Public Audit Committee

1st Report, 2014 (Session 4)

Framework for auditing the Scottish rate of income tax

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Public Audit Committee

1st Report, 2014 (Session 4)

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Public Audit Committee

Remit and membership

Remit:

The remit of the Public Audit Committee is to consider and report on—

(a) any accounts laid before the Parliament;

(b) any report laid before or made to the Parliament by the Auditor General for Scotland; and

(c) any other document laid before the Parliament, or referred to it by the Parliamentary Bureau or by the Auditor General for Scotland, concerning financial control, accounting and auditing in relation to public expenditure.

(Standing Orders of the Scottish Parliament, Rule 6.7)

Membership:
Colin Beattie
Willie Coffey
Bob Doris
James Dornan
Hugh Henry (Convener)
Colin Keir
Ken Macintosh
Mary Scanlon (Deputy Convener)
Tavish Scott

Committee Clerking Team:
Clerk to the Committee
Jane Williams
Assistant Clerk
Jason Nairn
Committee Assistant
Parminder Kaur
The Committee’s report to the Parliament is as follows—

EXECUTIVE SUMMARY

1. This report sets out, for the first time, what audit information the Parliament can expect to receive and from whom, in order to enable it to undertake its accountability role in relation to the Scottish rate of income tax (SRIT).

2. The Committee has also recommended that in a number of areas more information be provided to the Parliament in order to:

   • enhance transparency,

   • better inform decisions about the impact of different SRIT levels on actual SRIT receipts, and

   • enable the Scottish Parliament to scrutinise HMRC’s efficiency and effectiveness in operating the SRIT.

National Audit Office (NAO)

3. Under the terms of the draft amendment the NAO will lay in the Scottish Parliament an annual narrative report setting out:

   • the adequacy of any HMRC rules and procedures to ensure the proper assessment and collection of SRIT at the agreed rate;

   • whether the above rules and procedures are complied with;

   • the correctness of sums brought to account by HMRC attributable to the SRIT;

   • the accuracy and fairness of the amounts reimbursed to HMRC by the Scottish Government for HMRC’s administration of the SRIT.

4. The first report will be laid in summer 2015 before the SRIT becomes operational in April 2016. The draft amendment also allows the NAO to undertake
discretionary value for money audits on aspects of HMRC's expenditure in implementing or operating the SRIT.

5. The Committee has invited the Comptroller and Auditor General (C&AG) to specifically comment on the effectiveness of HMRC's processes and procedures in identifying Scottish tax payers in his annual reports on the SRIT.

6. The Committee has recommended that consideration be given to strengthening the draft amendment to enable the C&AG to give assurance that the information provided by HMRC on the administration and collection of the SRIT is reasonably stated.

Her Majesty's Revenue and Customs (HMRC)

7. HMRC is required by the MoU to provide the Scottish Parliament with an extract from its accounts. HMRC expect this extract to reproduce the relevant figures from HMRC's resource account and trust statement which relate to SRIT revenues and expenditure on administering SRIT. HMRC will also need to provide sufficient information in order for the C&AG to report on the grounds identified within the draft amendment.

8. The Committee welcomes HMRC's commitment to lay this extract in the Parliament however the Committee recommends that legislative force should be given to this commitment.

9. The Committee also recommends that HMRC provide the following performance information alongside its extract:

   - An assessment of underpayment as a result of fraud and error in respect of Scottish taxpayers based in Scotland¹;
   - Performance in relation to tax and NICs debts (roll rate) owed by Scottish tax payers who complete Self-Assessment tax returns; and
   - an estimate of the amount of Scottish income tax written off although presentation of this information is under consideration;
   - the complaints it receives regarding the SRIT.

10. The Committee also welcomes HMRC's appointment of an Additional Accounting Officer (AAO) with responsibility for the SRIT and considers that the accountability arrangements for the AAO are adequate.

11. The Committee welcomes HMRC's commitment to provide a report in 2015/16 on its effectiveness in identifying Scottish tax payers.

¹ The Committee understands from HMRC that this will not include Scottish taxpayers working for UK-wide employers and will not split Income Tax from other taxes.
Scottish Government

12. The Scottish Government produces audited accounts which will include audited figures for income it receives such as the level of block grant allocated by the UK Government (part of which will, in future, be raised through the SRIT).

13. The Committee would welcome clarification from the Scottish Government of how it intends to assess the effectiveness of HMRC’s compliance activities in relation the SRIT.

14. The Committee recommends that the Scottish Government publishes its data on Scottish migration patterns as this will assist the Parliament to consider the impact of differing levels of SRIT on these patterns.

15. The Committee would welcome confirmation that as part of the information on actual SRIT receipts, the draft budget will also set out clearly:

- the interaction between actual SRIT receipts in one year with its effect on the block grant in a subsequent year; and

- the relationship between actual SRIT receipts and the final block grant allocation figure in the Scottish Consolidated Accounts for the same corresponding year.

16. The Committee also recommends that the Scottish Government provides an annual summary of tax trends in tax collection alongside the information on actual SRIT receipts in the draft budget documents. This will provide context for any variances in actual SRIT receipts.

Audit Scotland

17. In the 2014-15 audit of the Scottish Government, the Auditor General for Scotland (AGS) will report on the state of preparation of the Scottish Government in relation to SRIT.²

18. Also subject to audit by Audit Scotland will be:

- The costs of implementing and operating the SRIT (estimated as £40-£45 million for implementation with £4.2 million of annual running costs thereafter); and

- any use of the capital and revenue borrowing powers by the Scottish Government.

19. The Committee recommends that Audit Scotland provides additional assurance on NAO’s audit of HMRC and the SRIT. We also recommend that Audit Scotland works with the NAO on its future priorities for any performance audit work on the SRIT.

² Public Audit Committee, Official Report, 29 January 2014, Col 2050
20. The Committee agrees with the AGS that this joint working relationship should be set out in a memorandum of understanding.

21. The Committee recommends that Audit Scotland report annually on its assurance work in relation to the SRIT.

INTRODUCTION

22. It was the Command Paper entitled “Strengthening Scotland’s Future”, published in 2010 and which accompanied the Scotland Bill, that first proposed that the National Audit Office (NAO) should report to the Parliament on Her Majesty’s Revenue and Customs (HMRC) administration and collection of the Scottish rate of income tax (SRIT).

23. Since then, the Public Audit Committee has been considering this proposal, including what should be the most appropriate audit framework to enable the Parliament to provide effective scrutiny of the operation, collection and management of SRIT.

24. This report draws together, for the first time in one report, the audit information currently expected to be reported to the Parliament along with additional areas where the Committee believes further information should be provided to enable meaningful parliamentary scrutiny. In that regard it sets out the framework for auditing the SRIT.

25. This report follows on from the Committee’s report “Interim framework for auditing the Scottish rate of income tax” which sought responses to a range of questions on those areas where the audit arrangements were yet to be agreed.

26. The Committee would like to thank all those who have contributed oral and written evidence on the audit arrangements for the SRIT. This evidence has been valuable in informing the Committee’s views and in identifying those areas where the proposals have yet to be finalised.

