

VAT Accounting
City of York Council
Internal Audit Report 2013/14

Business Unit: Customer & Business Support Services
Responsible Officer: Director, Customer and Business Support Services
Service Manager: Corporate Finance Manager
Date Issued: 6 May 2014
Status: Final
Reference: 10140/006

	P3	P2	P1
Findings	0	0	0
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

Local authorities are covered by Section 33 of the Value Added Tax Act 1994. Value Added Tax (VAT) is charged on most transactions undertaken by the council, either to purchase or supply goods and services.

The council pays more VAT on items purchased than it receives on goods and services provided and reclaims in excess of £1 million a month from HM Revenue & Customs (HMRC).

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls within the system will ensure that:

- VAT returns are produced promptly and accurately from appropriate supporting records;
- VAT planning arrangements are in place to cover changes in service delivery and major council projects
- VAT is correctly charged on individual transactions when goods or services are either purchased by the council or supplied to customers

The audit was a healthcheck of key controls following a full system review in 2012-13.

Findings and Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

