

## **STORAGE OF ACCOUNTING DOCUMENTATION AND ITS AUDITING – THE CASE OF SLOVENIA**

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*Archiving and storage of the accounting documentation of companies in Slovenia has recently become a very topical issue. In the age of increasingly emerging e-commerce and, consequently, e-storage, many questions arise in the business and professional world regarding the issue of secure storage of business documents, so that they can still be used as authentic and authentic in the future. With the methods of description, compilation and deduction we will give the companies advice for archiving accounting documentation.*

**Key words:** *accounting documentation, e-accounting, accounting, archiving.*

## **ХРАНЕНИЕ БУХГАЛТЕРСКОЙ ДОКУМЕНТАЦИИ И ЕЕ АУДИТ – ПРИМЕР СЛОВЕНИИ**

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*Архивирование и хранение бухгалтерской документации компаний в Словении в последнее время стало очень актуальным вопросом. В эпоху все более развивающейся электронной коммерции и, следовательно, электронного хранения в деловом и профессиональном мире возникает много вопросов, касающихся вопроса безопасного хранения деловых документов, с тем, чтобы они все еще могли использоваться в качестве аутентичных и аутентичных в будущем. С помощью методов описания, составления и вычета мы дадим компаниям рекомендации по архивированию бухгалтерской документации.*

**Ключевые слова:** *бухгалтерская документация, электронный учет, бухгалтерский учет, архивирование.*

### **Introduction**

As is already known, business and accounting documents are created during business operations, which every taxpayer is obliged to keep by law. The documentation can therefore be different and must be marked correctly. On the one hand, documentation is created that is related to the company's knowledge and its participation in the market. This includes various records, ideas, policies, and other documentation. With an internal act in the company, such as the internal act in accounting, they decide how they will store this documentation, where they write down, on what medium the documents are stored, whether the originals are discarded or preserved, and what is the storage period. On the other hand, documentation related to accounting operations is created. The storage of this documentation is prescribed by quite a few laws.

### **Storing the accounting documentation**

Storage and archiving of accounting documentation are mandatory for every company. The company law for taxes defines that a “taxable person” is any person who acts independently and autonomously and carries out any economic activity anywhere, whether making a profit or not. So, taxpayers are all those who are identified for VAT purposes and also those who are not - these are also called small taxpayers by law.

Each company creates a hefty pile of papers and documents during its accounting that need to be kept for different lengths of time. The following laws in Slovenia prescribe which documentation must be kept and for how long:

- The Value Added Tax Act;
- The Rules on the implementation of the law on added value;
- The Tax Procedure Act;
- The Companies Act;
- The Slovenian Accounting Standards;
- The Law on Accounting;

Business and accounting documentation are usually stored during the year by an accounting department or accounting service company, which returns it to the management or entrepreneur at the end of

the accounting period. It is therefore important that every manager or entrepreneur knows and understands how long each type of document must be stored.

The Slovenian Tax Procedure Act stipulates that every taxpayer must ensure the storage of copies of invoices issued by himself or his customer. He can store them in Slovenia or abroad, but he must inform the tax authority in advance. It must keep them for 10 years after the end of the year to which they relate.

### **Research question and methods of work**

We set the following research question:

*How long should be the accounting documentation archived and how that should be audited?*

With the methods of description, compilation and deduction we will give the companies advice for archiving and auditing accounting documentation.

### **Document archiving periods**

According to all accounting laws and regulations for companies in Slovenia, the documentation must be stored and archived. The good news, though, is that not all documentation needs to be archived for the same length of time, which means that mountains of paper can shrink further.

Types of documentary material regarding retention periods:

- archival material
- permanent documentary material
- material with a fixed retention period (2 years, 3 years, 5 years, 10 years, 20 years)

In the Slovenian Accounting Act (Official Gazette 23/99) and in Article 47 of the Accounting Rules, no. 004-76 / 2004/1, dated 15.11.2004 (hereinafter the Rules), Chapter V - Closing of business books and storage of bookkeeping documents, business books, annual reports, it is prescribed that accounting books and bookkeeping documents must be kept in the archive. Furthermore, Article 30 of the Accounting Act and Article 48 of the Rules set the shortest retention periods:

- 2 years - sales and control blocks, ancillary accounts and similar accounting documents;
- 3 years - accounting documents of payment transactions;
- 5 years - bookkeeping documents on the basis of which, by law, documents auxiliary books are booked;
- 10 years - real estate purchase contracts, general ledger and diary.

