

INSURANCE CONTRACTS FOR THE TAX AUDIT IN COLOMBIA

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Abstract :-Taking into account what the adoption of international standards in information assurance in Colombia represents, this paper presents some aspects that must be considered by tax auditors in work to attest; however, it should be noted that this regulation only represents a part, within a set of rules that embody insurance standards. The methodology used is done through a documentary analysis of the different regulations issued by the State, following the convergence of international accounting standards in the country, and some papers presented on the subject. Within the results, two tendencies can be observed: The first one, oriented to the training and experience that these professionals must have in the development of this type of work; the second one, recognizes the advantage that the large audit firms established in the country have over the applicability of this type of work.

Key-words:- Work to attest, prospective information, controls in service organizations, declaration of greenhouse gases, preform information.

Introduction

Taking into account the importance of the process of adopting the technical regulatory framework for information assurance in their professional practice for the tax review, some aspects that these professionals must take into account in the application of the insurance commissions established by the Government and issued by the International Auditing and Assurance Standards Board (IAASB), an organization attached to the International Federation of Accountants (IFAC) are presented.

It is worth noting the interest generated by the topic, given that its application is mandatory for those professionals who provide their services to the entities where its application is required; likewise, it is important to mention the regulations that have been established after the adoption of this new technical framework, and which implies a greater qualification and expertise in the subject.

The methodology applied includes documentary analysis, as a technical strategy for collecting information, consulting national sources related to regulations issued on fiscal auditing and the normative technical framework of information assurance; as well as reading works published in some indexed journals that show the applicability of these works in certain specific contexts.

The results revolve around two trends, the first shows the need to acquire more knowledge of the new services requested; however, there is a lack of knowledge on the subject, as it is about insurance work different from the historical financial information, to which this professional normally performed; the second, evidence that in the country the large audit firms have greater knowledge and experience in the subject, given their participation in other countries that have adopted this regulation a few years in advance.

2. Theoretical background and some antecedents

It is evident that "political processes" play an important role in auditing, as evidenced by the number of regulations issued by the Government since 2009, following the support of internationalization in economic relations and the adoption of accounting, financial reporting and information assurance standards. For the latter, particularly the international standards of insurance contracts, additional functions are generated to the fiscal reviewers generating controversy in the adoption of these standards in the exercise of the profession. (Watts & Zimmerman, 1986)

Without a doubt, the capital market is one of the generators of "normative instrumentalism", created not only now, there are different moments in the financial history that register regulation by different governments. Precisely, the financial crises presented in the United States in 1929 and 2008 by fraudulent financial information, and the legitimation of these practices by auditing firms, drove the growth of regulations that seek to protect public confidence. (Lopes de Sá, 2010)

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However, international standardization began before the creation of the International Accounting Standards Committee (IASC) in 1973, when companies seeking foreign investment offered their shares on the stock markets; However, these operations presented differences in measurement, disclosure and auditing that required specific regulation; subsequently, in the 1990s and with the rise of globalization of markets, the concept of accounting harmonization became a reality after many debates that allowed the issuance of standards by international organizations. (CHoi & Meek, 2011)

Therefore, an increase in international market and foreign investment operations attracts high demand from the public and private sectors for non-audit or review of historical financial information services, which address a wide range of issues tailored to the needs of decision makers; This is why international organizations such as IFAC, which through IAASB, are increasingly specializing in issuing the International Standards are Assurance Engagements (ISAE), which in Spanish translates international standards of insurance commitments. (White, 2015)

To the extent that new entities enter the stock markets in an increasingly globalized world, there is a need for the issuance of standards by recognized bodies, but, there is a greater need to obtain opinions from third parties that certify the affirmation issued elsewhere, not necessarily financial and historical, as traditionally developed, at present it is necessary to obtain assurance of information issued by a third party on prospective financial information, in internal control, environmental reports, among others; which reduce the risks of both financial and non-financial information. (Whittington & Pany, 2005) environmental reports, among others; which reduce the risks of financial and non-financial information. (Whittington & Pany, 2005)

Some of the works that were consulted on the subject show how the adoption of information assurance standards (IAS), adopted in Colombia, represent a great formative effort on the part of small and medium audit and tax auditing firms; however, it is not the same situation as large firms, and the so-called "big four" firms that have a great deal of training and experience in the subject, especially due to their advanced trajectory in the adoption of international standards in other countries. Another important aspect to highlight, is that the new adoption of the attest function implies a correct design of the internal control system, that generally some big companies fulfill, but, it is worth remembering that most of the entities, mainly small and medium entities (SMEs), do not have well defined internal control systems. (Rejón, 2016)

