

VAT Risk Review

1. EXECUTIVE SUMMARY

- 1.1 This report is a follow up report which sets out the progress in respect of the action plan prepared following the initial KPMG review of VAT carried out in April 2013.
- 1.2 The Council asked tax consultants KPMG to carry out a VAT Risk Review to identify any areas of potential risk in the Council's VAT 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.
- 1.3 Following a site visit and a review of procedures 12 areas of risk were identified:
- 6 High Risk
 - 2 Medium Risk
 - 4 Low Risk
- 1.4 An action plan was prepared to address the issues raised by the review. The actions have been completed.
- 1.5 The Committee is asked to note the contents of the report.

VAT Risk Review

2. INTRODUCTION

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

- 4.2 Where HMRC consider an error to be 'careless' they may impose a 30% penalty on the under declared or over claimed VAT. The purpose of the review by KPMG was to highlight any errors that may cause penalties of this nature and therefore allow them to be corrected.

In addition, during the review KPMG would also highlight any areas where they consider that there is an opportunity for the Council to obtain a VAT benefit.

- 4.3 A consultant from KPMG carried out a 3 day site visit during which they reviewed the following areas:

- Accounts Receivable – Debtors
- Accounts Receivable – Cash Receipting
- Accounts Payable - Creditors
- VAT Return and Accounting

- 4.4 On completion of the site visit KPMG then produced a report of their findings which set out the areas of risk identified, the impact of each risk, and actions that should be taken to reduce/eliminate the risks.

This report included a traffic light summary which can be seen in Appendix 1. This summary shows there were 6 areas of high risk, 2 medium risks and 4 low risks

4.5 In light of the findings from this report an action plan was created and steps taken to reduce/eliminate the risks identified where possible. This action plan and progress to date can be seen in Appendix 2. The actions have been completed.

5. CONCLUSION

5.1 The completion of the VAT 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 VAT claimed therefore reduced risk of penalties
6.3	Legal -	None.
6.4	HR -	None.
6.5	Equalities -	None.
6.6	Risk -	Errors in VAT Returns resulting in penalties and impacting the risk profile of the Council
6.7	Customer Service -	None.

Steve Barrett, Interim Head of Strategic Finance
Dick Walsh Council Leader and Policy Lead for Strategic Finance
23 February 2015

For further information please contact Steve Barrett, Interim Head of Strategic Finance 01546-604351.

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