REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

May 22, 2008

REVENUE MEMORANDUM ORDER NO. 19-2008

SUBJECT : 2008 Audit Goal and Basis for the Computation of the Audit Effort Ratio, Amending for the Purpose the Target Prescribed Under Revenue Memorandum Order No. 15-2008

TO : Assistant Commissioner/Head Revenue Executive Assistants - Large Taxpayers Service (LTS), Chiefs of the Divisions under the Large Taxpayers Service, All Regional Directors, Revenue District Officers, Chiefs of the Regional Assessment Divisions, Revenue Officers and Others Concerned

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I. Background

One of the Key Performance Indicators (KPI) to be used in evaluating the audit performance starting the first semester of Calendar Year 2008 is the Audit Effort Ratio. Although the formula in determining the Audit Effort Ratio has been prescribed in Revenue Memorandum Order No. 15-2008, there is a need to define what comprises the collection from audit and what should be considered as the total assigned collection goal in order to have a uniform understanding of the said performance measure.

II. Objective

This Order is issued to prescribe the revised target for the Audit Goal and the basis of computation of the Audit Effort Ratio.

III. Policies

1. Collection from audit shall include deficiency taxes collected, including penalties, as a result of audit under a duly issued Letter of Authority (LA), Letter Notice (LN), Tax Verification Order (TVN) or Mission Order (MO). Thus, payments made by taxpayers before the issuance of an assessment notice, as well as payment after the issuance of a Preliminary Assessment Notice and Final Assessment Notice or after the case has been reviewed by the reviewing offices, shall be included in the determination of the total collections from audit.

However, collections from delinquent accounts, although arising from an issuance of LA, LN, TVN or MO shall not be considered as collection from audit.

2. The formula in computing the Audit Effort Ratio is as follows:

   For LTS:

$$\text{Audit Effort Ratio} = \frac{\text{Collection from Audit (LAs + LNs + TVNs + MOs)}}{\text{Assigned Collection Goal (net of voluntary compliance collections from TRA of NGAs, SARO and Excise Tax)}}$$

   For Revenue District Offices:

$$\text{Audit Effort Ratio} = \frac{\text{Collection from Audit (LAs + LNs + TVNs + MOs)}}{\text{Assigned Collection Goal (net of voluntary compliance collections from TRA of NGAs, withholding taxes of LGUs and SARO)}}$$

3. The audit goal/target is set at a minimum of 1% for the investigating offices under the LTS and 2% for the Revenue District Offices using the applicable formula.

IV. Repealing Clause

All revenue issuances or portions thereof inconsistent herewith are hereby revoked and/or amended accordingly.

V. Effectivity

This Order shall take effect immediately for the Performance Evaluation Reports of all concerned offices at the end of each semester starting the first semester of CY 2008 for submission on or before the end of the following month.

(Original Signed)
LILIAN B. HEFTI
Commissioner of Internal Revenue

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