27. The Committee recognises that, given the SRIT will not be operational until 2016, some of the details of the audit arrangements are still under discussion. The Committee is therefore committed to keeping the development of SRIT audit arrangements under review. This will ensure that both we and the Parliament can be assured that robust audit information is provided to enable effective scrutiny of HMRC’s management, administration and collection of SRIT.

28. Given this, the Committee also acknowledges that it will not be until later next year that it will be in a position to consider whether, as a result of the audit arrangements for the Scottish rate of income tax, any Standing Order rule changes (including any to the Committee’s remit) will be required.

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3 Public Audit Committee, 2nd Report 2013, Interim framework for auditing the Scottish rate of income tax.

4 All of the evidence received to date can be found on the Committee’s web page at—http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/56760.aspx
29. The Committee therefore draws the attention of the Standards, Procedures and Public Appointments Committee to the potential for future Standing Order rule changes.

BACKGROUND

30. Under the Scotland Act 2012, the basic, higher and additional rates of income tax levied by the UK Government would be reduced by 10 pence in the pound for those defined as Scottish tax payers. The Parliament would then determine and set one single rate of income tax (SRIT) across all tax bands. The rest of the income tax structure remains a reserved matter and will continue to be determined by the UK Parliament. As a result the SRIT is not a devolved tax but rather a tax rate set by the Parliament which will replace part of the UK income tax.

31. The SRIT is expected to be in force from April 2016. The SRIT will be collected by HMRC and will utilise the existing pay-as-you-earn (PAYE) and Self-Assessment tax collection systems. It is proposed that a ‘low visibility’ system will be used whereby one income tax payment is identified on Scottish tax payers’ payslips and P60s and which would therefore allow a single UK PAYE system to be operated.

32. HMRC explained that in terms of tax collection, 90% of income tax comes in through PAYE whilst the other 10% comes in through self-assessment. Of the total UK income tax receipts, 99% comes in automatically without any intervention with the remaining 1% requiring further compliance activity in order to get the tax in.\(^5\)

33. In evidence the Committee heard that there are approximately 40 million individual taxpayers in the UK and approximately 2.6 million in Scotland.\(^6\) In monetary terms, estimated UK income tax receipts total approx. £152 billion with about £4.5 billion arising from Scottish tax payers.\(^7\)

34. The Scotland Act 2012 also provides Scottish Ministers with borrowing powers for 3 purposes: capital spending; to deal with the deviations between forecast and actual revenues from SRIT; and to address temporary shortfalls between receipts and expenditure. These borrowing powers are subject to certain conditions and limits.

35. Since the Scotland Act 2012 was passed there has been further progress in finalising the detail of the audit arrangements for SRIT. Two of the most significant developments are set out below.

Memorandum of Understanding

36. As part of the implementation arrangements for the SRIT, a Memorandum of Understanding (MoU) was drafted setting out the arrangements between HMRC and the Scottish Government for implementing and operating the SRIT. Included within the MoU were:

\(^6\) Public Audit Committee, Official Report, 15 January 2014, Col 2017
\(^7\) Public Audit Committee, Official Report, 29 January 2014, Col 2054
roles and responsibilities of HMRC and the Scottish Government;

the costs to be borne by HMRC and the Scottish Government respectively;

dispute resolution procedures; and

the requirement for an extract of HMRC's accounts, covering all matters relating to SRIT, to be provided to the Parliament.

37. A draft of this MoU was provided to the Committee and following consideration of evidence on the MoU the Committee provided its views on the draft MoU to the Scottish Government. The final agreed MoU is available on the Committee’s webpage.8

Draft amendment

38. On 10 December 2013, HMRC published, for consultation, a draft amendment to the UK Finance Bill 2014 (hereafter referred to as the “draft amendment”) along with an Explanatory Note and Tax Information and Impact Note. Following the close of the consultation period, the terms of the draft amendment may change but it will require to be lodged in and then agreed to by the UK Parliament later in 2014 in order to come into force. This report is based on the assumption that the draft amendment as proposed will be agreed by the UK Parliament. If this proves to not be the case then the Committee may review its recommendations in this report.

39. The policy objective of this draft amendment is reported as—

"The measure will provide annual assurance to the Scottish Parliament on HMRC's calculation and collection of the Scottish rate of income tax and that the Scottish Government are getting value for money for their payments to HMRC for its work in administering the Scottish rate."9

40. The draft amendment would require the Comptroller and Auditor General (C&AG) of the NAO to report annually on the following grounds:

- the adequacy of any HMRC rules and procedures to ensure the proper assessment and collection of the SRIT at the agreed rate;
- whether the above rules and procedures are complied with;
- the correctness of sums brought to account by HMRC attributable to the SRIT;
- the accuracy and fairness of the amounts reimbursed to HMRC by the Scottish Government for HMRC's administration of the SRIT.

41. The draft amendment also allows the NAO to undertake discretionary value for money audits on aspects of HMRC's expenditure on implementing or operating

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8 http://www.scottish.parliament.uk/S4_PublicAuditCommittee/final_mou_sa.pdf
9 HMRC written evidence to the Public Audit Committee, 10 December 2013
the SRIT. The draft amendment does not explicitly require the C&AG to give an opinion on the matters listed as, for example, the C&AG does for the accounts of HMRC as a whole.

42. Under the terms of the draft amendment the first NAO report will be on the financial year 2014-15 and annually thereafter. The NAO anticipates laying this report in the Parliament in summer each year at the same time as it reports on HMRC's annual accounts to the UK Parliament.¹⁰

43. The Committee provided its views to HMRC on the draft amendment, and this response can be found in Annexe A.

KEY STAKEHOLDERS

44. There are a number of stakeholders with an accountability role in relation to the SRIT. These are set out below together with details of the audit activity they will be undertaking in relation to the SRIT.

HM Revenue and Customs

45. HMRC is a non-ministerial department established by the Commissioners for Revenue and Customs Act 2005. It is the principal UK revenue.collecting department and its purpose is to make sure that money is available to fund the UK's public services, by collecting UK taxes.

46. It reports to the UK Parliament through Treasury Ministers. HMRC’s Chief Executive is its Accounting Officer and is accountable to the UK Parliament for HMRC’s performance in collecting taxes. This performance is reported annually in HMRC’s annual accounts which include—

- An annual report commenting on aspects of HMRC’s performance;
- A financial statement regarding the Resource Accounts (HMRC’s administrative and programme spend); and
- A financial statement regarding the Revenue Accounts (also known as the Trust Statement) which reports on the tax and duties collected by HMRC.

47. As set out above HMRC is required by the MoU to provide the Parliament with an extract from its accounts. HMRC expect this extract to reproduce the relevant figures from HMRC’s Resource Account and Trust Statement which relate to SRIT revenues and expenditure on administering the SRIT. HMRC will also need to provide sufficient information in order for the C&AG to report on the grounds identified within the draft amendment.

48. HMRC has confirmed that it would be happy to lay the HMRC extract in the Parliament.¹¹ The Committee welcomes this commitment however it would reiterate its recommendation made in its consultation response to HMRC, on

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¹⁰ NAO email to the Clerk, 12 July 2013.
¹¹ Public Audit Committee, Official Report, 15 January 2014, Col 2010
the draft amendment, that legislative force should be given to this
commitment.

