

Agenda – Finance Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 21 March 2019

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

SeneddFinance@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

2 Paper(s) to note

(Pages 1 – 3)

2.1 Letter from the Wales Audit Office – Audit arrangements

(Pages 4 – 5)

3 Senedd Election Bill scrutiny session: Welsh Government

09:00–10:00

(Pages 6 – 41)

- Counsel General, Jeremy Miles AM
- Chris Warner, Deputy Director, Constitution and Justice
- Angharad Thomas–Richards, Electoral Reform Programme Adviser

[Senedd and Elections \(Wales\) Bill](#)

[Senedd and Elections \(Wales\) Bill Explanatory Memorandum](#)

Paper 1 – Senedd and Elections (Wales) Bill – Expert Advisor Briefing

Paper 2 – Counsel General correspondence: Senedd and Elections (Wales) Bill

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting



5 Senedd Election Bill scrutiny session: Consideration of evidence
10:00–10:15

6 Consideration of The Welsh Tax Acts (Miscellaneous Amendments) (EU Exit) Regulations 2019

10:15–10:30

(Page 42)

[The Welsh Tax Acts \(Miscellaneous Amendments\) \(EU Exit\) Regulations 2019](#)

[Explanatory Memorandum](#)

Paper 3 – The Welsh Tax Acts (Miscellaneous Amendments) (EU Exit) Regulations 2019

7 Feedback from the Chairs' forum on 20 March

10:30–11:00

(Pages 43 – 44)

Paper 4 – Letter from the Minister for Economy and Transport to the Climate Change, Environment and Rural Affairs Committee

Paper 5 – Letter from the Minister for Environment, Energy and Rural Affairs to the Climate Change, Environment and Rural Affairs Committee

8 Implementation of Wales Act 2014: Consideration of draft report

11:00–11:20

(Pages 45 – 95)

Paper 6 – Implementation of Wales Act 2014: Draft report

Paper 7 – NAO Administration of Welsh Income Tax 2017–18 Report

Paper 8 – Letter to the Secretary of State for Wales: Implementation report

Paper 9 – Letter from the Secretary of State for Wales to Finance Committee:
WAIR

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 13 March
2019

Meeting time: 09.00 – 10.13

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/5319>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Alun Davies AM Mike Hedges AM Rhianon Passmore AM Nick Ramsay AM
Witnesses:	Anna Daniel, Head of Strategic Transformation Tom Jackson, Clerk/Bill Manager Matthew Richards, Head of the Legal Service, Head of the Legal Service Angharad Thomas–Richards, Welsh Government Sian Williams, Welsh Government
Committee Staff:	Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Ryan Bishop (Deputy Clerk) Owen Holzinger (Researcher)



1 Introductions, apologies, substitutions and declarations of interest

- 1.1 The Chair welcomed Members to the meeting.
- 1.2 Apologies were received from Neil Hamilton AM

2 Paper(s) to note

2.1 The papers were noted.

2.1 Letter from the Minister for Health and Social Services: Autism (Wales) Bill Stage 1 Scrutiny – Welsh Government response

2.2 Letter from the Minister for Finance and Trefnydd: Welsh Government's tax policy work plan for 2019

2.3 Letter from the Wales Audit Office: Civil service pension scheme – increase to employer contributions 2019

3 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

3.1 The motion was agreed.

4 Senedd and Elections (Wales) Bill – Technical briefing

4.1 The Committee received a technical briefing on the Senedd and Elections (Wales) Bill from:

Assembly Commission officials

- Anna Daniel, Head of Strategic Transformation Service
- Matthew Richards, Head of Legal Services
- Tom Jackson, Clerk/Bill Manager– Senedd and Elections (Wales) Bill, Strategic Transformation Service.

Welsh Government Officials

- Angharad Thomas Richards; Local Government Democracy Division
- Sian Williams, Democracy, Local Government Democracy Division

5 Scoping paper: Directly funded bodies' annual budget proposals

5.1 The Committee considered the scoping paper.

6 Concurrent scrutiny of the Welsh Government Draft Budget 2019–20: Consideration of draft report

6.1 The Committee agreed the report.

Agenda Item 2.1



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Llyr Gruffydd AM
Chair
Finance Committee
National Assembly for Wales
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Reference: AJB537/mh

Date issued: 21 February 2019

Dear Llyr

Audit arrangements

I wanted to let you know of a decision that the WAO Board has recently taken about how public sector audit in Wales will be delivered.

