

Employment Tax Risk Review

1. EXECUTIVE SUMMARY

- 1.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.
- 1.2 Following a site visit and a review of procedures 10 areas of risk were identified:
- 2 High Risk
 - 4 Medium Risk
 - 4 Low Risk
- 1.3 An action plan was prepared to address the issues raised by the review.
- 1.4 The Committee is asked to note the contents of the report with updates being provided to future meetings.

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2. INTRODUCTION

- 2.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.

3. RECOMMENDATIONS

- 3.1 Note the contents of the report and further updates will be provided once all action points are complete.

4. DETAIL

- 4.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. Those areas identified, if not addressed, could expose the Council to penalties and jeopardise the Council's risk profile.

- 4.2 The purpose of the review by KPMG was to ensure the systems and processes in place for reporting, calculating and paying PAYE and NIC on cash payments and benefits provided to employees are robust. In addition, ensure that there are appropriate safeguards built in to the system in respect of review, sign off and security controls.

The review used the same methodology which HMRC would adopt during an employer compliance review.

- 4.3 A consultant from KPMG carried out a 2 day site visit during which they reviewed the following areas:

- Payment of expenses, allowances and benefits in kind
- Payments to external consultants
- Payments made under voluntary or compulsory redundancy arrangements.

- 4.4 On completion of the site visit KPMG then produced a report of their findings, risk levels and recommendations to reduce these risks.

This report included a traffic light summary which can be seen in Appendix 1. This summary shows there were 2 areas of high risk, 4 medium risks and 4 low risks.

4.5 In light of the findings from this report an action plan is being created to take action to reduce/eliminate the risks identified where possible. The risks which will form the basis of the plan can be seen in Appendix 2. A completed plan will be presented at the meeting.

5. CONCLUSION

5.1 The completion of the Employment Tax Risk Review by KPMG, and planned action will reduce Argyll & Bute Councils exposure to errors and penalties. It will also assist in ensuring a low risk profile is maintained.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	Correct values of PAYE and NIC are calculated therefore reduced risk of penalties
6.3	Legal -	None.
6.4	HR -	None.
6.5	Equalities -	None.
6.6	Risk -	Errors in calculating and paying PAYE and NIC resulting in penalties and impacting the risk profile of the Council
6.7	Customer Service -	None.

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Appendix 1 – Traffic light summary of findings by KPMG
Appendix 2 - Action Plan created by Argyll & Bute Council