49. The Committee considers that providing a statutory basis for HMRC to lay its
annual SRIT extract in the Parliament would place C&AG and HMRC reporting to
the Parliament on the SRIT on a similar footing to HMRC’s current reporting
requirements to the UK Parliament. It would also provide transparency as to which
SRIT information informed the NAO report.

50. As set out in the Command Paper and the MoU, HMRC has also appointed
an Additional Accounting Officer (AAO) with responsibility for the SRIT. This role,
whilst not a statutory role, would undertake to report to the Parliament on HMRC’s
performance in administering and collecting the SRIT.

51. The Committee has set out its views in full on the appointment of an AAO in
its interim report. In summary the Committee welcomes the appointment of an
AAO and is persuaded that given the AAO’s commitment to attend
Committee meetings and other procedural safeguards\textsuperscript{12}, the current
accountability arrangements for the AAO are adequate.

52. We also welcome the commitment given by HMRC to appear before the
Committee when invited.

The Comptroller and Auditor General and the NAO

53. The NAO scrutinises public spending on behalf of the UK Parliament and its
audit of central government has two main aims. Firstly, by reporting the results of
audits to the UK Parliament, it holds government departments and bodies to
account for the way they use public money, thereby safeguarding the interests of
taxpayers. Secondly its work aims to help public service managers improve
performance and service delivery.

54. The audit and inspection rights are vested in the C&AG as head of the NAO.
The staff of the NAO undertake these tasks on his behalf.

55. The C&AG is an Officer of the House of Commons. Both he and his staff at
the NAO (some 860) are totally independent of government and are not subject to
the control or direction of the UK Government or Parliament. NAO staff are not civil
servants and the NAO does not report to any Minister.

56. The C&AG reports to the UK Parliament on taxation issues, specifically—

- Auditing the financial statements – the Trust Statement and the Resource
  Accounts.
- Reviewing and reporting the effectiveness of HMRC’s procedures and
  controls in relation to each of the taxes and duties collected by HMRC

\textsuperscript{12} In written evidence to the Committee the Scottish Government confirmed that should the AAO
not agree to provide evidence to a Committee when requested, then this would be an issue which it
would take through the dispute resolution procedure to the Joint Exchequer Committee. Scottish
(under the Exchequer and Audit Departments Act 1921). This is a separate report to HMRC’s annual accounts.

57. Under the terms of the draft amendment the C&AG will be required from 2015 to provide a narrative audit report on HMRC’s administration and collection of the SRIT on the grounds identified in the draft amendment. This annual report will be laid in the Parliament. The Committee welcomes the C&AG’s commitment to appear before the Public Audit Committee to give evidence on his annual narrative report should the Committee wish.\(^\text{13}\)

58. The draft amendment also provides that the C&AG “may” include in his narrative reports to the Parliament an assessment of the economy, efficiency and effectiveness with which HMRC has used its resources in carrying out relevant SRIT functions. In evidence the C&AG confirmed that this word “may” provided him with discretion not to report on this aspect of the SRIT if he had nothing further to add to his narrative report.\(^\text{14}\)

The Auditor General for Scotland and Audit Scotland

59. In evidence to the Committee the AGS confirmed that in the 2014-15 audit of the Scottish Government, the AGS will report on the state of preparation of the Scottish Government in relation to SRIT.\(^\text{15}\)

60. The cost to HMRC of implementing and operating the SRIT has been estimated as £40-£45 million for implementation with £4.2 million of annual running costs thereafter. These costs will be met by the Scottish Government and will therefore also be subject to audit by Audit Scotland.

61. In addition, the AGS also explained that both capital and revenue borrowing will appear in the accounts of the Scottish Government and/or the Scottish Consolidated Fund and will therefore be subject to audit annually as part of the audit of these accounts. Any significant matters arising would be reported through the annual audit report to the Scottish’s Government’s Audit and Risk Committee and the AGS has power under the Public Finance and Accountability (Scotland) Act 2000 to report on any matters arising to the Parliament.

62. In addition to annual audit reports, the AGS can also publish performance audit reports which examine particular value for money issues, either on individual organisations or across a sector.

The Scottish Government

63. The Scottish Government will need to propose a new SRIT every year, with a resolution passed by the Parliament in such time as to allow the taxes to be collected at the start of each tax year (starting in April 2016 and from April each year thereafter).
64. The Scottish Government also produces audited accounts which will include audited figures for income it receives such as the level of block grant allocated by the UK Government (part of which will, in future, be raised through the SRIT). As confirmed by the AGS, both capital and revenue borrowing will appear in the accounts of the Scottish Government and/or the Scottish Consolidated Fund.\(^{16}\)

**The Scottish Parliament**

65. Under the Scotland Act 2012, the SRIT will be set, each year, through a resolution passed by the Parliament on the basis of a proposal made by the Scottish Government. It will also be for the Parliament to scrutinise the expenditure by the Scottish Government and the reports of HMRC, the NAO and Audit Scotland on the implementation, administration and collection of the SRIT.

THE RELATIONSHIP BETWEEN THE NAO AND AUDIT SCOTLAND

66. In written evidence to the Committee the NAO set out the legislative basis for its work in auditing HMRC, explaining that HMRC is also governed by the Commissioners for Revenue and Customs Act 2005 which prohibits disclosure of HMRC’s information except under specific circumstances.\(^{17}\) As a result Audit Scotland and the AGS do not have a statutory right of access to HMRC's or the NAO's source data on Scottish tax payers in order to undertake any audit function.

67. The C&AG however explained that whilst Audit Scotland cannot undertake the audit work of HMRC, it—

"can collaborate with us on looking at how we have done the work and it can give you extra reassurance that we have done the work reasonably."\(^{18}\)

68. This view concurred with that of the AGS, who commented that since summer 2013 —

"we have reached a clear understanding with the NAO, HMRC and the Scottish Government that our role would be to discuss with the NAO the work that it needs to do to fulfil the new requirements under the finance bill and that we have the chance to influence that work, respecting the C&AG's discretion, which reflects mine, to make his own decisions about the work that he will do."\(^{19}\)

69. The AGS then explained that once the audit work of the NAO is complete then Audit Scotland would also formally discuss the NAO's findings to understand them and the subsequent NAO report to the Parliament. The AGS confirmed, that she would be happy to provide her own report, alongside the NAO's report, to provide reassurance that Audit Scotland was content with the work that the NAO had undertaken. This would also provide the AGS with an opportunity to make any further remarks or comments.

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\(^{16}\) *Audit Scotland written evidence to the Public Audit Committee, 28 June 2013*

\(^{17}\) *NAO written evidence to the Public Audit Committee, 1 March 2013*

\(^{18}\) *Public Audit Committee, Official Report, 15 January 2014, Col 1998*

\(^{19}\) *Public Audit Committee, Official Report, 29 January 2014, Col 2064-65*
70. Whilst the AGS could already work with the NAO as described above, the AGS remarked that it would be helpful to capture it in a memorandum of understanding (hereafter referred to as the "audit MoU") between Audit Scotland and the NAO. The AGS stated that this audit MoU was already under discussion but that it was not likely to be agreed until the start of 2015-16, once the arrangements for putting SRIT in place were worked through.20

71. In its interim report, the Committee identified a number of options by which HMRC might be audited by the NAO and Audit Scotland including:

- the NAO as sole auditor of HMRC (option 1);
- Audit Scotland providing additional assurance of NAO’s audit of HMRC (option 2);
- Audit Scotland and the NAO acting as joint auditors of HMRC (option 3).