As you will know, over recent years audit work has been carried out for the Auditor General through a combination of WAO staff and private sector firms.

We have recently been reviewing very carefully what arrangements we should put in place when our current contracts with these firms come to an end in 2020. Following this review the WAO Board has decided not to invite tenders for audits beyond 2020. This was a difficult decision and is not a reflection of the quality of the firms' work.

Rather it is a result of several factors, including:

- a projected overall reduction in the volume of public sector audit work in the coming years with the consequent need to ensure that audit services are provided in a cost-effective way;
- the need to ensure that the WAO and Auditor General are meeting their obligations under the Welsh Language Standards;
- uncertainty about the shape of the town and community council sector together with added uncertainty arising from a review we plan to undertake of the audit regime for that sector; and
- ongoing uncertainty about whether there will be a re-organisation of local government in the medium term.

The combined impact of these and other factors creates a level of uncertainty that would render it very difficult over the next year or two to invite tenders for meaningful contracts that do not create unacceptable risks and cost pressures for both the WAO and the firms.

This is a situation that we will review annually in the light of developments in our external operating environment and we will provide updates to stakeholders as appropriate.

We will be working with the firms who currently carry out this work to ensure a smooth transition for the audited bodies who will be affected.

Please do not hesitate to let me know should you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'AJB H'.

Anthony Barrett
Assistant Auditor General

Agenda Item 3

By virtue of paragraph(s) vi of Standing Order 17.42

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Jeremy Miles AC/AM
Y Cwnsler Cyffredinol a Gweinidog Brexit
Counsel General and Brexit Minister



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA - L/CG/0176/19

Mick Antoniw AM
Chair, Constitutional and Legislative Affairs Committee
National Assembly for Wales

13 February 2019

Dear Mick,

I am writing to set out the Welsh Government's initial views on the Senedd and Elections (Wales) Bill to inform the Committee's scrutiny at Stage 1, which in turn will inform the Government's consideration of potential amendments we may table at Stage 2.

I am pleased that the Welsh Government has been able to provide assistance to the Llywydd in developing the franchise provisions in the Bill, given the links with our own forthcoming legislation about local government elections, and I am grateful to have had the opportunity to discuss some of the other provisions in the Bill with the Llywydd during their development.

As I said in Plenary in response to the Llywydd's statement, the Welsh Government is very supportive of the main aims of the Bill as we see them: to rename the institution to reflect its status, to extend the franchise, and to clarify the rules about disqualification. Our specific observations on the Bill's provisions are set out below.

Part 2 – Name of the National Assembly for Wales

The Bill provides that the Assembly be renamed via two different provisions in similar terms, one of which is an amendment to s1(1) of the Government of Wales Act 2006 (GoWA) so that it would read:

“(1) There is to be an Assembly for Wales to be known as the Senedd.
(1A) The Senedd may also be known as the Welsh Parliament”.

The Welsh Government is concerned that this change could add to, rather than reduce, the confusion which already exists about the names of our institutions, which is extremely important given that the proposed amendments are to our key constitutional statute. We are also concerned that the use of “Senedd” alone without any other indication of its territorial connection to Wales may give rise to accessibility issues.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Our preference would be to amend s1(1) of GoWA to avoid the risk of confusion, so that it would read:

“(1) There is to be a parliament for Wales to be known as [x].”

Although we recognise that the name of our parliament is a matter for the Assembly as a whole to decide, we consider that “Senedd Cymru” and “Welsh Parliament” would have the advantage over “Senedd” that they would address our second concern about territorial connection as the Scottish Parliament and the Dáil Éireann do.

Part 3 – Elections

The Welsh Government fully supports the proposed extension of the franchise to 16 and 17 year olds. Our policy position is that the franchise for Assembly elections should be consistent with that we intend to extend for local government elections. To that end, we would wish to see this Bill include within the franchise foreign nationals who are legally resident in Wales.

We are working with the Assembly Commission to consider what arrangements will be necessary to ensure extension of the franchise for devolved elections is successful. These will include research, communication and educational material. We anticipate the need to establish a Welsh Government External Board of advisors to help with this work, and the Commission will be key partners in helping us to shape this work.

