



Core financial system review of value added tax administration

Committee Audit and Standards

Date of meeting 11 November 2016 **Date of report** 31 October 2016

Report by Assistant Chief Executive (Business Support)

1. Object of report

To advise the committee on the findings of a core financial system review of value added tax administration. This engagement is included in the annual Internal Audit plan for 2016/17.

2. Background

SPT is legally required to comply with the Value Added Tax Act 1994 (as amended). Value added tax (VAT) is charged/receipted in accordance with the provisions of this Act:

- on the supply of goods or services in the United Kingdom (including anything treated as such a supply);
- on the acquisition in the United Kingdom from other member states of any goods, and
- on the importation of goods from places outside the member states.

VAT on any supply of goods or services is a liability of the person making the supply and (subject to provisions about accounting and payment) becomes due at the time of supply.

VAT administration, collection and enforcement is by the authority of Her Majesty's Revenue and Customs (HMRC).

The Financial Regulations provide clear guidance on value added tax administration.

The objective of this engagement was to assess and evaluate the value added tax accounting system and test controls by undertaking an end-to-end review.

This engagement tested elements of the internal controls and mitigation against SPT 21: cash reserves and SPT22: governance arrangements, as identified in the corporate risk register.

3. Outline of findings

Engagement testing found that value added tax administration arrangements are in accordance with HMRC guidance and monthly VAT returns are submitted online.

The engagement identified a requirement to review procedural guidance for the administration of value added tax to reflect recent changes to e-service provision.

There are areas for improvement, and these areas have been addressed by two audit recommendations. Finance management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a core financial system review of value added tax administration. Some areas for improvement have been identified and two recommendations have been agreed.

Key controls exist and are applied consistently and effectively in the majority of areas covered in this engagement.

Reasonable assurance can be taken from the areas covered in this engagement.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a future meeting.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report.</i>

Name Valerie Davidson

Name Gordon MacLennan

Title **Assistant Chief Executive
(Business Support)**

Title **Chief Executive**

For further information, please contact Iain McNicol, Audit and Assurance Manager on 0141 333 3195.