72. In considering the evidence the Committee notes that the simplest system, as supported by the Chartered Institute of Taxation would be for NAO to undertake the audit of HMRC unassisted. However the Committee agrees that there would be merit in Audit Scotland providing a Scottish perspective on the NAO’s audit work.

73. Therefore, the Committee recommends that Audit Scotland should provide additional assurance on NAO’s audit of HMRC (option 2). In addition the Committee agrees that it would be helpful for Audit Scotland to work with the NAO on its future priorities for any performance audit work in relation to the SRIT or on its future focus of SRIT annual audit work.

74. In terms of the transparency of any joint working relationship between Audit Scotland and the NAO, the Committee agrees with the AGS there would be real value in setting out clearly in a memorandum of understanding the agreement reached between the NAO and Audit Scotland on audit work relating to the SRIT.21 The Committee would also welcome the opportunity to consider a draft of the audit MoU before it is finally agreed and therefore invites the AGS and C&AG to provide it with a draft copy in due course.

75. The Committee recommends that Audit Scotland report annually on its assurance work in relation to the SRIT.

76. The Committee agreed that it would be helpful for any such AGS report on the SRIT to be published at the same time as the HMRC extract and NAO audit report is laid. This will enable the Parliament to consider at the same time the SRIT extract from HMRC and the annual audit report of the NAO alongside any assurance report of the AGS.

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20 Public Audit Committee, Official Report, 29 January 2014, Col 2050 and 2065
77. A key concern of the Committee throughout its consideration of the audit arrangements for the SRIT has been ensuring that the Parliament receives sufficient meaningful data to be able to effectively scrutinise the performance of HMRC in collecting SRIT income. This is especially important given actual SRIT receipts will play a key role in refining the forecasting process and ultimately in influencing the adjustment of the block grant.

78. In its response to the Finance Committee, the Scottish Government explained how this adjustment process would work —

"during the transition period for SRIT, actual SRIT receipts will be accounted for by HMRC and the accounts will be published and audited. The UK government's intention is that by comparing actual receipts with forecasts, it will be possible for HMRC and the OBR to improve forecasting accuracy so that at the end of the transition period, reasonably reliable forecasts of SRIT receipts will be available."\(^{22}\)

79. The Committee therefore recognises that the Parliament's ability to hold HMRC to account for its performance in accurately collecting the SRIT is important in ensuring that Scotland receives its fair allocation of income tax.

80. As noted at paragraph 32, 99% of income tax is collected without any activity. The Scottish Government explained that this 99% will be absolutely allocated to either Scottish or non-Scottish tax payers as—

“HMRC's computer systems will be able to calculate very accurately...how much of the payover made by an employer or self assessment taxpayer is attributable to the Scottish rate, and the auditors will be able to check that that routine works as expected.”\(^{23}\)

81. The Committee heard that HMRC's compliance activity therefore relates to the 1% of income tax that does not come in automatically. This compliance activity is a risk-based approach to auditing employers whereby HMRC identifies groups of companies or employers that it sees as of potentially higher risk or which show certain characteristics that indicate there may be a heightened risk of error in tax calculations. HMRC then puts compliance resource to that employer.\(^{24}\) It was therefore extremely difficult to disaggregate at the employer level the income tax potentially due from Scottish as compared with non-Scottish taxpayers especially when it came to UK wide employers. As the SRIT is operated by HMRC as part of the integrated income tax system, HMRC explained that this also presents other difficulties as income tax is collected alongside National Insurance Contributions and other taxes such as capital gains tax. Given this HMRC's performance measurement statistics are not designed to distinguish on a regional basis or in some cases, between revenue from different taxes.\(^{25}\)

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\(^{22}\) Scottish Government written evidence to the Finance Committee, 8 January 2014

\(^{23}\) Public Audit Committee, Official Report, 29 January 2014, Col 2057

\(^{24}\) Public Audit Committee, Official Report, 29 January 2014, Col 2056

\(^{25}\) HMRC written evidence, 27 June 2013
82. The Scottish Government explained that any yield from that compliance activity could be received by HMRC months, or in some cases years, after the end of the financial year to which that income tax relates. As a result the UK Government had proposed in the command paper that the amount of SRIT received should be struck one year after the tax year in question. At that time HMRC will state what the actual SRIT receipts are based on actual income automatically collected together with an estimate of the unpaid tax which is subject to compliance activity.  

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83. The estimate of the percentage of income tax subject to compliance activity is based on HMRC and UK Treasury looking through a number of years income tax collection data and then estimating how much of its income tax comes in after the plus-one cut off point. On the assumption that future years are fairly like previous years, HMRC will then estimate the proportion of tax that is still to come and will then uprate the actual receipts from SRIT by that percentage.  

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84. The Scottish Government commented that under the above approach, should HMRC fail to collect any of that 1% at the one-year point then—

***“the Scottish budget would not suffer, because an estimate of would have been made of the amount of the 1 percent, which would have been added to the Scottish rate receipts that were received up until the one-year point.”***  

28

85. In terms of compliance activity the Scottish Government explained it has HMRC’s assurance that its compliance activity is risk based and would be applied in the same way for Scottish employers as for those in the rest of the UK. On that basis the Scottish Government was satisfied with HMRC’s compliance activity.  

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86. In its interim report the Committee had identified a number of areas against which HMRC reported its performance to the UK Parliament. Those areas are:

- Compliance;
- Prosecution rates;
- Error and fraud levels;
- The tax gap (the difference between all tax theoretically due and that actually collected);
- Proportion of tax debt arising in the year that is cleared within 90 days (referred to as the ‘debt roll rate’);
- Taxes written off and tax dispute settlements.

87. The Committee then asked HMRC to identify which of those performance areas it would be able to report on in relation to the SRIT. HMRC confirmed that
because of its risk based approach and the fact that its compliance activity is focussed on employers, of the areas identified above it would be able to provide the following information:

- An assessment of underpayment as a result of fraud and error in respect of Scottish taxpayers based in Scotland, but not Scottish taxpayers working for UK-wide employers and not split between Income Tax and other taxes;

- Performance in relation to tax and National Insurance Contribution's (NIC) debts (roll rate) owed by Scottish tax payers who complete Self Assessment tax returns; and

- an estimate of the amount of Scottish income tax written off (although presentation of this information is under consideration).

88. HMRC explained that this information would not be comparable with figures for the rest of the UK. The Committee also noted that HMRC did not identify any additional costs to the Scottish Government in providing this information to the Parliament.

89. In considering the performance data that HMRC reports on at UK level, the Committee acknowledges the challenges that HMRC identify as barriers to disaggregating this data into figures for Scotland. The Committee also recognises that this compliance activity relates to 1% (approximately £45 million) of the total anticipated from SRIT receipts (of approximately £4.5 billion).