For permanent period should be archived annual reports (balance sheets and income statements with disclosures prepared by accounting for Tax Authorities and other Government Authorities), final accounts of employees' salaries and payrolls for periods for which there are no final accounts of salaries.

When processing data by computer, a collection of documents on relevant computer programs is also kept, which enables later verification. The retention time of this collection depends on the retention time of accounting documents (Topolovec, 2015). The Accounting Act stipulates that business books and accounting documents are kept in the archives, and the shortest retention periods are also set.

Permanently must be archived:

- annual reports (balance sheets prepared by accounting for Tax Authorities and other Government Authorities);
- payslips and everything related to the calculation of salaries,
- book of conclusions,
- general ledger and diary.

Up to 20 years must be archived:

- contracts and invoices for the purchase and sale of real estate,
- register of fixed assets.

Up to 10 years must be archived complete documentation for posting business events:

- issued invoices,
- received invoices,
- contracts on purchase and sale of short-term financial investments and
- borrowing of short-term loans, transaction accounts, settlements

## Permanent archiving

The law requires the permanent storage of certain documents, which in practice is quite absurd, as it means that an individual who has an open s. p. keep your documents permanently for a year or two. In public administration, this is set by deadlines, which are still very long, for example, personal files must be kept for at least 100 years from the birth of the civil servant, and payslips for at least 50 years from their creation. Documents must be kept within the statutory regulations and limitation periods. Thus, the law stipulates that a taxpayer who ceases to operate (or his legal successor) must inform the tax authority where the documentation is kept or who keeps it. If he fails to do so, a fine in the amount of EUR 800 to 10,000 is envisaged for a misdemeanor for a sole proprietor or a self-employed individual for a legal person which is considered a micro or small business under the law governing companies. company, a fine of 1,200 to 15,000 euros is set, for medium or large legal entities under the Companies Act from 3,200 to 30,000 euros, and the responsible person of a legal person or sole proprietor is additionally fined.

## Electronic archiving of documents

When we talk about electronic archiving, we must be aware of and above all understand the distinction between classical archiving and electronic archiving of documentary material. The purpose of both methods of archiving documentary material is the same, only the procedures or paths are different. The transition to electronic document archiving can bring the company a competitive advantage, which reduces costs and enables faster and better business.

To summarize briefly, the classic archiving of documentary material is the archiving of documents collected in binders or in archival boxes kept in archival premises. Classical archiving is summarized according to the Regulation on Administrative Operations. Electronic archiving is therefore defined in more detail in the Protection of Documentary and Archival Materials and Archives Act. The law stipulates in particular:

- capture of that material which was originally created in digital form,
- the capture of that material originally produced in physical or electronic analogue form and the reliability of the conversion,
  - conversion of captured material into digital form for long-term storage and conversion reliability,
  - destruction of original documentary material,
  - storage of documentary material in digital form and long-term storage in digital form,
  - validity and probative value of documentary material in digital form,
  - preparation of persons for the capture and storage of documentary material in digital form.

Electronic archiving of documents is the archiving of those documents that have been exclusively in electronic form since their creation, or have been digitized later. In addition to storage, control as well as management of all phases of the document life cycle is important. In the case of electronic archiving, we must ensure a high level of security and reliability of the system and the right of access from individual documentation. The point is that capturing documents in an electronic archive is easy. It must ensure the capture of documents in digital form (computer files, computer records,...) as well as in physical form (paper, analogue media records).

The essence of electronic document capture is their digitization and classification of documents according to type and purpose. The conversion of paper documents into digital form (scanning) is a basic condition for the effective use of a document management system. Prior to this, the documents must be properly reviewed and prepared. This means that they must be folded out of binders and folders and all staples and various other binding means that could hinder the digitization process, ie scanning, must be removed.

Therefore, in order for electronic archiving to comply with the law, the company must provide the tax authority with access to all documentation within the limitation period, and no unjustified costs may be incurred.

There are two methods of electronic archiving used by companies:

- they take care of such an archive themselves (and provide confirmation of the already mentioned Archives of the Republic of Slovenia);
- rent a space from an external contractor, which ensures the compliance of archiving with the requirements of the Archives of the Republic of Slovenia.

