



(FINAL) INTERNAL AUDIT REPORT

CHIEF EXECUTIVES DEPARTMENT

**FOLLOW UP REVIEW OF VAT
AUDIT FOR 2015-16**

Issued to: Tracey Pearson, Chief Accountant, Technical and Control

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Date of Issue: 20th June 2016

Report No.: CX/080/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of the VAT audit 2014-15. The audit was carried out in quarter four as part of the programmed work specified in the 2015-16 Internal Audit Plan, agreed by the Director of Finance and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

4. This follow up review considered the final audit report issued in 11th June 2015 and was restricted to identifying progress made on implementing the previously agreed recommendations.

MANAGEMENT SUMMARY

5. Of the previous 3 agreed recommendations, two have been fully implemented and one has not been implemented. The recommendations not being implemented relates to VAT not being claimed on any reimbursements made through payroll and a revised action has been agreed.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. There are no priority one findings to report.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

7. Any new findings and are detailed in Appendix B of this report and require management comment. Appendix A provides information on the recommendations that are being followed-up and Appendix C give definitions of the priority categories.

ACKNOWLEDGEMENT

FOLLOW UP REVIEW OF VAT 2015-16

8. We would like to thank all staff contacted during this review for their help and co-operation

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	Unclaimed VAT on historic purchase card transactions should be accounted for and claimed.	Departmental Accountants have journaled the relevant amounts to the VAT code and this has been included in the June'15 VAT return.	June 2015	2	Principle Accountancy Assistant	Claim was put through for £1328.36 on 18/06/15 by the Accountancy Assistant (YM) and put through on the June VAT claim. From having a look at the expenditure on purchase cards for the last 6 months, have noticed that some people are still not accounting for VAT.	Implemented This has not been implemented but is part of the Purchase card audit.
2	The reports for identifying incorrect VAT payments and credit notes should be fixed, to make sure it identifies all items.	Conditions in the Discoverer report are now amended to identify incorrect VAT on all payments & credit notes.	June 2015	3	Principle Accountancy Assistant	This has been provided and updated.	Implemented
3	It should be investigated whether manual reimbursements are being made through the payroll system for which VAT is applicable but not being recorded or claimed.	The comments in this audit report has been forwarded onto the Exchequer Contract Manager for investigation. <i>Revised comments Following discussions with the contractor an agreed process has been put in place to recover VAT on claims where the VAT amount is detailed.</i>	October 2015 <i>Revised date : August 2016</i>	2	Head of Revenues and Benefits	It is realized that purchases through Purchase card, BACs and payroll for parking expenses are not having VAT claimed for. A report was run of all transactions through payroll for the period 01/04/15 to 31/03/16. In total £4026.96 of subsistence and £12399.54 of misc. expenses have been made (including 20 individual claims of over £100). None of this has a VAT element claimed for. It was discussed with the Payroll Operations Manager (Exchequer Contract) that there wasn't a process in place for reclaiming VAT from expenses paid and that this is not part of the SLA. Payroll contractor is currently	Not implemented. Implementation of revised action now in progress.

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						<p>undertaking a review on the feasibility of identifying and separately recording claims where VAT is payable. On receipt of findings, Head of R&B in conjunction with Internal Audit will consider the merit of authorising the additional work.</p> <p>It was examined that the claim form for overtime, travel and subsistence does not contain a section reminding staff to account for VAT where applicable or where to code this to. <i>Audit Comment: The amendment of claims forms will be incorporated as part of the payroll audit.</i></p>	<p>Implementation in progress</p>

Definition of priority categories.

Priority 1
Required to address major weaknesses
and should be implemented as soon as
possible

Priority 2
Required to address issues which do
not
represent good practice

Priority 3
Identification of suggested
areas for improvement