

Finance Committee report

You will have received a new Appendix K this morning.

The differences are to do with reporting of VAT recoverable. As Council is corporately required to understand the accounts I must explain:

- Most items entered into our accounting package Scribe have both NET and VAT entries.
- Our accounting package tracks NET expenditure and related VAT separately.
- For VAT Scribe tracks how much is due to be refunded (“VAT refundable”) and at the end of each quarter a claim for a VAT Refund is submitted to HMRC and the payment then made the following quarter.
- When a VAT refund is received it should be entered into Scribe with nothing in the NET box and the value of the VAT refund in the VAT box.
- Then the “VAT refundable” is correctly tracked.

However if a VAT refund (of £1,000 say) is by (easy to make) mistake entered in the NET box instead of the VAT box Scribe will record an extra £1,000 of income and not reduce the “VAT recoverable” by that £1,000. Although our bank account will already contain the £1,000 Scribe will still ‘think’ it is due to be received and so Scribe will then report

- £1,000 more NET income than there should have been.
- £1,000 more in the “General Fund” (which includes “VAT refundable”) than there should have been.

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Shortly after the 2024-5 accounts were sent to the internal auditor we discovered that in both the 2023-4 and 2024-5 Financial Years several VAT refunds were mistakenly entered into the NET box resulting in the sort of accounting problem described above.

The RFO had corrected these errors by the time the Finance Committee saw the earlier version of Appendix K, but then the internal auditor informed us that once accounts had been closed and sent for audit they should not be changed, so the RFO had to change them back again.

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The Variances report in the new Appendix K point out to the external auditor how the values we were not allowed to change would have been corrected.

We anticipate the external auditor will in due course require us to update the statements of both the 2023-4 and 2024-5 accounts.

Note again that this makes no difference to our current ‘cash in hand’.