

DEPARTMENT	AUDIT REVIEW	FINAL REPORT ISSUED
<b>Corporate Services</b>	<b>Value Added Tax (VAT)</b>	<b>7<sup>th</sup> February 2023</b>

**BACKGROUND**

Value Added Tax (VAT) is a tax that is charged on most goods and services that VAT-registered businesses provide in the UK. When VAT-registered businesses buy goods or services they can generally reclaim the VAT they have paid.

The Council is required by law to make periodic VAT returns to His Majesty’s Revenue and Customs (HMRC). VAT returns are compiled by staff from the Accountancy Section, from data contained in the Council’s financial management system, and are submitted to HMRC electronically on a monthly basis.

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

**SCOPE**

The objective of the review was to ensure that VAT is completely and accurately recorded in the accounting records and all claims to recover VAT have been made promptly and accurately.

The scope of the Audit was to ensure that:

- 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 RECOMMENDATIONS**

The audit findings and recommendations are detailed in the attached Action Plan. A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
<b>Number of Recommendations</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>

**ASSURANCE RATING**

The post review assurance level for systems relating to VAT is categorised as: **ACCEPTABLE.**

## Internal Audit review – VAT 2022/23

## Action Plan

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action Responsible Officer(s) / Target Date	Updated Position
1	Guidance notes to provide basic VAT advice has not been drafted or distributed to any Authority staff members.	An office guidance note should be formulated for staff of the Authority as a basic reference document, and this should be issued to all relevant staff.	**	A VAT Guidance document is in the process of being drafted which will act as a basic reference document and will also contain key contacts/information for any further VAT queries.  Corporate Finance Manager and VAT & Deputyships Manager  31 <sup>st</sup> December 2023	Guidance note is in the process of being prepared.
2	The review of the 'opted to tax properties' identified that not all properties were included on the register of the opted to tax properties. Two properties were not on the opted to tax register and no documentation was found in relation to opting to tax these properties, however VAT was being charged in relation to these properties.	Consideration should be given to undertaking a review of all property owned by the Authority to confirm how they are treated for VAT 'opted to tax properties' purposes and what notifications have been sent to HMRC.	*	'Belated Option Requests' for both identified properties have since been submitted to HMRC. A review of properties rental income where VAT is being charged will be undertaken and compared to the 'master' Option to Tax list held on file.  Corporate Finance Manager and VAT & Deputyships Manager  30 <sup>th</sup> April 2023	Awaiting response from HMRC re belated options. A review of rental income is in the process of being carried out and compared to the 'master' Option to Tax list.