

Executive Summary

The review found that the basic structure of the Service's policies and processes, and the majority of the guidance provided, is sound and compliant with HMRC expectations and the relevant legislation.

The majority of the recommended actions relate to providing further clarity in the written policies and guidance, a six monthly review process and an annual 'sense check' to ensure that any changes to Service practice and policies, HMRC practice, or changes to the legislation, have been recognised and managed.

There were also a number of issues identified where further action is recommended.

The key recommendation is that the Service revises its policies and guidance to reflect the findings detailed in the report. It will allow the Service an opportunity to clearly state the level of information required by HMRC to satisfy them that the claims relate to genuine business expenses and that there are authorisation checks in place to validate the claims.

Generally there is a need to provide more detail to clearly substantiate the business requirement for the expense being claimed. The report provides more specific information.

It is recommended that the Service enters into an unprompted, voluntary disclosure with HMRC in respect of three identified issues.

- Incorrectly reported car benefits (previously identified by the Finance team).
- NHS prescription charges reimbursed to certain service personnel.
- Insurance/kit transfer allowance payments.

It is recommended that the Service enters into a PAYE Settlement Agreement (PSA) with HMRC to bear the cost of certain benefits provided to employees. These include:

- Prescription Charges – (if it is decided to bear the costs going forward), and
- Physiotherapy costs.

It is recommended that the Service reviews the salary sacrifice arrangements currently in place to ensure compliance with the relevant legislation.

We understand that a separate review of engagements with Self-employed workers and Agencies providing workers has been undertaken. We have therefore restricted the work undertaken in that area. The Service must ensure that any new guidelines implemented reflect the rules relating to Public Sector bodies engaging consultants by reference to the new IR35 legislation as well as self-employed individuals.

We recommend that a process is implemented to document that all relevant engagements have been evaluated to establish the employment status position.