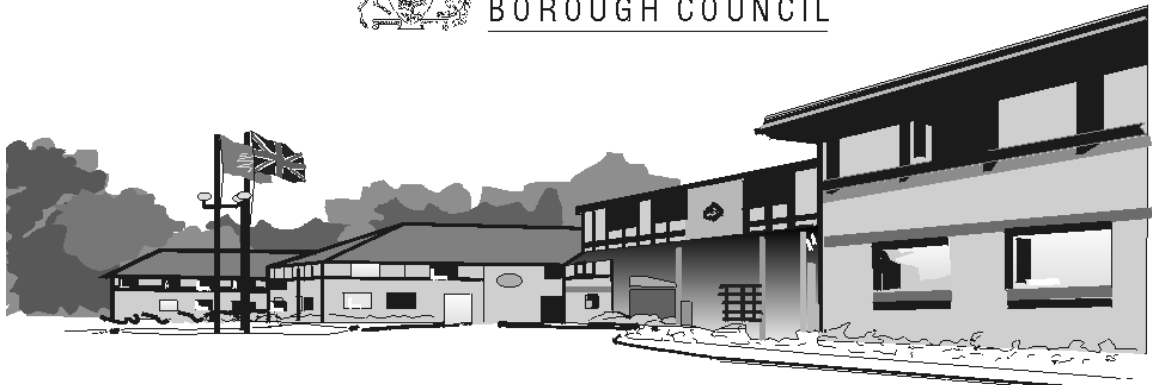




GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2005-2006

VALUE ADDED TAX

Other Financial System
Suresh Mistry
August 2005

GEDLING BOROUGH COUNCIL
INTERNAL AUDIT REPORT
OTHER FINANCIAL SYSTEM AUDIT
VALUE ADDED TAX

C O N T E N T S

| | PAGE |
|-------------------------|-------------|
| 1. Introduction | 1 |
| 2. Conduct of the Audit | 1 |
| 3. Executive Summary | 2 |
| Implementation Plan | 3 |

1. INTRODUCTION

- 1.1 An audit of Value Added Tax [VAT] has been carried out in accordance with the 2005/06 Audit Plan. The audit concentrated on VAT return completed by the Authority and the records maintained in support of the return.
- 1.2 The review examined the latest and previous returns, internal procedures and controls and system of recording and analysing VAT. Whilst VAT on transactions is conducted in the key financial systems audit, the recent return completed was examined to ensure the accuracy of the figures and the reconciliation with the accounting records.
- 1.3 In support of this audit an matrix was compiled from the key controls that should be present. The control objectives examined are stated below:
 - To ensure that procedures and processes in relation to VAT are fully documented and in accordance with the Authority's financial regulations and standing orders.
 - To ensure that monthly VAT returns are both submitted on time and completed correctly.
 - To evaluate the treatment of VAT with regards to late cash income returns, contractors stage payments, debtor's accounts written off and invoices with a tax point in the following month.
 - To ensure that the calculation of VAT reclaimable for exempt business activities is accurate and does not exceed the un-reclaimable limit.
 - To ensure that the results of the visits from HM Customs and Excise or External consultants are acted to comply with the regulations.
- 1.4 The Principal Accountant is responsible for the completion of the VAT return and all aspects of VAT and implementation of any amendments and keep up to date with the legislation.

2. CONDUCT OF AUDIT

- 2.1 The audit terms as referenced in the Matrix for VAT and compiled for this assignment were followed.
- 2.2 Discussions were held with the Principal Accountant to establish the system and procedures that are adopted in completing the return.
- 2.3 Notes were made on the procedures of completing the return by due date and the working and supporting documents obtained for the purpose. The treatments of VAT of individual transactions are reviewed elsewhere in the main key financial system audits [debtors, creditors, petty cash, payroll and other systems where applicable].
- 2.4 The VAT return for June 2005 was examined and reviewed with relevant documentations followed up to establish the accuracy of the figures.
- 2.5 To ensure the validity of the return, the reconciliation with the accounting records together with the adjustments and working papers were examined.

2.6 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

3. EXECUTIVE SUMMARY

3.1. The controls identified by this audit assignment are operating effectively.

3.2. The returns are submitted on time each month and any issues raised are acted to comply with regulations.

3.3 The treatment of VAT is in line with the regulations and these are kept up to date with publications received and business briefs and keeping abreast with notifications from Custom and Excise. The records maintained and reconciled ensure that the figures are correctly posted and verified.

3.4 The audit found the controls in place to be satisfactory.

3.5 AUDIT ASSURANCE

As a result of the work undertaken during the audit, it is concluded that the system of Cash Receipting system and arrangements in place are well controlled and the majority of controls are sound and well applied