27 May 2013

Iain Gray MSP
Convener,
Public Audit Committee
T3.60
Scottish Parliament
Edinburgh EH99 1SP

Dear Convener

Landfill Tax

Thank you for your letter of 7 May requesting my views on the audit arrangements for the collection of the new Landfill Tax.

The Landfill Tax (Scotland) Bill is the second of three connected Bills that are being introduced to the Parliament in order to implement the devolved taxes provisions of the Scotland Act 2012. The Bill to introduce Landfill Tax deals with arrangements specific to that tax with the overall tax management arrangements expected to be the subject of a later Bill.

The Scottish Government’s Consultation on Tax Management issued in December 2012 proposes that Revenue Scotland should be established as a non-ministerial department and states that “We expect that Revenue Scotland would come within the scope of the Auditor General for Scotland for purposes of audit and scrutiny”. If Revenue Scotland receives funding directly from the Scottish Consolidated Fund then the audit will automatically fall to the Auditor General. If it does not receive direct funding from the Consolidated Fund (for example to cover administration costs) then the audit provision will need to be explicit in the Taxes Management Bill. In either event Revenue Scotland will consequently also be within the scope of section 23 of the Public Finance and Accountability (Scotland) Act 2000 allowing the Auditor General to conduct performance audits.

The Policy Memorandum accompanying the Bill proposes that Revenue Scotland will delegate the collection of the Landfill Tax to the Scottish Environment Protection Agency (SEPA) in order to utilise SEPA’s experience in regulating landfill sites. SEPA is already required to send its accounts to the Auditor General for auditing and therefore any amounts relating to the new responsibilities which appear in their accounts will already be covered by existing powers as is the power to examine the economy, efficiency and effectiveness of the way in which it uses its resources.

In addition, any amounts of tax revenues that fall to be paid into the Scottish Consolidated Fund will be subject to audit as part of the audit of the Fund.

Whilst we understand that it has not yet been decided which sets of accounts the taxes collected will appear in, the existing audit arrangements together with those proposed in the consultation on Tax Management will ensure that I am able to report to Parliament on the operation of the Landfill Tax.

Yours sincerely

Caroline Gardner
Auditor General for Scotland

Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission