

Status of Report:

Public

Agenda Item:

12

Meeting: Corporate Governance Committee

Date: 14th March 2018

Subject: Tax Compliance Review

Report by: The Treasurer

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For: Information Only

1. Purpose

This report is to inform the Committee of outcomes following an independent external tax compliance review.

2. Recommendations

The Corporate Governance Committee is asked to note the report and associated recommendations.

3. Executive Summary

3.1. A tax compliance review was undertaken to identify any risks or concerns in relation to the current expenses and benefits policies and processes and make recommendations to strengthen and improve compliance going forward.

3.2. The review was undertaken by a Senior Manager on Tax Advisory working for Smith Cooper Limited.

4. Report Detail

4.1 Following recent legislative tax changes, an external review of the authority's tax compliance was commissioned in October 2017. This was the first such review that had taken place.

4.2 The review was undertaken to identify any risks or concerns in relation to the current expenses and benefits policies and processes and make recommendations to strengthen and improve tax compliance going forward.

4.3 The review undertaken was not a full audit. Sampling was taken from business records, including; employees 2016/17 P11D summary, expenses claims, Procurement Card claims and petty cash transactions. A number of current policies, procedures and guidance documents were also reviewed.

- 4.4 An Expenses and Benefits Review Report was produced and an Executive Summary of the review's findings is attached at **Appendix 1**. Overall, the review found that the basic structure of the Service's policies and processes and guidance is sound and compliant with HMRC expectations and the relevant legislation.
- 4.5 However, a number of recommendations were made and focused on revisions to policies and guidance, the submission of an unprompted Voluntary Disclosure with Her Majesty's Revenue and Customs (HMRC) on three identified issues and the entering into of a PAYE Settlement Agreement (PSA) with HMRC on certain benefits provided to employees.
- 4.6 The submission of an unprompted Voluntary Disclosure to HMRC reduces organisational risk and limits any potential subsequent fines and penalties, should HMRC undertake a compliance audit. Under regulations, the Combined Fire Authority will be liable (and not any individual) for any additional tax payable following a re-calculation exercise. This is not anticipated to be a significant figure.
- 4.7 All the recommendations were agreed. An Employment Task Register was created as an action plan to deliver the recommendations, which are being progressed.

5. Report Implications / Impact

5.1. Legal (including crime and disorder)

These are included in the main body of the report.

5.2. Financial (including value for money, benefits and efficiencies)

The Tax compliance Review was commissioned at an agreed cost of £4,500.

5.3. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

Non-compliance with HMRC regulations can result in significant fines and penalties and reputational damage.

5.4. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

None

5.5. Environmental

None.

5.6. Impact upon Our Plan Objectives

None.

6. Background Papers

None.

7. Appendices

Executive Summary from the Tax Compliance Review