In the company for example, they could take care of this archive themselves, and as soon as a signed document is received, it is converted from paper form to digital, so the certified document is scanned. (these are more invoices issued, weighing sheets when accepting items, delivery notes etc. With changes brought about by the internet and crowd participation, new options to address this problem have emerged (Kibreth, 2020).

### **The auditing of archived documents**

In their work, the auditors use for supervising the archived documents computers with software tools, typewriters, memories on which it stores data, then they work with accounting reports, business books and records. The auditors should be certified.

A certified auditor must have a high professional or university education in economics. In order to perform the profession of a certified auditor, a professional exam for a certified auditor at the Slovenian Institute of Auditors is required in addition to the obtained certificate for an auditor and at least three years of work experience in auditing. He upgrades his knowledge in the fields of accounting, auditing, business finance, law and the like, and adds experience and expertise from the same fields of operation. A certified auditor is required to be capable of logical-analytical thinking and must be able to count, as working with numbers is his main area. He must be able to focus on details, express and interpret results properly. Because the work is fast and dynamic, it is required to be independent but at the same time open to cooperation, it must be accurate, responsible, impartial and honest.

For each audit, the internal auditor prepares an audit plan. When planning an individual engagement, internal auditors exercise due professional diligence. In planning, the work is focused on key areas that have a significant impact on the correctness and efficiency of operations and / or the purpose of spending budget funds.

The plan shall specify at least:

- Subject (scope) and scope of the audit,
- Purpose and objective of internal audit,
- Significant risks of the audited area / process and data on their management,
- The criteria to be used in carrying out each audit,
- Expected scope and method of work,
- Estimated deadlines for the start and completion of implementation and preparation of the final audit report,
- Persons to whom the final audit report will be sent,

The Internal Audit Service of the Slovenian Ministry of the Interior requests the preparation and delivery of documentation necessary for the performance of internal audit and audit actions to the head of the organizational unit to which the audited area / process relates and which is related to the subject of the audit (Ministry of the Interior, 2018, p. 12).

Prior to the preparation of the audit report, the coordination of the essential findings may be carried out in the form of meetings, in writing or electronically during the internal audit itself.

Furthermore, the auditor prepared a draft audit report. The draft contains essential findings and recommendations. These recommendations may include an indication of the recommended key stakeholders in the implementation of the recommendations and the ranking of the recommendation according to their assessed relevance. The auditor's assessments can be: critical, very important, important, desirable.

The responsible persons of key organizational units are acquainted with the draft audit report. They are then invited to coordinate the content of the draft audit report. Upon receipt of the draft audit report, recipients have ten working days to submit written proposals for its reconciliation. This procedure is necessary to avoid misunderstandings or to clarify any differences between the findings of the internal auditors and any new evidence / documentation available to the responsible persons.

Reconciliation proposals submitted after the deadline are generally not taken into account in the final audit report.

A conciliation meeting may also be convened in the conciliation process to further explain and consider any harmonization proposals. A coordination meeting can be convened by e-mail or by telephone.

This is followed by the issuance of the final audit report. Only this must be supported by sufficient, reliable, relevant and useful information. It must contain essential findings and recommendations. It must include and contain at least:

- Introduction, - Summary of findings,
- Scope, scope and objectives of the audit,

- Audit methods and procedures,
  - Findings and information supporting the findings and recommendations,
  - Suggestions and recommendations for the elimination of identified irregularities and deficiencies,
  - Proposals for deadlines and institutions for the elimination of deficiencies and irregularities,
    - If necessary, detailed explanations of the findings for individual areas.
- an opinion may also be given, which may be an assessment, finding or other description
- The final report shall be sent to:
- The Head of the Ministry of the Interior (Minister),
  - The head of the body within the Ministry of the Interior (if the audit was performed by them),
- Secretary General of the Ministry of the Interior,
  - To the responsible persons of the audited organizational unit.
- (Ministry of the Interior, 2018)

### **The conclusion**

The accounting document should be stored in paper or digital way by the law. The correctness of archiving should be supervised by the certified auditor, who is the independent expert. In a more detailed review of the theory and further practice in the field of archiving and auditing documents, we believe that internal audit is a necessary measure of any organization that contributes to the proper functioning of it. Also important is the professionalism and objectivity of the auditor who performs this work. Namely, the auditor's work, if unprofessional, can lead to serious damage to the audited unit.

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