Dear Convener

Land and Buildings Transaction Tax

Thank you for your letter of 22 January requesting my views on the proposed arrangements for the collection of the new Land and Buildings Transaction Tax (LBTT).

Audit arrangements

The Land and Buildings Transaction Tax (Scotland) Bill is one of three connected Bills that are being introduced to the Parliament over the next year in order to implement the devolved taxes provisions of the Scotland Act 2012. The Bill to introduce the LBTT 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 then the audit provision will need to be 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.

Registers of Scotland (RoS) are already required to send their accounts to the Auditor General for auditing and therefore any amounts relating to the new responsibilities which appear in their accounts will 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 LBTT.

Audit Scotland provides services to the Auditor General for Scotland and the Accounts Commission.
Establishment of Revenue Scotland and new responsibilities of RoS

There are a number of risks associated with the establishment of Revenue Scotland that the government will need to address, including its cost effectiveness and its access to expertise. Revenue Scotland will be much smaller than HMRC and will have a limited number of taxes to administer, at least initially. It is therefore important that the government balances the cost of the organisation with the need to have sufficient skills available to undertake its role effectively. Measures already proposed such as integrating LBTT with transactions undertaken by RoS should help to mitigate the costs of collection, and measures to standardise collection and enforcement across all Scottish taxes will also help.

I have recently reported on RoS in relation to its management of ICT contracts, and there is a risk that the organisation will find it challenging to make the necessary changes to its systems by 1 April 2015. It is therefore essential that there are strong project management arrangements in place from the start of the project to ensure that it is well scoped and remains on track throughout the period up to implementation.

Audit Scotland had already responded to a call for evidence from the Finance Committee before I received your letter, and a copy of the response is attached for the Committee’s information.

Yours sincerely

Caroline Gardner
Auditor General for Scotland
Dear Convener

Land and Buildings Transaction Tax (Scotland) Bill

We write in response to the Committee’s call for evidence on the Land and Buildings Transaction Tax (Scotland) Bill (LBTT Bill) dated 5 December 2012.

The Auditor General audits or appoints the external auditors of most central government bodies in Scotland covering around £35 billion of income and expenditure. Accordingly the Auditor General and Audit Scotland have an interest in the audit and governance arrangements for all of the new tax raising provisions flowing from the Scotland Act 2012.

We note that the LBTT Bill does not contain any direct provisions relating to the audit of the taxes to be raised under the Bill. However, we recognise that the LBTT Bill is one of three proposed Bills for the implementation of the devolved taxes and that provisions relating to the audit arrangements for Revenue Scotland are expected to be included in the proposed Taxes Management Bill later in 2013.

To the extent that the proposed tax will be administered by Registers of Scotland we are content that the existing audit arrangements for that body are sufficient to ensure that appropriate audit scrutiny will be able to take place.

In August 2012 Audit Scotland published a report on Managing ICT contracts – an audit of three public sector programmes\(^1\). In that report we noted that Registers of Scotland had given notice to terminate its current long term Strategic Partnership Agreement for ICT services from April 2013. We further reported that “Termination of the SPA means that RoS has to build an in-house ICT capability to be able to manage future ICT functions and requirements, including a new responsibility to receive and administer returns for the planned Land and Buildings Transaction Tax”\(^2\).

We would be happy to provide the Committee with any further information.

Yours faithfully

Russell A J Frith
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Audit Scotland

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\(^1\) http://wwwaudit-scotland.gov.uk/docs/central/2012/nr_120830_ict_contracts.pdf