Careful handling of the messaging in the communication and education campaigns will be necessary to minimise confusion for the electorate if Assembly and local government franchises do diverge.

In addition, we support the principle of prisoner voting and look forward to receiving the report of the Equality, Local Government and Communities Committee to further inform our thinking on this.

Now that the Assembly has legislative competence in relation to devolved elections and referendums, its financing and accountability relationship with the Electoral Commission needs to be placed on a formal footing. We stand ready to work with the Llywydd, as Member in Charge, the Electoral Commission and HM Treasury, in the light of Stage 1 scrutiny, to explore whether amendments could be brought forward to achieve this, which would supersede and replace the current proposed duty in the Bill to consider reform of oversight of the work of the Electoral Commission in relation to devolved Welsh elections and referendums.

Part 4 – Disqualification

The Welsh Government fully supports the policy intention of clarifying which persons/offices are disqualified from membership, and which are disqualified from candidacy. We are undertaking detailed analysis of these provisions to satisfy ourselves that they eliminate complexity as far as possible, and that we are comfortable with the policy rationale for any changes to eligibility from existing law. I would welcome the Committee’s views on these matters, particularly given its and its predecessor’s previous work in this area.

Part 5 – Miscellaneous

We note that most of the provisions in this Part of the Bill are internal matters for the Assembly Commission and the Assembly rather than the Government.

However, the Bill does in this Part make provision for the Welsh Ministers to implement recommendations for reform of electoral law made by the Law Commission.

We do not believe it is appropriate to take forward Law Commission recommendations, or to create an expectation about them, in this way, and we have concerns about the drafting of the current provisions in respect of their interaction with existing powers and with powers relating to local government elections.

Instead, we consider that Law Commission recommendations for reform of electoral law or any law should, if these are supported by the Welsh Government, generally be introduced using primary legislation under expedited procedures. Work is well advanced on the development of a fast-track, flexible procedure for consolidation Bills and in due course we would like to explore a similarly expedited process for law reform bills which go beyond consolidation, as recommended by the Law Commission themselves in their report on the form and accessibility of law.

I hope that these reflections are helpful. I am copying this letter to the Llywydd, as Member in Charge, and to the Chair of the Finance Committee. I look forward to working with you all on this Bill during its passage through the Assembly.

Yours sincerely,



Jeremy Miles AM

Y Cwnsler Cyffredinol a Gweinidog Brexit
Counsel General and Brexit Minister

By virtue of paragraph(s) vi of Standing Order 17.42

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Agenda Item 6

By virtue of paragraph(s) vi of Standing Order 17.42

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Ken Skates AC/AM
Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport

Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Mike Hedges AM
Chair Climate Change, Environment
and Rural Affairs Committee

SeneddCCERA@assembly.wales

5 March 2019

Dear




Thank you for your letter dated 07 February regarding the timing of my response to your report on the Welsh Government Draft Budget 2019-20.

Although our response met with the timescale set out in the commissioning email from Committee Business, I acknowledge that the response did not reach committee before the scheduled debate. Please accept my sincere apologies for the delay. As you highlight in your letter there are significant pressures in supporting the budget scrutiny. I am grateful for the insight that the Committee report provided on a number of important environmental issues. I also welcome the challenge we have at scrutiny committee to ensure that our financial decisions are robust. Above all I am mindful of ensuring that I provide a quality and considered response and on this occasion additional time was required for a full assessment of the recommendations in your report.

In the future to ensure that sufficient time is built in for full consideration of the budgetary issues I have asked my officials to ensure that they check with the Plenary Business team at the earliest opportunity.

Thank you for your continued support.



Ken Skates AC/AM
Gweinidog yr Economi a Thrafnidiaeth
Minister for Economy and Transport



Lesley Griffiths AC/AM
Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs

Llywodraeth Cymru
Welsh Government

Mike Hedges AM
Chair of Climate Change, Rural Affairs and Environment Committee
National Assembly for Wales
Cardiff Bay
Cardiff

5

March 2019

Dear Mike

Welsh Government Draft Budget 2019-20

Thank you for your letter dated 7th February 2018.

I apologise for the inconvenience caused over the timing of my response to the Committee with regards to the Environment, Energy and Rural Affairs draft budget 2019-20 report.

I am keen to ensure any responses to questions and recommendations from the Committee are completely fulfilled within stated timescales. I acknowledge in this instance, a number of pressures affected the timeframe for officials to consider the responses, which in turn affected the submission date and adequate consideration by the Committee.

