

VAT REPORT ACTION PLAN

The priority of the findings and recommendations are as follows:

- Fundamental** - Action is imperative to ensure that the objectives for the area under review are met
Significant - Requires action to avoid exposure to significant risks in achieving the objectives for the area under review
Merits attention - Action advised to enhance control or improve operational efficiency

Rec No	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager responsible
1	The Force must ensure that officers dealing with payments are aware of the circumstances where VAT may not be recoverable even where a proper VAT invoice is held. VAT training and the issue of VAT guidance to staff involved in the processing of invoices will help ensure the proper VAT treatment of invoices	Significant	Y	<p>Training was provided on the 27th August 2008. But further training may be provided on the back of developing a VAT manual.</p> <p>Draft VAT manual has now been received and is being reviewed before being made available to the remainder of the Force.</p> <p>Additional training will be considered on the back of the manual being disseminated.</p>	<p>On-going. The VAT manual will be distributed to the Finance & Commissioning Focus Group by September 2009.</p> <p>Training will be rolled out as required.</p>	Head of Corporate Finance

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2	First, the Force should ensure that it obtains the necessary evidence to claim VAT on the importation of goods into the UK (Forms C79). Secondly, the Force should ensure that where C79s are received, these are matched against the appropriate import invoice and filed either in the Foreign Payments File or with the VAT Return the import VAT is claimed.	Significant	Y	Procedures will be put in place to ensure that C79 forms are received and treated appropriately. This will be picked up during the production of a VAT manual for the force.	On-going. The VAT manual will be distributed to the Finance & Commissioning Focus Group by September 2009.	Treasury Manager
3	Finance staff should be trained so that they can question confidently the VAT treatment shown on invoice request. In all cases, Finance HQ staff should accept fully the responsibility of ensuring that the correct VAT treatment is shown on all debtor invoices and that the correct VAT treatment is applied to cash receipts	Significant	Y	Training was provided on the 27 th August 2008. All debtor invoices are being signed off by either the Systems and Support Accountant or the Management Accountant subjective to raising so that the VAT treatment can be specifically looked at.	Complete	Systems and Support Accountant
4	Some areas were noted where the incorrect VAT treatment has been applied. It is important that the Force sets up procedures to	Significant	Y	All debtor invoices are being signed off by either the Systems and Support	Complete	Systems and Support Accountant

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	review these areas so that the proper VAT treatment going forward can be applied. This is particularly the case where supplies of staff are made as the amounts involved could easily become significant			Accountant or the Management Accountant subjective to raising so that the VAT treatment can be specifically looked at.		
5	There were areas noted where it was unclear that the proper VAT treatment was applied (for example, Operation Tranquillity). It is necessary for the Force to examine the circumstances under which the charges arise so as to ensure that the correct VAT treatment has been applied.	Significant	Y	All debtor invoices are being signed off by either the Systems and Support Accountant or the Management Accountant to ensure the correct VAT treatment.	Complete	Systems and Support Accountant
6	The Force should note the additional controls that should be introduced to facilitate the submission of an accurate VAT return. Particularly, thought should be given to the new penalty regime and how the VAT return procedures should change to limit any potential liabilities	Significant	Y	The procedures and processes should be reviewed to take into account the points made within this document. The return will also be signed off before submission on line.	On-going review. Will continue to do as part of the monthly return.	Treasury Manager/ Head of Corporate Finance
7	The Force should wait until the outcome of HMRC's partial	Merits Attention	Y	We will await the review before	On-going. Awaiting the	Treasury Manager

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	exemption review before formulating a new partial exemption calculation			implementing a partial exemption calculation.	outcome of the review.	
8	The Force should note the requirements for VAT invoices or receipts where mileage allowances are paid to doctors, translators, etc. and VAT is claimed on the fuel element of the mileage allowance.	Significant	Y	VAT will not be reclaimed on the fuel element of the mileage allowance without the provision of a VAT receipt.	Complete	Systems and Support Accountant
9	The Force notes the control issues identified with regards to PUMA and the recovery of VAT on mileage allowances paid to employees.	Significant	Y	A control check will be put in place to ensure that the amount generated by PUMA and those claimed through the VAT return are consistent and that no chances of duplication exist.	Complete	Treasury Manager
10	The Force must ensure that it has a written VAT efficient policy governing the use of its vehicles (particularly cars) to ensure that it is robust enough to rebut any challenge by HMRC that the policy in place presents an intention by the Force to make cars available	Significant	Y	The Force is currently looking at its policy around use of police vehicles and I will ensure that the issues of private use are incorporated.	Ongoing, due to be completed by Sept 2009.	Head of Corporate Finance

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	for private use.					
11	The Force should by now have taken the appropriate action concerning the VAT over-claimed on the purchase of its Executive Cars. It should now ensure that the appropriate VAT adjustment is also taken with regards to the fuel provided for private use.	Merits Attention	Y	This issue was being dealt with prior to the audit and has been completed.	Complete	Head of Corporate Finance
12	The Force should note the VAT treatment of the referral fees and specialist charges	Significant	Y	This issue will be reviewed and the required changes made.	Complete	Management Accountant/Systems and Support Accountant