90. However, the Committee has consistently called for greater transparency in reporting performance across the public sector and on that basis it recommends that HMRC provide the performance information identified at paragraph 87, despite the limitations identified by HMRC.

91. In evidence HMRC also identified that it could provide partial information on cash collected from compliance activities involving Scottish taxpayers, excluding the information on those employed by UK-wide employers albeit at a one-off cost of £100,000 to the Scottish Government (to make changes to HMRC's recording systems).

92. The Committee would welcome this information as it would add to the range of information which could be used to assess HMRC's performance (particularly compliance yields) over time. The Committee would also welcome clarification about how the Scottish Government intends to assess the effectiveness of HMRC's compliance activities in relation to SRIT.

Identifying Scottish tax payers

93. In evidence the Committee heard that identifying who is a Scottish tax payer is the foundation upon which the whole SRIT system is built and that —

"getting the number right will be the foundation for the tax being fair and equitable as well as for it raising as much as it can for the Scottish
Government and the Scottish Parliament’s programme for public services and economic development.\textsuperscript{30} 

94. The Committee heard that a big part of the implementation plan, in 2014-15, is the identification of Scottish tax payers, ensuring that HMRC’s database of income tax payers was up to date and accurate as well as testing how the status of tax payers might be interpreted. HMRC’s AAO confirmed that once the identification of Scottish tax payers was underway in 2015-16, he would be able to—

"provide the Committee with information on the numbers that have been identified, the number of cases where it has not been self evident that people are Scottish residents and what process we have applied in following up."\textsuperscript{31}

95. The C&AG explained that the NAO audit work would focus on overall efficiency and effectiveness of the system and would not tend to include examining individual tax payer status. Sample companies might be examined if the NAO was undertaking a value for money study of some aspect of HMRC’s performance.\textsuperscript{32} He explained that the NAO will look at the process and procedures for identifying SRIT payers to determine whether it appeared reasonable and had been properly applied. In that regard he indicated he would be able to come back to the Committee to give reassurance during the course of the identification process.\textsuperscript{33}

96. The Scottish Government explained that it was currently discussing with HMRC the detail of how HMRC might identify SRIT payers. It had been providing its expertise to HMRC in relation to Scottish migration data. This will assist in identifying the number of people who move in and out of Scotland through the year and between years. If, following the operation of the SRIT, that migration data was to change in a way different from what was expected, then that would be a clear signal that more compliance work should be undertaken.\textsuperscript{34}

97. Audit Scotland commented that whilst the rate of SRIT remains at 10 pence there is no particular incentive for people to declare themselves as Scottish tax payers or not because they will pay the same amount. However if the SRIT changes from 10 pence then it might be expected that Scottish or non-Scottish tax payers may seek to change their tax payer status to take advantage of the lower rate of income tax. Audit Scotland explained that from an audit risk point of view, it is then about examining those movements of those tax payers to determine the reasons for any changes in status.\textsuperscript{35}

98. The AGS explained that, as with the NAO, Audit Scotland could also provide assurance to the Committee as to how well the process of identifying Scottish tax payers was underway in 2015-16, he would be able to—

\textsuperscript{30} Public Audit Committee, Official Report, 29 January 2014, Cols 2071-72
\textsuperscript{31} Public Audit Committee, Official Report, 15 January 2014, Col 1998
\textsuperscript{32} Public Audit Committee, Official Report, 15 January 2014, Col 1990
\textsuperscript{33} Public Audit Committee, Official Report, 15 January 2014, Col 1998
\textsuperscript{34} Public Audit Committee, Official Report, 29 January 2014, Col 2072
\textsuperscript{35} Public Audit Committee, Official Report, 29 January 2014, Col 2062
payers had been undertaken and confirmed that this will be a key focus of Audit Scotland during the implementation phase.  

99. The Committee welcomes the assurances from the C&AG and from the AGS, that the process for accurately identifying Scottish tax payers is a key aspect of their audit activity during the implementation phase. The Committee would therefore invite the C&AG to specifically comment on the effectiveness of HMRC’s processes and procedures in this area in his annual reports on SRIT starting with his first report to the Committee due in summer 2015. The Committee would also welcome any observations from the AGS on this issue at the same time.

100. The Committee welcomes the commitment of the C&AG to undertake sample testing of the Scottish tax payer identification process, as part of the NAO’s audit work.

101. The Committee also welcomes the commitment from HMRC to report to the Scottish Parliament during 2015/16 on its effectiveness in identifying Scottish tax payers.

102. The migration data provided by the Scottish Government will become an especially useful measure should the SRIT be set at a different rate than 10 pence. The Committee therefore recommend that the Scottish Government publishes this data from 2015. This will then provide the Scottish Parliament with established patterns of migration against which it can consider the impact of any rate change.

Customer Service

103. The AGS explained that it would be helpful to have information from HMRC on complaints specifically about the SRIT—

“because they could be a useful marker of the way in which the system is operating across the piece.”

104. The Committee also heard that the Scottish Government is currently exploring with HMRC which of its current phone-based systems can track those calls specifically related to the SRIT as opposed to calls from Scottish tax payers about other aspects of the taxation system.

105. As the Chartered Institute of Taxation highlighted in its written response to the Committee’s interim report, such measures as dealing with tax payer enquiries and the speed of settling disputes (and at what stage of the process) would provide the Committee with evidence of how well the taxpayer is served.

106. Whilst the Committee notes HMRC’s evidence that the costs to employers will be marginal, the Committee agrees with witnesses about the importance of scrutinising HMRC’s service to Scottish tax payers. The

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36 Public Audit Committee, Official Report, 29 January 2014, Col 2072
37 Public Audit Committee, Official Report, 29 January 2014, Col 2060
38 Public Audit Committee, Official Report, 29 January 2014, Col 2060
Committee therefore welcomes the work of HMRC and the Scottish Government to assess what measures might be put in place to measure HMRC’s telephone responsiveness.

107. The Committee however also recommends that HMRC report to the Parliament information on the complaints it receives regarding the SRIT. This will provide the Parliament with a much broader range of information regarding HMRC’s service to Scottish tax payers, than telephone-based assessment, especially given the increasing importance of online interactions. It could also help identify early on if common issues are arising in the application of SRIT to Scottish tax payers.

108. The Committee would welcome an update from HMRC by summer 2015 on what information it proposes to provide the Parliament on complaints related to SRIT. In addition the Committee would request a further update from the Scottish Government by summer 2015 on the progress of its discussions with HMRC regarding performance measures relating to SRIT telephone calls.

Future Developments in Scottish specific performance data

109. In evidence, the C&AG explained that in relation to the reporting grounds set out in the draft amendment—

“I will supplement that with further certification as far as I am able to do so, based on the evidence that I have.”

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110. He also commented that—

“If the Parliament finds it helpful to have our opinion, we will express it in as clear a way as we possibly can, in addition to what is required of us by statute, so as to try and fit in with what the Parliament finds helpful, commensurate with what evidence we have.”

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111. In evidence to the Committee, HMRC explained that—

“I absolutely expect that we will change the information that we give as we see what is useful to you and what it is possible for us to provide... In three or four years, we might find that it is possible to give more information; we would certainly want to do that.”