However, in addition to the knowledge and ongoing training that the future professional must have in the area of International Financial Reporting Standards (IFRS) and Information Assurance Standards (IAS), in the context of the globalization in which it interacts, it is important that the Central Board of Accountants, the institution in Colombia in charge of granting the professional card to current Public Accountants, to use a little more rigorous measures in the entrance of these professionals and to verify the continuous qualification in the professional exercise given the increase of the level of exigency in normative matter, not only national, but also, of the modifications and updates periodically carried out by the issuing organisms of international accounting standards. (Molina and Suarez, 2016)

3. Methodology

As a technical strategy for the collection of information, a documentary analysis was carried out taking into account two aspects, the first, based on the regulations that are in force and that were classified within the contextual framework of the accounting and tax audit training in Colombia, taking into account the Commercial Code, Law 43 of 1990, Decrees 302,2420,2496 of 2015 and Decree 2132 of 2016, which establishes the technical regulatory framework for information assurance; the second, the opinion of experts on the subject is reviewed in a number of indexed journals and current audit texts that cover underwriting assignments other than the audit of historical financial information, with the purpose of investigating the functions that this professional will perform with the entry into force of the adoption of this new regulation. (Sandoval, 1996)

4. Results

In a previous paper by the author, the scenarios of public accounting in Colombia were presented up to the year 2025, emphasizing on the perception that professionals had of international standardization, presenting two types of actors, the first ones, that see international regulation as an opportunity to become more competent in the global environment; the following, reject the normativity manifesting the lack of investigations that show the effects that this regulation presents in the profession; nevertheless, it is evident that at present the fiscal reviewers must be formed to acquire the necessary competences that allow them to confront the challenges that the organizations face around phenomena that affect them (Morales, 2015)

Within the information consulted, it can be determined that the Government establishes a regulatory framework for these professionals who are not prepared for compliance, the panorama is not as simple as it seems, in part, because there is a lack of knowledge of the subject and its applicability, somewhat limiting the process of adopting this new

However, despite the fact that its scope of application has been established, concerns continue to be raised with respect to professionals who work voluntarily applying the assurance standards, but also to continue with the auditing standards generally accepted and established in Law 43 of 1990.

legislation in the different entities where they provide their services. In spite of the increase in the offer of training on the subject by higher education institutions, there continues to be ambiguity in the application of these standards. In addition, it is significant among the services provided by large auditing and consulting firms, of professionals who offer their services to Small and Medium entities (SMEs).

Another important aspect to take into account is related to the participation of a third party that guarantees that the information complies with the underwriting orders; however, being a representative of the partners before the administration: can they be independent before a type of underwriting order requested, taking into account their contractual link with the entity's government? That is, there are some limitations between the application of international underwriting standards and the regulations in force. In addition, can one testify about a commission that affects the government and benefits a community? It is necessary on the part of the Technical Council of Public Accounting in Colombia, to evaluate the functions of the fiscal auditor against the commitments acquired in the new technical regulatory framework.

Undoubtedly, this new regulation creates greater opportunities for these professionals to provide within their portfolio new services related to insurance commissions; however, are professionals currently prepared to assume these commitments? It is evident that in the face of such complex issues as greenhouse gas declarations, pro forma financial information, controls applied to service organizations and prospective financial information, different from historical audits, there is total uncertainty for such professionals that forces them to specialize in these issues that are of total importance for their professional performance, otherwise, large recognized audit firms will continue to obtain progressively more.

in the other entities that apply the technical regulatory frameworks in force, because the regulations give the option of

Table 1 Scope of application of the technical regulatory framework for information assurance

SCOPE OF APPLICATION OF ENTITIES	
TAX AUDITORS	Group 1 Entities
	Group 2 entities 30,000 (SMMLV) of assets, OR 200 employees
TAX AUDITORS	Report on consolidated financial statements of group entities 1 and 2
	Entities not belonging to Group 1 that voluntarily availed themselves of the technical regulatory framework.
	State entities required to apply the regulatory framework for publicly listed companies or companies that capture or manage savings apply the ISAs in connection with the preparation of financial statements and apply the ISAEs in connection with the evaluation of internal control and in compliance with legal, statutory and partner assembly or board requirements. Tax Reviewers who voluntarily wish to apply it
	Tax auditors who provide their services to other entities continue to apply Law 43 of 1990

Source: Decrees 0302, 2420 y 2496 de 2015, 2132 de 2016

It is important to note that the fiscal reviewer before evaluating on a specific issue, should take into account that there are two types of reports, reasonable assurance, which provides a positive conclusion after reducing the risk to an acceptable low level; and limited assurance, presenting a negative conclusion and allowing a reduction of the risk to an acceptable level, as shown in Figure 1.