Although this was a particularly difficult time period, I will ensure my officials review the process and learn lessons to provide assurance to the Committee any future reports will be responded to within the set timetable.

Regards
Lesley

Lesley Griffiths AC/AM
Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs

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Pack Page 44

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National Audit Office

Report

by the Comptroller
and Auditor General

HM Revenue & Customs

Administration of Welsh Income Tax 2017-18

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund, nationally and locally, have used their resources efficiently, effectively, and with economy. The C&AG does this through a range of outputs including value-for-money reports on matters of public interest; investigations to establish the underlying facts in circumstances where concerns have been raised by others or observed through our wider work; landscape reviews to aid transparency; and good-practice guides. Our work ensures that those responsible for the use of public money are held to account and helps government to improve public services, leading to audited savings of £741 million in 2017.



National Audit Office

HM Revenue & Customs

Administration of Welsh Income Tax 2017-18

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 23 January 2019

This report has been prepared under Section 6 of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Presented to the National Assembly for Wales pursuant
to Section 116K of the Government of Wales Act 2006,
as amended by the Wales Act 2014

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

21 January 2019

The Wales Act 2014 amended the Government of Wales Act 2006 to give the National Assembly for Wales the power to set Welsh rates of income tax that will apply to the non-savings non-dividend income of Welsh taxpayers from the 2019-20 tax year onwards.

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Contents

Summary 4

Part One

The administration of devolved taxes 8

Part Two

Implementing the Welsh rates of
income tax 12

Part Three

Costs 22

Appendix One

Summary of recommendations raised by
project assurance reviews to date 23

Appendix Two

Lessons identified from the
implementation of Scottish income tax 25

Appendix Three

Our audit approach 27

The National Audit Office study team
consisted of:
Simon Wakefield and Matthew Derrick,
under the direction of John Thorpe.

This report can be found on the
National Audit Office website at
www.nao.org.uk

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Summary

Introduction

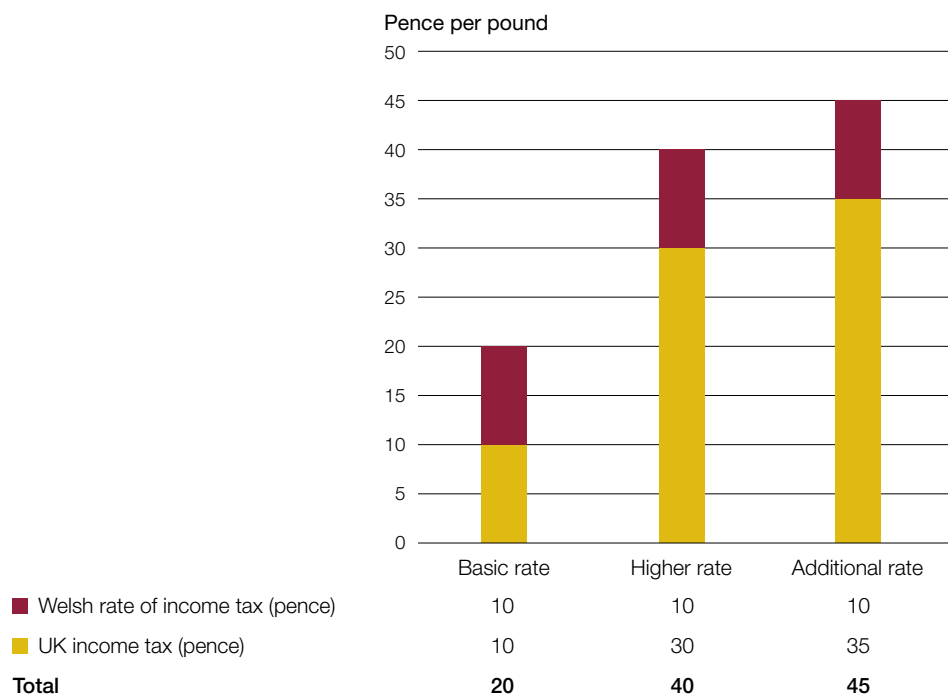
1 The Wales Act 2014 amended the Government of Wales Act 2006 to give the National Assembly for Wales (the Assembly) the power to set Welsh rates of income tax that will apply to the non-savings non-dividend income of Welsh taxpayers from the 2019-20 tax year onwards.

