

## **PART B - MATTERS RAISED BY THE IRD**

### **Agenda Item B1 – Investigation and Field Audit : Discrepancies Detected by Field Audit**

Mrs Lai advised that Table 1 in Appendix B was compiled to illustrate the specific problem areas detected in corporations with tax audits completed during the year ended 31 December 2010. Comparative figures for the years 2008 and 2009 were included.

Field Audit teams uncovered discrepancies in 272 corporation cases, of which 235 carried clean auditors' reports. Amount of discrepancies detected in the clean report cases accounted for 93% (2009: 94%) of the total discrepancies detected in the year 2010 and total tax of \$980 million was recovered from these cases. Average understatement per clean report case was \$25.7 million (2009: \$13.5 million) while tax undercharged per clean report case was \$4.2 million (2009: \$2.1 million).

Mrs Lai further said that, in 2010, there was a significant increase in discrepancies detected under the category of offshore income/profits disallowed. Other major discrepancies were found in understatement of gross profits and technical adjustments. In the majority of cases, the discrepancies were detected after examining the business ledgers and source documents.

Table 2 in Appendix B showed a case where it was considered that the auditor of the taxpayer should have detected the irregularities through its statutory audit.

### **Agenda Item B2 - Date of Next Annual Meeting**

The meeting date would be agreed between the Institute and the IRD in due course.