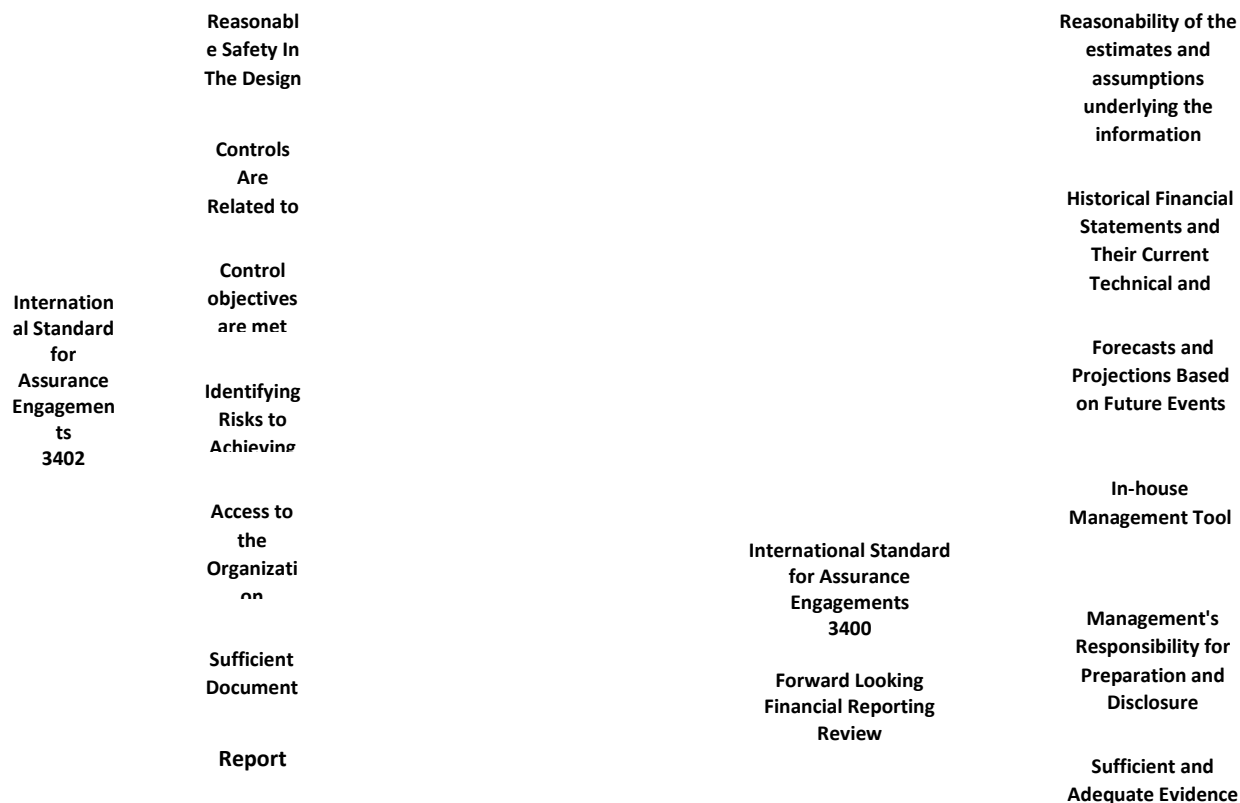
FIGURE 1: TYPES OF SECURITY ASSIGNMENTS



Source: Decree 2132, 2016

The following describes some relevant aspects that should be taken into account; however, it is necessary to indicate that the ethical requirements established in the code and the quality control procedures that guarantee its work must be complied with. Figure 2 shows some necessary elements in the applicability of insurance orders.

FIGURE 2: INTERNATIONAL STANDARD FOR INSURANCE ORDERS 3000



Source: Decree 2132, 2016

Figure 3 shows some aspects to be taken into account in the international standard 3400 for insurance orders related to the examination of prospective financial information, which is responsible for providing guidance on how management presents forecasts and projections taking into account assumptions or estimates that may occur in the future and possible actions by the entity.