2 From April 2019, the United Kingdom (UK) basic, higher and additional income tax rates will be reduced by 10 percentage points and the Assembly will use its powers to determine the Welsh rates that will replace them. The sum of the reduced UK rates and the new Welsh rates will determine the overall rate of tax paid by Welsh taxpayers. For 2019-20, the Welsh Government has proposed rates equal to the reduction in the UK rates: 10 percentage points (**Figure 1**).

Figure 1

The proposed Welsh rates of income tax for 2019-20

The UK rates of income tax are effectively reduced by 10p per £1 and replaced with the Welsh rates of income tax



Source: The Welsh Government

3 HM Revenue & Customs (HMRC) is currently implementing the Welsh rates of income tax. This involves making changes to a range of IT systems that support tax assessment and collection, taxpayer communications and financial reporting functionality. It also needs to develop a Welsh taxpayer population from existing taxpayer records to ensure that the right amount of tax is collected from individuals and allocated to the appropriate government. HMRC planned to communicate with taxpayers before the beginning of the 2019-20 tax year to inform them of the changes.

4 Once implemented, HMRC will administer and collect income tax from Welsh taxpayers as part of the UK tax system. It will pay over revenues arising from the Welsh rates of income tax to HM Treasury in the same way that it does for all other tax receipts. HM Treasury is responsible for the payment of the Welsh income tax to the Welsh Government.

5 Each year, HMRC will report its estimate of revenue attributable to the Welsh rate provisions as part of its annual report and accounts, published following the end of the financial year. The first estimate of revenue for 2019-20 is expected to be published in July 2020, and the final outturn will be presented as part of the 2020-21 annual report and accounts expected to be published in July 2021.

6 The revenue must initially be estimated because the total income tax liabilities are not known until all Pay As You Earn (PAYE) taxpayer accounts are reconciled and income tax liability data are collected from Self Assessment taxpayers, which can take up to 10 months after the end of the tax year.

Remit of the Comptroller and Auditor General

7 The Government of Wales Act 2006, as amended by the Wales Act 2014, requires the Comptroller and Auditor General (C&AG) to prepare a report for each financial year on:

- the adequacy of any of HMRC's rules and procedures put in place, in consequence of the Welsh rate provisions, for the purpose of ensuring the proper assessment and collection of income tax charged at rates determined under those provisions;
- whether these rules and procedures are being complied with;
- the correctness of the sums brought to account by HMRC which relate to income tax which is attributable to a Welsh rates resolution; and
- the accuracy and fairness of the amounts which are reimbursed to HMRC as administrative expenses.

8 This is the first report prepared under these responsibilities and covers the activities of HMRC before the introduction of the Welsh rates of income tax in April 2019. It provides:

- an overview of HMRC's approach to the administration of devolved taxes in the context of the UK tax system (Part One);
- our findings from reviewing the Welsh rates of income tax implementation project, including key events and timings (Part Two); and
- details of the cost of administering Welsh income tax, including whether the amounts are accurate and fair (Part Three).

9 This report does not consider the correctness of sums brought to account in relation to the Welsh rates of income tax, the adequacy of the rules and procedures put in place by HMRC or whether these rules and procedures have been complied with. These will be covered in later reports once the Welsh rates of income tax have been implemented. Appendix Three sets out our audit approach and methodology.

Key findings

10 HMRC has established a project governance structure within its wider devolution and change programme and it is engaging with Welsh Government representatives across the full range of project activities. The Welsh Government is represented throughout the project structure, including boards below the project board (paragraphs 2.5 and 2.6).

11 The project team has responded positively to the findings from project assessments. An internal health check review, completed in March 2018, rated the project 'amber' and raised a number of recommendations – all of which have since been actioned. The joint project assessment review, completed by independent Welsh Government and HMRC reviewers in October, has improved the project rating to 'amber-green', reporting that good progress has been made since the end of 2017-18 and successful delivery is likely if project risks are managed effectively (paragraphs 2.7 to 2.10).

12 HMRC completed a 'lessons learned' exercise from the implementation of Scottish income tax but it has not produced the proposed action plan to implement these lessons. HMRC has instead relied on both the inclusion of staff in the Welsh project team who have experience of Scottish implementation, and the continuity of wider stakeholder contacts inside and outside the department, to deliver improvements. We will examine whether HMRC has effectively implemented these lessons as part of our 2018-19 report (paragraphs 2.11 to 2.14).

