Correspondence from Audit Scotland to the Public Audit Committee, dated 7 February 2014

Thank you for your letter of 20 January requesting my views on aspects of the Revenue Scotland and Tax Powers Bill (the Bill).

Revenue Scotland
The Bill makes clear provision for the establishment of Revenue Scotland as a body corporate, for its members to be appointed by Scottish Ministers and for the appointment of a chief executive who will not be a member of Revenue Scotland.

The Bill requires Revenue Scotland to prepare a corporate plan for each three year period which must be sent to Ministers for approval and, once approved, laid before the Scottish Parliament. The Bill also provides for Revenue Scotland to prepare an annual report on the exercise of its functions which must be sent to Ministers and laid before the Parliament.

Provisions in the Bill prevent Ministers from giving directions to Revenue Scotland about the exercise of its functions although they may issue guidance which Revenue Scotland must have regard to.

Once established as part of the Scottish Administration the Principal Accountable Officer will normally appoint the chief executive of Revenue Scotland as its Accountable Officer. The standard terms of appointment of an Accountable Officer as published in the Scottish Public Finance Manual include that the Officer is personally answerable to the Scottish Parliament for the exercise of their functions.

Accounting and audit arrangements
The Bill does not explicitly require the preparation of annual accounts or an external audit. However the Explanatory Notes say that “Revenue Scotland will have the status of a non-ministerial department, as distinct from the status of an NDPB. As with other NMDs Revenue Scotland will be a Crown body.

Revenue Scotland is expected to have the status of an office-holder in the Scottish Administration, within the meaning of section 126 of the Scotland Act 1998, by virtue of an order under that Act”.

In the absence of explicit provisions in the Bill about accounting and auditing it is important that the order is made and applies from the same date as the commencement date for the Bill as a whole. Once the Scottish Government make such an order then Revenue Scotland will fall within the scope of the accounting and auditing provisions of the Public Finance and Accountability (Scotland) Act 2000 (PFA Act) which will require it to prepare accounts and send them to the Auditor General for auditing. This also provides for the conduct of performance audits.

Whilst we understand that it has not yet been decided exactly which sets of accounts the taxes collected will appear in, the existing audit arrangements together with those provided as a result of the proposed order will ensure that I am able to report to Parliament on the operation of Revenue Scotland and the devolved taxes.
Prior to the Bill coming into effect we will monitor the preparations that are being made for implementation by Revenue Scotland in its current form as part of the Scottish Government through our annual audit work.

**Access to information**
As would be expected the Bill provides safeguards for taxpayer information held by Revenue Scotland.

However the Bill also provides for circumstances in which taxpayer information can be disclosed and one of those is where other legislation requires or permits its disclosure. The PFA Act requires audited bodies to provide the auditor with such information as they need for the purposes of their audit and therefore auditors will be able to access taxpayer information when necessary.

**National Fraud Initiative**
Another purpose for which taxpayer information can be disclosed under the provisions in the Bill is for the prevention and detection of crime. We have discussed the application of the various provisions for disclosure of taxpayer information with Scottish Government officials who have confirmed that the provisions have been drafted with the intention that Revenue Scotland will be able to disclose taxpayer information for the purposes of the NFI.

**Performance information**
Whilst it is for Revenue Scotland to determine what performance information it includes in its reporting arrangements I would expect that, in line with the discussions about information on the Scottish Rate of Income Tax, it will include information on collection, enforcement, customer service and complaints as well as any steps being taken to ensure that all tax due is identified.

On the basis of the comments above I am content that the Bill addresses the points raised in our consultation response.

I would be happy to provide any further information if the Committee would find it helpful.

Yours sincerely

*Caroline Gardner*