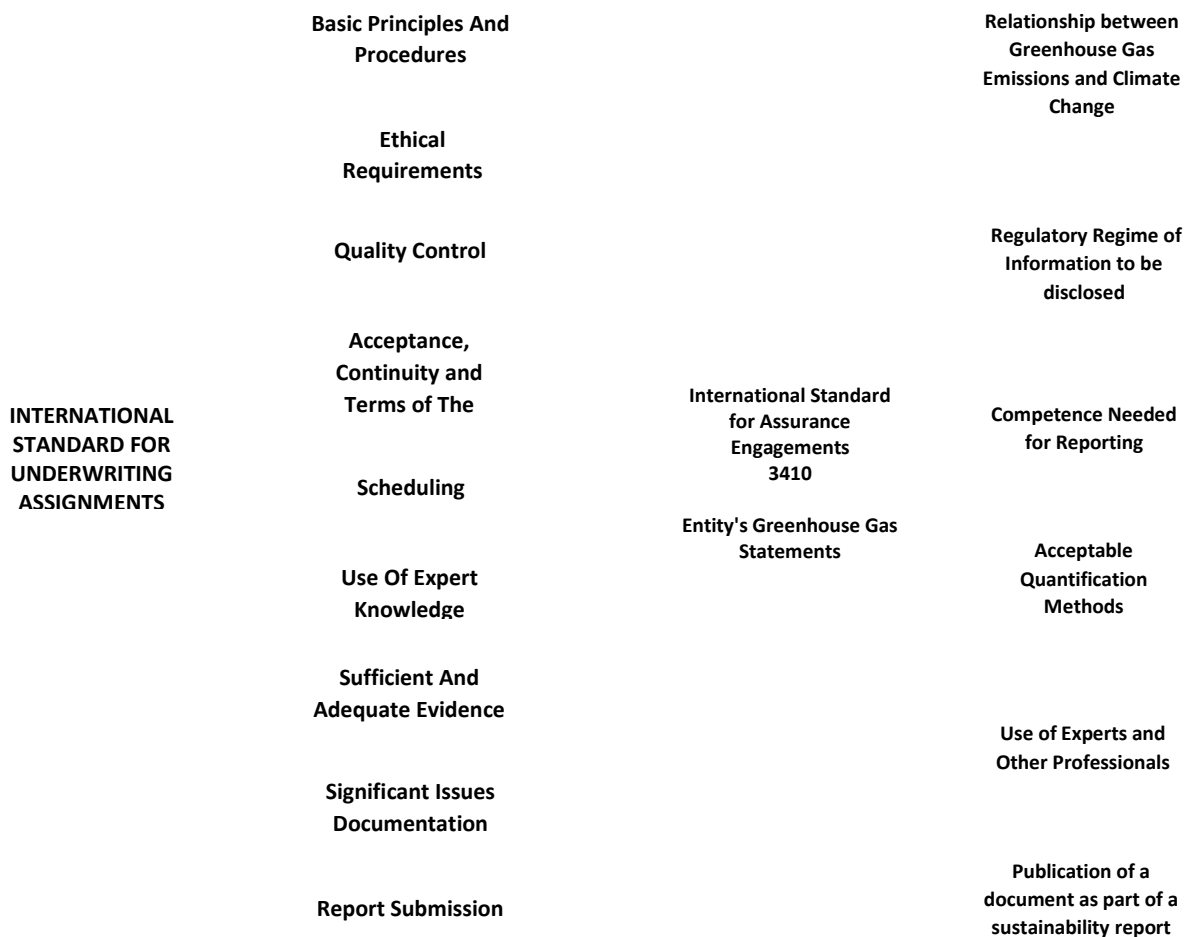
FIGURE 3: INTERNATIONAL STANDARD FOR UNDERWRITING ASSIGNMENTS 3400, REVIEW OF FORWARD-LOOKING FINANCIAL INFORMATION



Source: Decree 2132 of 2016

Figure 4 presents some important aspects of the international standard for assurance assignments 3402, assurance reports on controls in service organizations, which seeks to ensure that users who contract with these types of organizations obtain a little more security from the internal control systems

FIGURE 4: INTERNATIONAL STANDARD FOR UNDERWRITING ASSIGNMENTS 3402, UNDERWRITING REPORTS ON CONTROLS IN SERVICE ORGANIZATIONS



Source: Decree 2132 , 2016 e 5 presents the international standard 3410 for insurance orders, specifying the greenhouse gas declarations, which is relevant for climate change and the effects that entities cause in their production and/or transformation processes of their products and/or services.