13 HMRC has designed the IT systems changes and it is now developing and testing these changes before they go live in March 2019. The IT solution relies heavily on functionality introduced as part of the Scottish income tax project. This functionality was deliberately designed to be flexible to incorporate future devolution arrangements. As a result of using existing IT functionality, HMRC has reduced the risk of implementing the Welsh rates of income tax (paragraphs 1.10, 1.11, 2.15 and 2.16).

14 HMRC developed an appropriate approach to identifying Welsh taxpayers, which it planned to implement before the notification letter was issued in November. It is not possible to provide full assurance over the completeness of a tax base and there is no definitive list of Welsh taxpayers that HMRC can use to assure the Welsh taxpayer population. However, HMRC's approach, which includes the cleansing of existing taxpayer records and the use of third-party data to corroborate these records – rather than just relying on the data it already holds – will provide greater assurance over the completeness and accuracy of the Welsh taxpayer population if it has been implemented as planned (paragraphs 2.21 to 2.24).

15 A communications strategy is in place that recognises the need for bilingual support. Following the approval of this strategy in March 2018, HMRC developed plans to communicate with a diverse range of external audiences including employers, pension providers and other businesses that deliver payroll-related services. The bilingual notification letter for individual taxpayers was developed with the Welsh Government. It explains the changes to Welsh income tax and provides links to further information. It was issued in November 2018 (paragraphs 2.26 to 2.28).

16 In 2017-18, HMRC incurred and recharged £0.34 million of costs for implementing the Welsh rates of income tax. Based on our procedures, we have concluded that the amount repaid by the Welsh government for the year ended 31 March 2018 is accurate and fair (paragraphs 3.2 to 3.3).

Part One

The administration of devolved taxes

1.1 Part One of this report includes an overview of the mechanics of the UK tax system, explaining where and how devolved taxpayers are identified and how HM Revenue & Customs (HMRC) administers and controls these processes.

1.2 This part of the report covers:

- the key features of the income tax system in the UK (paragraphs 1.3 to 1.9); and
- modifications that have been made to the income tax system to incorporate devolved taxes (paragraphs 1.10 and 1.11).