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112. The ability of HMRC to effectively identify and then collect income tax from Scottish tax payers is key to determining the level of funding available to the Scottish Government and the Parliament to provide for public services. In that regard the draft amendment and the MoU provide a starting point by identifying specific information regarding the robustness of HMRC's processes and collection of the SRIT that HMRC should provide and which the NAO should comment on in its annual report to the Scottish Parliament.

40 Public Audit Committee, Official Report, 15 January 2014, Col 1993
113. The Committee therefore welcomes the comments of the C&AG and HMRC that, where possible, both will strive to enhance the range of performance information beyond that required by the MoU and the draft amendment.

114. In that regard, the Committee recommends that consideration be given to strengthening the draft amendment to enable the C&AG to give assurance that the information provided by HMRC on the administration and collection of SRIT is reasonably stated.

115. Throughout this section on performance information the Committee has identified additional information it believes will strengthen the Parliament's scrutiny role. The Committee recommends that this additional performance data from HMRC should be laid as part of, or provided as a covering letter to, the HMRC extract.

AUDIT SCRUTINY OF OTHER FINANCIAL INFORMATION

Transparency

116. Another aspect the Committee considered was the ease with which the Scottish Consolidated Accounts will enable the Parliament and the Committee to identify income arising from the SRIT as well as any use of the borrowing powers, and cash reserve.

117. In evidence the Scottish Government confirmed that the Scottish consolidated accounts will not distinguish between funding provided from SRIT and that from the block grant. This was because the amount due to the Scottish budget as a result of SRIT receipts will be included within the block grant, less the block grant adjustment made by the UK Government in recognition that it is not longer receiving the SRIT portion of income tax.42

118. The Cabinet Secretary confirmed that Scottish Government would likely set out its proposals for the rate of SRIT, together with a forecast of receipts in the draft budget documents each year beginning in autumn 2015 for 2016-17. This was based on the assumption that the Scottish Government and Parliament agree a process that is similar to that agreed for the two devolved taxes. In subsequent years the draft budget would include information about the forecast outturn and actual receipts, as well as information on how the SRIT block grant had been calculated.43

119. The AGS welcomed this commitment by the Scottish Government but highlighted the importance of transparency of how the proceeds from the SRIT are publicly reported to the Parliament and between the amounts reported in HMRC’s extract and the final adjustment made to the Scottish block grant. This will then

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42 Public Audit Committee, Official Report, 29 January 2014, Col 2068
enable the Parliament to clearly see the interaction between the amount raised in one year with its effects on the grant for a subsequent year.\textsuperscript{44}

120. The Committee also welcomes the Cabinet Secretary's indication that actual SRIT receipts together with information on how the block grant will be calculated will be published as part of the draft budget document.

121. However, the Committee would welcome confirmation that as part of this information the draft budget will set out clearly:

- the interaction between actual SRIT receipts in one year and the effect on the block grant in a subsequent year; and

- the relationship between actual SRIT receipts and the final block grant allocation figure in the Scottish Consolidated Accounts for the same corresponding year.

122. By providing this information the Parliament will be better able to scrutinise variations in SRIT receipts and their consequent impact on future block grant allocations.

123. The Committee also agrees with the AGS that transparency will be improved if any proposed use of the cash reserve is included within the annual budget documents and would therefore welcome confirmation from the Scottish Government of how it proposes to address this.

124. In its interim report the Committee observed that, in relation to borrowing for capital and other purposes by the Scottish Government, it was good practice for the supporting notes to accounts to analyse the amounts due to be repaid within one year and those due to be repaid after more than one year. The Committee would welcome confirmation from the Scottish Government that it intends to adopt this good practice.

125. In written evidence the AGS confirmed that Audit Scotland and the AGS will have access to the information supplied to the Scottish Government by the Office of Budget Responsibility. This provides the Committee with reassurance that the AGS can report to the Scottish Parliament on any risks or concerns arising in relation to OBR forecasting based upon the information provided to the Scottish Government.

Economic data from the Scottish Government

126. In evidence the Scottish Government confirmed that, in addition to audit information, it would be seeking a range of management information from HMRC about the operation of the tax, including information about the trends on tax collected over time which would give an insight into the economy's performance.\textsuperscript{45}

127. In its interim report the Committee recognised that whilst the Scottish Government may require this information in order to discharge its duties to the

\textsuperscript{44} Audit Scotland written evidence to the Public Audit Committee, 28 June 2013

\textsuperscript{45} Public Audit Committee, Official Report, 22 November 2012, Col 1018.
Parliament, this tax trend information would be of value to the Parliament in providing a context in which to scrutinise HMRC's performance. The AGS also observed that information on trends in tax collection will need to be available to the Parliament when it is considering setting the annual SRIT so that it is able to judge how much will actually be raised by a particular decision.46

128. The Committee notes the commitment from the Scottish Government to consider what information it may be able to provide to the Parliament in relation to an annual summary of trends in tax collection.47 However, it agrees with the AGS about the importance of this information in assisting the Scottish Parliament to assess the impact of different SRIT rates on anticipated tax receipts.

129. The Committee therefore recommends that the Scottish Government provides this information annually alongside the information on actual SRIT receipts in the draft budget document given it will provide context for any variances in actual SRIT receipts.

46 Audit Scotland written evidence to the Public Audit Committee, 28 June 2013
PUBLIC AUDIT COMMITTEE’S RESPONSE, DATED 29 JANUARY 2014, TO THE CONSULTATION BY HM REVENUE AND CUSTOMS ON THE DRAFT AMENDMENT TO THE UK FINANCE BILL 2014

Thank you for your letter dated 27 November 2013 and your subsequent oral evidence to the Committee on the proposed amendment to the Finance Bill 2014. The Public Audit Committee agreed that it would respond to the consultation and accordingly I have set out below the Committee’s views.

1. The Public Audit Committee welcomes the draft amendment as providing a clear legislative underpinning to Scotland Bill 2012’s white paper proposal that the Comptroller and Auditor General (C&AG) should report annually to the Scottish Parliament on HMRC’s administration of the Scottish rate of income tax (SRIT).

The Annual Report

2. In considering the specific terms of the draft amendment the Committee notes that whilst subsection 1 sets out clearly the matters upon which the C&AG is required to report to the Scottish Parliament it does not explicitly require him to give an audit opinion. In evidence to the Committee the C&AG explained that—"If the [Scottish] Parliament finds it helpful to have our opinion, we can express it in as clear a way as we possibly can, in addition to what is required of us by statute, so as to try and fit in with what the Parliament finds helpful, commensurate with what evidence we have."48

3. In that regard the C&AG recognised that the draft amendment requires the NAO to provide a narrative report to the Scottish Parliament although that would be supplemented by further certification as far as the C&AG can do so with the Scottish specific evidence available from HMRC.

