

DEPARTMENT Corporate Services	AUDIT REVIEW VAT	AUDIT REF 4117004
PLANNED DAYS 8	ACTUAL DAYS 8	Frequency of Audit ANNUAL

BACKGROUND

VAT is a tax on consumption, essentially a 'sales tax'. It is payable by all consumers. Since local authorities are also consumers, when they make purchases of goods and services in order to perform their functions, they may find themselves paying VAT. Equally, when they levy charges, such as for services provided by them, they may have to account for VAT to the Commissioners for Her Majesty's Revenue and Customs (HMRC). However, under EU law, which is ultimately the law governing VAT, the default position is that local authorities – as public bodies – are exempt from paying VAT when they are performing "public functions". Article 13 of the principal VAT Directive states that an "authority governed by public law" is not liable to pay VAT on purchases which it makes to enable it to perform its public functions. Accordingly, any VAT which has been paid, known as "input tax", is recoverable from HMRC.

Similarly, the local authority does not need to add VAT (that is, "output tax") on any charges which it is entitled to make when performing its functions.

However, there are a number of problems which make this area of VAT law notoriously difficult, such as where a local authority is doing something under legal rules *applicable to everyone*; it is unlikely to be exempt. The Authority has staff within its Accountancy Section that deal with all VAT queries and who are responsible for the submission of monthly claims to recover VAT.

The Authority submits monthly claims to HMRC to recover VAT to an average value of approximately £2.0m.

SCOPE

The review covered the controls and procedures in operation for VAT to assess the extent to which:

- Recommendations in the previous Internal Audit report have been actioned;
- Adequate guidance / documented procedures exist;
- Appropriate controls and procedures are established to ensure compliance with legislation and HMRC requirements.

SUMMARY OF RESULTS

The review of VAT has been assessed as medium risk to the Authority during the audit planning process due to the complex nature of VAT and the volume of income and expenditure transactions processed by the Authority.

It is pleasing to report that expected key controls in respect of the management and administration of VAT are operating to an acceptable standard, with only a couple of issues being identified.

The review identified that the procedures adopted meet statutory, best practice and the Authority's Financial Procedure Rules. Minor improvements are required in order for Internal Audit to place an assurance that systems are operating to a high standard. These improvements have been agreed and are in the process of being implemented by the responsible officers.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	None	Acceptable
Priority 2 – Strengthen Existing Controls	2	
Priority 3 – Minor Issues	None	

DEPARTMENT Corporate Services	AUDIT REVIEW Council Tax	AUDIT REF 4117011
PLANNED DAYS 10	ACTUAL DAYS 10	Frequency of Audit ANNUAL

BACKGROUND

The Authority collects approximately £90 million per annum in Council Tax from 87,444 dwellings. The Revenues Service within the Resources Department is responsible for administrating the system including the raising of invoices, processing of Council Tax Accounts, the reconciliation of cash and benefits postings and the recovery of arrears.

SCOPE

The audit ensured that procedures had been established and effective controls were in place for:

- Charging & Valuation Officers Procedures.
- Discounts and reliefs.
- Collections and refunds.
- Performance including performance indicators and reconciliations.
- Management arrangements.

SUMMARY OF RESULTS

The Council Tax System is assessed as medium risk within the Authority’s Internal Audit Plan. Although the system is considered fundamental to the Authority’s finances, previous reviews have found the service to be well managed with few issues being identified. Based on the results of this review the risk rating will remain as medium.

The results of the current review found that, overall, controls were operated to an acceptable standard and there was compliance with agreed practice. For the 2017/18 financial year, the Department was above its collection rate target of 97.1% in collecting 97.57%. In the majority of sample testing carried out, it was apparent that refunds were only repaid to tax payers, and various discounts and relief were only awarded, where entitlement was evident.

The reported issue emanating from the audit testing is in relation to the lack of physical inspections. Internal Audit were advised that the main reason for this is due to a lack of resources.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	None	Acceptable
Priority 2 – Strengthen Existing Controls	1	
Priority 3 – Minor Issues	None	

DEPARTMENT Corporate Services	AUDIT REVIEW Housing Benefits	AUDIT REF 4117010
PLANNED DAYS 10	ACTUAL DAYS 10	Frequency of Audit ANNUAL
<p>BACKGROUND The Housing Benefit section within the Corporate Services department calculates the amount of benefits and reductions which may be awarded to households on low income to help with the cost of paying rent and Council Tax.</p> <p>During 2017/18 the Authority paid out approximately £64m with an approximate case load of 19,000 claims. As a consequence the system is considered fundamental to the Authority's finances and is therefore subject to annual review.</p> <p>SCOPE The review considered the procedures and controls in place in the following areas in order to provide assurance that payments are made appropriately:</p> <ul style="list-style-type: none"> - Documented procedures are in place and are complied with. - Adequate documentation is maintained to support claims. - Accuracy of payments. - Safeguarding resources. <p>SUMMARY OF RESULTS The systems and procedures associated with the Housing Benefit System are classed as medium risk to the Authority as recent Internal Audit reviews have determined the service to be well managed with minimal issues identified.</p> <p>From sample testing, it was evident that there are robust systems in place with expected key controls established and operating to an acceptable standard, with only minor issues identified. Relevant information is obtained to ensure payments made are accurate and timely, and there was evidence of monitoring undertaken to ensure compliance with procedures and legislation concerning the payment of Housing Benefit, demonstrating a good control over the function.</p>		
NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	None	Acceptable
Priority 2 – Strengthen Existing Controls	None	
Priority 3 – Minor Issues	3	

DEPARTMENT Corporate Services	AUDIT REVIEW NNDR	AUDIT REF 4117012
PLANNED DAYS 10	ACTUAL DAYS 10	Frequency of Audit ANNUAL

BACKGROUND

The Authority is responsible for collecting approximately £60 million in National Non Domestic Rates (NNDR) from 7,327 commercial properties within the Authority’s area. The income is remitted to the National Pool for subsequent re-distribution to the Authority by nationally determined formula.

The NNDR section is responsible for administrating the system, including the raising of invoices, maintenance of accounts and the recovery of arrears up until final legal proceedings.

SCOPE

The audit ensured that procedures have been established and effective controls are in place for:

- Charging & VO Procedures.
- Discounts and Reliefs.
- Collections and refunds.
- Performance including performance indicators and reconciliations.
- Management Arrangements.

SUMMARY OF RESULTS

The NNDR System is assessed as medium risk within the Authority’s Internal Audit Plan.

It was apparent from testing carried out that the procedures for both the Charging and VO (Valuation Office) were found to be robust, also Discounts, Reliefs and Refunds were only awarded where there was evidence of entitlement. The collection rate for the end of year was 99.52% against the All Wales average of 98.09%, resulting in Carmarthenshire being listed as the top performing Council in Wales for the collection of NNDR in 2017/18.

There was one minor issue emanating from testing carried out, as the posting receipt for the Business Rates Annual Billing for the 2017/18 financial year could not be located.

NUMBER OF RECOMMENDATIONS		OVERALL ASSURANCE
Priority 1- Fundamental Weaknesses	None	High
Priority 2 – Strengthen Existing Controls	None	
Priority 3 – Minor Issues	1	