

**VAT RISK REVIEW**

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**1. INTRODUCTION**

- 1.1 The Council asked tax consultants KPMG to carry out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes, with the report being received in May 2016.
- 1.2 A report was presented at the Audit Committee on 2 December 2016 to advise of the actions as a result of the VAT Risk Review and progress that had been made at that time. This report provides a further update to the Committee on the current status of the actions.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that the committee note the progress made by the Council on addressing the areas of potential risk in the Council's VAT accounting processes.

**3. DETAIL**

- 3.1 The report from KPMG included a traffic light summary which is included in Appendix 1. This summary shows there were 6 areas of high risk, 12 medium risks and 6 low risks.
- 3.2 In light of the findings from this report an action plan was created and steps taken to reduce/eliminate the risks identified where possible. The 24 areas of risk identified in KPMG's report were turned into a 30 point action plan. This action plan and progress to date can be seen in Appendix 2.
- 3.3 As reported to the Audit Committee on 2 December 2016, 12 of the 30 had been completed. Since then a further 16 actions have been completed. The two remaining actions have been picked up in the Internal Audit Review of VAT in August 2017 and are now scheduled to be completed by March 2018.

**4. CONCLUSION**

- 4.1 The completion of the VAT Risk Review by KPMG, and subsequent action taken, has reduced Argyll and Bute Council's exposure to mis-declarations of tax and penalties. It has also assisted in ensuring a low risk profile is maintained and will make staff more aware of the processes involved surrounding VAT.

**5. IMPLICATIONS**

- 5.1 Policy – None.
- 5.2 Financial - Correct values of VAT claimed therefore reduced risk of penalties.

5.3	Legal -	None.
5.4	HR -	None.
5.5	Equalities -	None.
5.6	Risk -	None.
5.7	Customer Service -	None.

**Kirsty Flanagan, Head of Strategic Finance**

**Gary Mulvaney, Policy Lead for Strategic Finance and Capital  
Regeneration Projects**

For further information please contact Peter Cupples, Finance Manager –  
Corporate Support 01546-604183.

Appendix 1 – Extract from KPMG Report  
Appendix 2 – Progress Report