4. At present it is not clear what Scottish specific data about the management and collection of SRIT will be provided by HMRC (and which would therefore be available for any commentary by the C&AG). In addition, the C&AG explained that whilst the narrative report could address whether the calculation of the SRIT had been undertaken accurately his narrative report would not be able to certify that it had been collected accurately.49

5. The Committee welcomes the commitment of the C&AG to, as far as the data permits, report to the Scottish Parliament on wider grounds than is set out in the draft amendment. The Committee also notes that subsection 6 of the draft amendment requires HMRC to provide the C&AG with such information as may reasonably be required for preparing a report. The C&AG’s commitment together with subsection 6 will, the Committee hopes, encourage HMRC to continue to develop and report on a wider range of Scottish specific data rather than only reporting on those matters set out in subsection 1.

6. That said, the Committee would recommend that consideration be given to strengthening the draft amendment to enable the C&AG to give assurance to the

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Scottish Parliament that the information provided by HMRC on the administration and collection of the SRIT is reasonably stated. If required, the draft amendment could provide for a transitional period during which time HMRC could work towards the provision of sufficient Scottish specific data to meet this requirement. This would supplement the NAO’s annual narrative report and would provide the Scottish Parliament with overall assurance that the information provided by HMRC appears sound.

Economy, Efficiency and Effectiveness reports

7. The Committee notes that the draft amendment provides that the C&AG “may” include in his narrative reports to the Scottish Parliament an assessment of the economy, efficiency and effectiveness with which HMRC has used its resources in carrying out relevant SRIT functions. In evidence the C&AG confirmed that this word “may” provided him with discretion not to report on this aspect of SRIT if he had nothing further to add to that already contained in his narrative report—

"If there is nothing more that I can look at, there is no point in doing what is, in effect, a value for money -type report every year."

8. The Committee understand this position and notes that implicit with the C&AG’s evidence is confirmation that where possible the C&AG would seek to provide the Scottish Parliament with additional commentary on the economy, efficiency and effectiveness of HMRC administration of SRIT. The Committee would also reiterate its comments about the role of the C&AG, along with the Scottish Parliament, in encouraging HMRC to, over time, seek to enhance and report on wider Scottish specific performance and collection data.

9. The Committee welcomes the C&AG’s commitment to appear before the Public Audit Committee to give evidence on his annual narrative report should the Committee wish. We also acknowledge his confirmation that, should issues arise with his report to the Scottish Parliament, then the C&AG would want to speak to the Public Audit Committee about those issues.

Commencement date

10. The Committee supports subsection 2 which would bring the draft amendment into effect for the financial year ending March 2015. This will provide the Committee and the Scottish Parliament with an opportunity to consider and provide any comments on the content and format of the report. More generally the Committee notes that the draft amendment provides for the C&AG to report by no later than 31 January of the financial year following that to which the report relates. The Committee understands from the NAO that in practice it anticipates reporting to the Scottish Parliament at the same time it reports on HMRC’s annual accounts to the UK Parliament, in late June or early July. The Committee welcomes this earlier reporting timescale as it will better enable the content of the C&AG’s narrative report to also inform the Scottish Parliament’s budget scrutiny process.
HMRC reporting to the Scottish Parliament

11. Finally, in evidence the C&AG confirmed that his narrative report would be based on "an abstract" of HMRC's accounts as well as how SRIT income has been separated from HMRC's wider income tax collection. In that regard HMRC also confirmed that HMRC's annual accounts will contain "a separate report on how much SRIT is due to you".

12. The Committee would observe that whilst the C&AG's narrative report will require to be laid, the corresponding HMRC abstract (or separate report as identified by HMRC) will not. This would place the Committee and the Scottish Parliament in the somewhat unusual position of being able to scrutinise the C&AG narrative report without the corresponding HMRC information upon which that narrative is based being laid with that report. The Committee welcomes HMRC's confirmation that "if it would be helpful then it would lay in the Scottish Parliament those reports which are required by the memorandum of understanding between the Scottish Government and HMRC".

13. The undertaking to provide an extract from HMRC's accounts to the Scottish Parliament is referred to in the Memorandum of Understanding. HMRC have confirmed that they expect this extract to reproduce the relevant figures from HMRC's resource account and trust statement which relate to SRIT revenues and expenditure on administering SRIT. The Committee understands from HMRC that this extract would be laid at the same time as the NAO report.

14. The Committee welcomes this additional clarification from HMRC. However the Committee would recommend that legislative force should be given in the draft amendment to HMRC's commitment to lay in the Scottish Parliament the corresponding HMRC extract, upon which the NAO has based his narrative report. This would place C&AG and HMRC reporting to the Scottish Parliament on SRIT on a similar footing to HMRC's current reporting requirements to the UK Parliament where HMRC's annual accounts along with the auditor's opinion are both laid in the UK Parliament. It would also provide transparency as to which SRIT information informed the NAO report.

I would reiterate my thanks to you, your colleague Sarah Walker and the C&AG for giving evidence to the Committee. The Committee welcomes the openness and frankness with which you discussed the development of the audit arrangements for SRIT. We will shortly begin considering our report on these matters and we will ensure that we send you a copy for consideration at the time of publication.

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55 Public Audit Committee, Official Report, 15 January 2014, Col 2010
ANNEXE B: EXTRACT FROM THE MINUTES OF THE PUBLIC AUDIT COMMITTEE

16th Meeting, 2012 (Session 4), Wednesday 21 November 2012

Scotland Act 2012: The Committee took evidence on the audit arrangements for the Scottish rate of income tax powers arising from the Scotland Act 2012 from —

Mr Edward Troup, Second Permanent Secretary, and Sarah Walker, Deputy Director and Head of Devolution Team, HM Revenue and Customs;
Amyas Morse, Comptroller & Auditor General, National Audit Office.

17th Meeting, 2012 (Session 4), Wednesday 22 November 2012

Scotland Act 2012: The Committee took evidence on the audit arrangements for the Scottish rate of income tax powers arising from the Scotland Act 2012 from —

Caroline Gardner, Auditor General for Scotland;
Russell Frith, Assistant Auditor General, and Mark Taylor, Assistant Director, Audit Services Group, Audit Scotland;
Alistair Brown, Deputy Director, and Jonathan Sewell, Principal Policy Analyst, Finance Directorate, Scottish Government.

Consideration of approach - Scotland Act 2012 (in private): The Committee considered and agreed its approach to the evidence received on the audit arrangements for the Scottish rate of income tax powers arising from the Scotland Act 2012. The Committee agreed to provide a response to the Cabinet Secretary for Finance, Employment and Sustainable Growth on the Memorandum of Understanding.

18th Meeting, 2012 (Session 4), Wednesday 5 December 2012

Scotland Act 2012 (in private): The Committee considered a draft response to the Cabinet Secretary for Finance, Employment and Sustainable Growth on the draft Memorandum of Understanding between HMRC and Scottish Government officials in relation to the Scottish rate of income tax. The Committee agreed its response, and arrangements for its issue and publication.

2nd Meeting, 2013 (Session 4), Wednesday 30 January 2013

Scotland Act 2012 (in private): The Committee considered and agreed its approach to reporting on the audit arrangements for the Scottish rate of income tax powers arising from the Scotland Act 2012.

5th Meeting, 2013 (Session 4), Wednesday 27 March 2013

Scotland Act 2012 (in private): The Committee considered and agreed a draft interim report on a proposed audit framework for the Scottish Rate of Income Tax
and arrangements for its publication. The Committee also agreed its approach and timescales for consulting on its report.

