit trail is considered reliable when the administration can establish the link between the supporting documents and the transactions carried out between them. Therefore, the entity must :

- Identify all incoming and outgoing flows
- Implementation of «documented» and «permanent» controls specific to invoice management in order to identify and correct errors or anomalies.

*Each step of the invoicing process from the purchase order to payment must be documented, and be subject to permanent controls.

*It is necessary to justify any operation by an original supporting document from which it is possible to go back by an uninterrupted path to the invoice or from the invoice to the original supporting document.

- Protect and secure data and information systems with settings that comply with rules and the need for supervision.
- Provide legal proof of the reliability of the implemented controls, and therefore of the invoices.
- Ensure the update of the PAF documentation.

RISKS: FINANCIAL RISKS FOR THE COMPANY

The risks in the event of failure to communicate the PAF during a tax audit are as follows:

- For invoices received, rejection of input VAT over 3 years.
- 15 € for each omission or inaccuracy found (it being recalled that the total amount of fines due under an invoice may not exceed 1/4 of the amount that is or should have been mentioned there).
- 37 500 € / penalty for each audited year in case of lack of documentation.

And to the extent that the invoices concerned are not considered as original (= legal), the penalty can go as far as the simple rejection of the accounting.

The PAF regulation aims to limit the risk of VAT fraud, and to secure the invoicing process. It also ensures the transition to electronic invoicing.

THE STAKES



Compliance



Security



Organization



Reduction of costs

SET UP OF THE RELIABLE AUDIT TRAIL

It is up to each company to determine the extent and means of the controls it must put in place to guarantee the authenticity of the origin, the integrity of the content and the legibility of the invoices issued and received.

- 1 Secure your organization and processes (map your billing flows from issue to receipt, traceability, archiving).
- 2 Identify and formalize controls to secure billing.
- 3 Assess the level of controls in relation to the expectations of the tax administration.
- 4 Write specific documentation and keep it up to date.

Support of our team of experts

Lack of turnkey solution, complexity of regulations, lack of time and resources, many companies have not advanced on the implementation of the PAF and have few visibility on the state of their risk in case of control.

The implementation of a PAF requires coordinating and synchronizing many internal actors in the company (purchase, sale, accounting, logistics department...), to adopt a control approach (identification of malfunctions and improvements, reallocation of resources ..) and a regular update.

In this context, benefiting from the support of an external expert, with an external and neutral perspective and resources mastering these methodologies is a solution for an economic and efficient implementation of the PAF.

The Rsa teams are able to support you in the implementation of the PAF by offering you solutions adapted to your level of progress.

4 levels of mission can be proposed to you:

- Flash review (Where are you in the implementation of the PAF ? Are you at risk ?)
- Diagnosis of the existing PAF documentation
- Implementation of the PAF (total or partial and complementary)
- Update of the PAF: Update of the documentation + annual tests

In the case of implementation of a PAF documentation, the deliverables that are provided to you can be split as follow :

- 1** Cartographic part : A mapping of all incoming and outgoing flows (buy/sell) of the company. The mapping must be reviewed, updated and tested annually.
- 2** Permanent and documented control part : Documentation on the permanent controls put in place to guarantee the integrity of each step of the process, verify the reality of the invoice and the conformity of the service rendered or the good sold. Execution of tests and formalization of test reports
- 3** Archiving part : A description of the archiving process



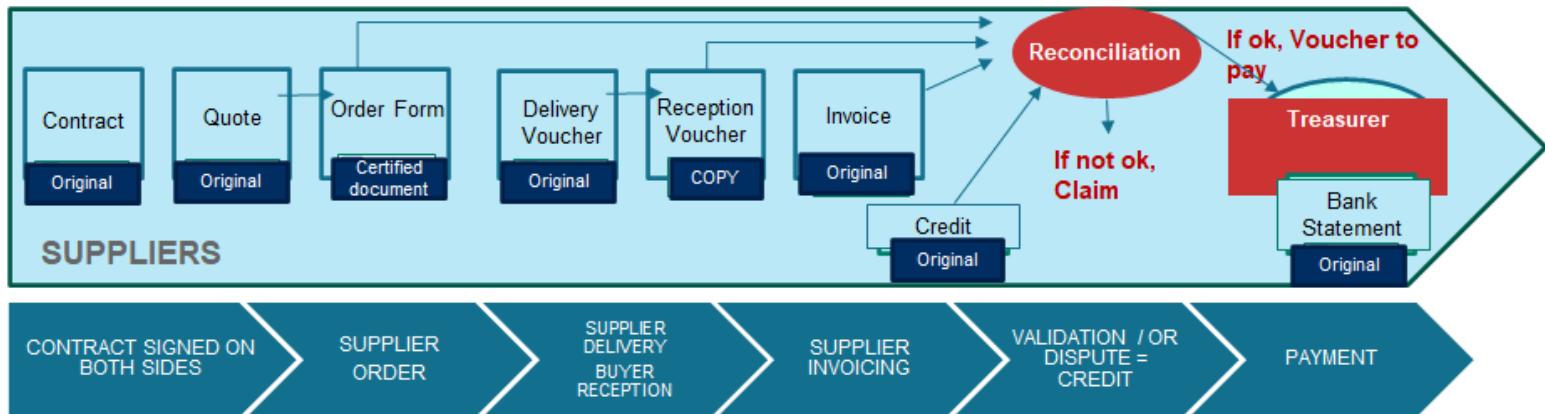
**CARTOGRAPHIC
PART**

**PERMANENT AND
DOCUMENTED
CONTROL PART**

**ARCHIVING
PART**

EXAMPLE OF CARTOGRAPHY

Documents and exchanges archived with the invoice over the same period



OTHER ADVANTAGES

The implementation of the PAF also has many other advantages for the entities :

- Verify the lifecycle of a transaction,
- Limit the risk, reduce the risk of fraud,
- Ensure that transactions have been completed in accordance with the business, economic, accounting and financial situation, as well as the regulations in force, securing tax deductions (VAT, charges, etc.).
- Secure information flows,
- Secure internal control,
- Optimize the allocation of internal resources,
- Reduce payment delays

AGILE AND COMMITTED TO YOUR SIDE

Rsa is a Parisian audit, accounting and consulting firm, independent member of Crowe Global, the 8th largest network in the world. Bringing together 14 partners and more than 120 professionals, the Rsa Group has contributed for more than 30 years to the development of companies by accompanying them on a daily basis and in the key moments of their development, thanks to a range of multidisciplinary services : Audit, Accounting, Consolidation, Social, Corporate Finance- M&A, Evaluation, International Business Services, Compliance Consulting and Risk Management, IT Consulting.

Open to the international market, Rsa has developed a know-how in supporting foreign companies in France. Its approach based on agility and commitment allows Rsa to offer personalized financial information solutions adapted to the needs and organization of its customers.

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