FIGURE 5: INTERNATIONAL STANDARD FOR UNDERWRITING ORDERS 3410, GREENHOUSE GAS DECLARATIONS OF AN NTITY

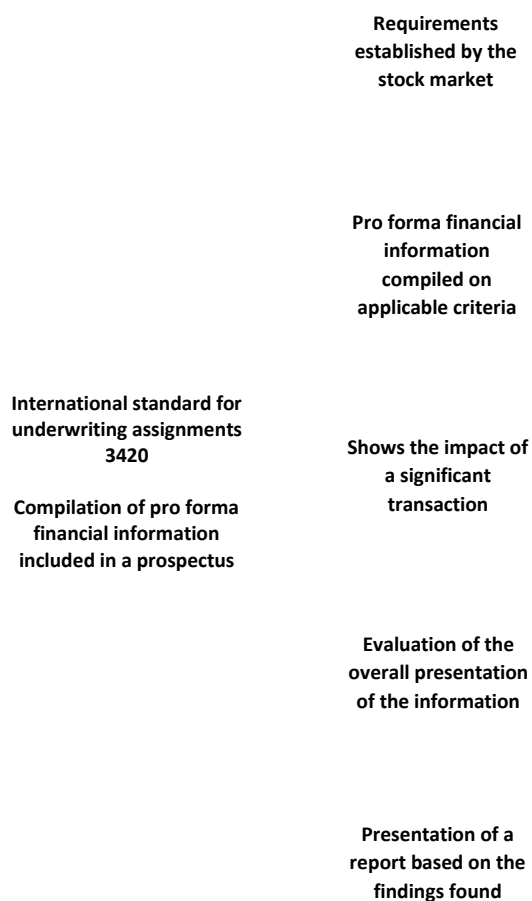
In response to this rule, it should be noted that the Government has now enacted Law 1844 of 2017, as a commitment to the approval of the Paris Agreement and the importance of adopting measures to address climate change as a result of the increase in the concentration of greenhouse gases, which is why the creation of a carbon tax allows compliance with this agreement and to promote the use of technologies that generate less pollution and more friendly to nature.

Therefore, the Tax Reviewers must be qualified in the face of this issue, which has become increasingly important; although it is true that universities incorporate these issues in the training of these professionals, it is important to emphasize that the standard allows the accompaniment of experts and other professionals who are required for certain assignments that require more precise and responsible reporting in the face of issues that burden humanity.

Figure 6 shows some aspects related to a standard that shows the financial information that an

entity presents to certain users responsible for making investment decisions through the stock market, which with the globalization of markets, these operations are becoming increasingly important; therefore, for these users it is predominant to know whether the information provided by an entity through a brochure is highly reliable.

FIGURE 6: INTERNATIONAL UNDERWRITING STANDARD 3420, PRO FORMA FINANCIAL INFORMATION COMPILATION INCLUDED IN A PROSPECTUS



Source: Decree 2132 de 2016

5. CONCLUSIONS AND DISCUSSION

Among the information consulted, it can be determined that the Government establishes a

regulatory framework for these professionals who are not prepared for compliance, the panorama is not as simple as it seems, in part, because there is a lack of knowledge of the subject and its applicability, limiting a little the process of adopting this new regulation in the different entities where these professionals provide their services. Despite the increase in the number of higher education institutions offering training in this area, there is still an ambiguity in the application of these standards.

Another important aspect is related to the participation of a third party that guarantees that the information complies with the insurance orders; however, the representative of the partners before the administration, can it have independence from a type of insurance order requested, taking into account its contractual link with the government of the entity? In other words, there is a clear ambiguity between the application of these standards and the regulations in force. In addition, can you testify about an assignment that affects government and benefits a community? It is necessary for the Technical Council of Public Accounting in Colombia to make an evaluation of the fiscal auditor's functions in relation to the commitments made in the new technical regulatory framework.

Undoubtedly, this new regulation creates greater opportunities for these professionals to provide within their portfolio new services related to insurance assignments; however, are the professionals currently prepared to assume these commitments? It is evident that faced with such complex issues as greenhouse gas declarations, pro forma financial information, controls applied to service organizations and prospective financial information, different from historical audits, there is a total uncertainty on the part of these professionals that forces these professionals to specialize in these issues that are of total importance for their professional performance, otherwise, the entities will seek recognized audit firms to help them comply with the regulations.

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