12th Meeting, 2013 (Session 4), Wednesday 18 September 2013

Scotland Act 2012 (in private): The Committee considered the written submissions received and its approach to reporting on a framework for auditing the Scottish rate of income tax. The Committee agreed to defer consideration of its report and any requests for further written or oral evidence, until it has received an update from the Scottish Government on implementation of the Scottish Rate of Income Tax, due in November 2013.

17th Meeting, 2013 (Session 4), Wednesday 11 December 2013

Scotland Act 2012 (in private): The Committee considered correspondence from the Scottish Government and HM Revenue and Customs (HMRC) and its approach to reporting on a framework for auditing the Scottish rate of income tax (SRIT). The Committee agreed to seek oral evidence from HMRC, the National Audit Office (NAO), the Scottish Government and Audit Scotland. The Committee also agreed to consider its response to HMRC’s consultation on the draft amendment to the Finance Bill 2014; and the Committee’s final report on a framework for auditing the SRIT, in private, at future meetings.

1st Meeting, 2014 (Session 4), Wednesday 15 January 2014

Scotland Act 2012: The Committee took evidence on the auditing arrangements for the Scottish rate of income tax from—

Mr Edward Troup, Second Permanent Secretary, and Sarah Walker, Deputy Director and Head of Devolution Team, HM Revenue and Customs; and Amyas Morse, Comptroller & Auditor General, National Audit Office.

Scotland Act 2012 (in private): The Committee considered the evidence received at agenda item 2. The Committee agreed to consider the terms of its consultation response to HM Revenue and Customs draft amendment to the UK Finance Bill 2014, in private, at a future meeting, and to consider its final report on the Scottish Rate of income tax, in private, at future meetings.

2nd Meeting, 2014 (Session 4), Wednesday 29 January 2014

Scotland Act 2012: The Committee took evidence on its approach to reporting on the framework for auditing the Scottish rate of income tax from—

Alistair Brown, Deputy Director, and Jonathan Sewell, Principal Policy Analyst, Finance Directorate, Scottish Government; Caroline Gardner, Auditor General for Scotland; Russell Frith, Assistant Auditor General, and Mark Taylor, Assistant Director, Audit Scotland.
Scotland Act 2012 (in private): The Committee considered and agreed a draft response to HM Revenue and Custom’s consultation on the draft amendment to UK Finance Bill 2014. The Committee also agreed to publish its consultation response, on its website.

3rd Meeting, 2014 (Session 4) Wednesday 19 February 2014
Scotland Act 2012 (in private): The Committee agreed to defer consideration of this agenda item to a future meeting.

4th Meeting, 2014 (Session 4) Wednesday 05 March 2014
Scotland Act 2012 (in private): The Committee considered and agreed a draft report on a framework for auditing the Scottish rate of income tax and agreed arrangements for its publication. The Committee also agreed to write to the Public Accounts Committee at the House of Commons on issues raised in discussion.
ANNEXE C: ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

Please note that all oral evidence and associated written evidence is published electronically only, and can be accessed via the Public Audit Committee's webpages, at:
http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/29860.aspx

16th Meeting, 2012 (Session 4), Wednesday 21 November 2012

ORAL EVIDENCE
Mr Edward Troup, Second Permanent Secretary; and Sarah Walker, Deputy Director and Head of Devolution Team, HM Revenue and Customs; and Amyas Morse, Comptroller & Auditor General, National Audit Office.

17th Meeting, 2012 (Session 4), Wednesday 22 November 2012

ORAL EVIDENCE
Caroline Gardner, Auditor General for Scotland; Russell Frith, Assistant Auditor General; Mark Taylor, Assistant Director, Audit Services Group, Audit Scotland; Alistair Brown, Deputy Director; and Jonathan Sewell, Principal Policy Analyst, Finance Directorate, Scottish Government.

1st Meeting, 2014 (Session 4), Wednesday 15 January 2014

ORAL EVIDENCE
Mr Edward Troup, Second Permanent Secretary, and Sarah Walker, Deputy Director and Head of Devolution Team, HM Revenue and Customs; and Amyas Morse, Comptroller & Auditor General, National Audit Office.

2nd Meeting, 2014 (Session 4), Wednesday 29 January 2014

ORAL EVIDENCE
Alistair Brown, Deputy Director, and Jonathan Sewell, Principal Policy Analyst, Finance Directorate, Scottish Government; Caroline Gardner, Auditor General for Scotland; Russell Frith, Assistant Auditor General, and Mark Taylor, Assistant Director, Audit Scotland.

WRITTEN EVIDENCE

- Auditor General for Scotland, 4 March 2013 (449KB pdf)
- Comptroller and Auditor General, National Audit Office, 5 November 2012 (247KB pdf)
- Comptroller and Auditor General, National Audit Office, 1 March 2013 (751KB pdf)
- Chair of the Committee of Public Accounts, House of Commons, 4 March 2013 (97KB pdf)
- Cabinet Secretary for Finance, Employment and Sustainable Growth, dated 13 February 2013 (70KB pdf)
- Cabinet Secretary for Finance Employment and Sustainable Growth, 14 March 2013 (292KB pdf)
- HM Revenue and Customs, 13 November 2012 (68KB pdf)
- HM Revenue and Customs, 31 January 2013 (47KB pdf)
- HM Revenue and Customs, 27 February 2013 (145KB pdf)
- Correspondence from the Permanent Secretary of HM Treasury to the Chief Executive and Permanent Secretary, HM Revenue and Customs, 27 February 2013 (261KB pdf)
- Correspondence from the Chief Executive and Permanent Secretary to the Second Permanent Secretary and Tax Assurance Commissioner, HM Revenue and Customs, 1 March 2013 (116KB pdf)
- Public Audit Committee to the Cabinet Secretary for Finance, Employment and Sustainable Growth, 7 December 2012 (177KB pdf)
- Public Audit Committee to HM Revenue and Customs, 7 December 2012 (63KB pdf)
- Scottish Government, 15 November 2012 (126KB pdf)

**DRAFT MEMORANDUM OF UNDERSTANDING**

- Draft Memorandum of Understanding with Scottish Government and HM Revenue and Customs, 15 November 2013 (357KB pdf)
- Agreed Memorandum of Understanding, JEC Version 1, 14 February 2013 (234KB pdf)

**PUBLIC AUDIT COMMITTEE INTERIM REPORT**

- 2nd Report, 2013 (Session 4): Interim framework for auditing the Scottish rate of income tax

**RESPONSES TO THE INTERIM REPORT:**

- Audit Scotland, dated 28 June 2013 (487KB pdf)
- Chartered Institute of Taxation, dated 7 June 2013 (234KB pdf)
- HM Revenue & Customs, dated 27 June 2013 (236KB pdf)

**FURTHER WRITTEN EVIDENCE:**

- Scottish Government update, 27 November 2013 (77KB pdf)
- HM Revenue and Customs correspondence, 10 December 2013 (102KB pdf)
- Draft amendment proposed to the UK Finance Bill 2014 (169KB pdf)
- Public Audit Committee response to HM Revenue and Customs consultation on draft amendment to UK Finance Bill 2014 (80KB pdf)
Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.