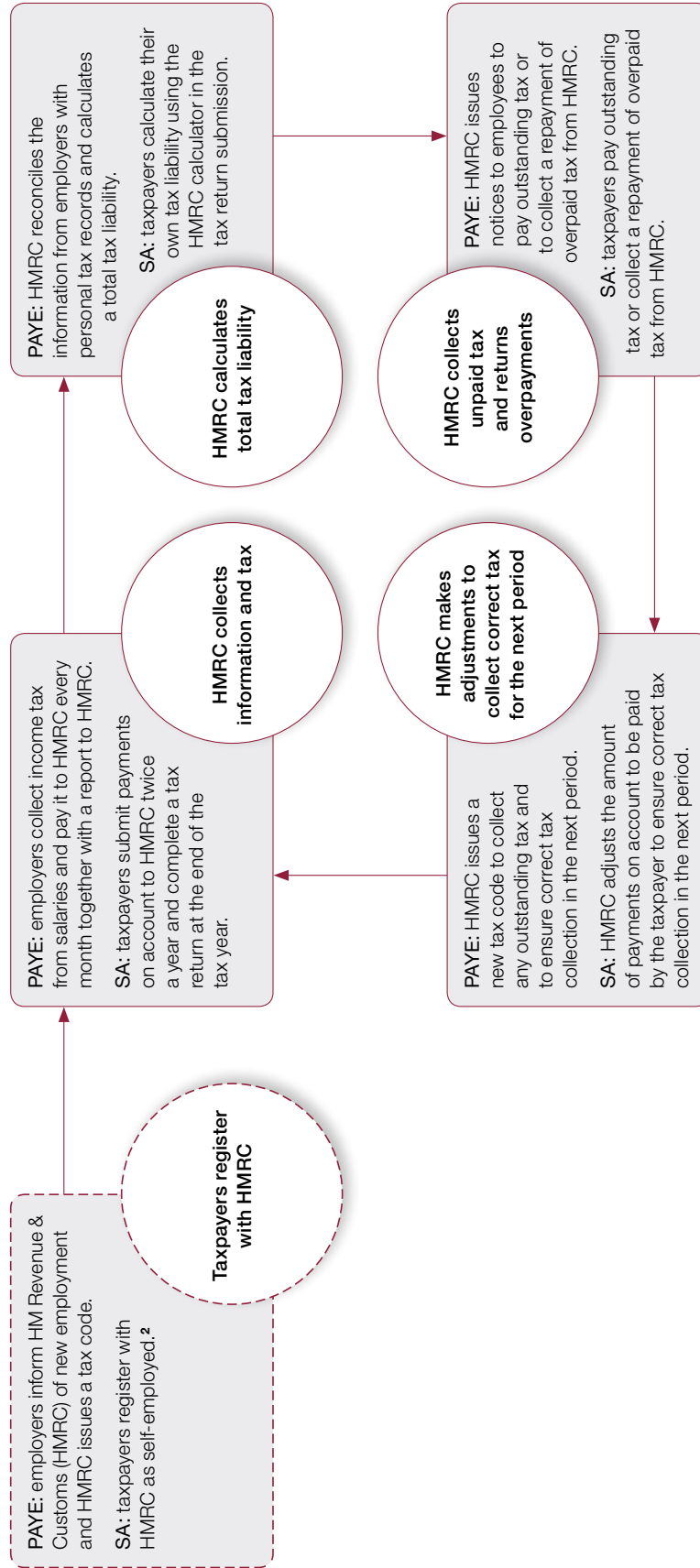
The income tax system

1.3 The income tax system is consistent across the UK. Depending on the type of income that an individual receives, income tax will be assessed and collected by employer's deductions from earnings through Pay As You Earn (PAYE), the taxpayer submitting a Self Assessment return, or both.

1.4 The PAYE and Self Assessment processes have common principles, despite utilising different IT systems and data sources to assess and collect tax. **Figure 2** identifies these principles and describes the main processes for each income tax stream.

Figure 2
The income tax system

The Pay As You Earn (PAYE) and Self Assessment (SA) processes share common principles in the assessment and collection of income tax



Notes

- 1 PAYE and Self Assessment processes do not occur simultaneously. PAYE is processed during the tax year and reconciled after the end of the tax year. Self Assessment returns are not submitted until the January following the end of the tax year. These processes are not mutually exclusive, an individual taxpayer may be subject to both PAYE and Self Assessment processes in a single tax year.
- 2 An individual taxpayer may also need to register for Self Assessment to report other sources of income.

Source: National Audit Office analysis of HM Revenue & Customs processes

1.5 Taxpayer information is submitted to HMRC through several channels. For PAYE, employers and pension providers complete monthly data submissions containing information about individuals' earnings, pension payments and tax deductions. Self Assessment taxpayers complete an annual submission containing details of all the income they have received during the tax year.

1.6 The submissions processing systems complete data validation checks and then route the information to the appropriate tax processing system. A matching function identifies the relevant taxpayer record and stores the new data or updates the existing information in the relevant database.

1.7 The tax processing system consolidates all the available data to produce a total income figure for each taxpayer and calculates the associated income tax liability using the relevant business rules.¹ The output from the income tax liability calculation is then stored on the appropriate taxpayer record.

1.8 The calculated tax liability is compared with the amounts deducted at source or collected from taxpayers directly through payments on account. The reconciliation determines whether the correct amount of tax has been collected. Where tax has been underpaid, this will be collected from the taxpayer and overpaid tax will be refunded.

1.9 Tax codes are recalculated based on the latest tax liability data and, if necessary, HMRC will update the tax code for the forthcoming tax year by issuing a coding notice to the taxpayer and the employer.

Devolved income tax

1.10 The administration of devolved taxes diverges from the UK processes only in the business rules that the system applies when completing the tax liability and tax code calculations. These rules are as follows:

- The system checks the residency status of the individual and applies or removes a tax code prefix or flag if they are subject to devolved taxes.
- The tax code prefix or flag determines which set of tax rates and bands are applied to the reported income to calculate the liability for the current tax year.
- If an individual taxpayer is enrolled on a PAYE scheme, the system uses the tax code prefix to determine which income tax rates and thresholds are used to calculate a new tax code for the following year.

Figure 3 shows where these divergences occur within the income tax system.

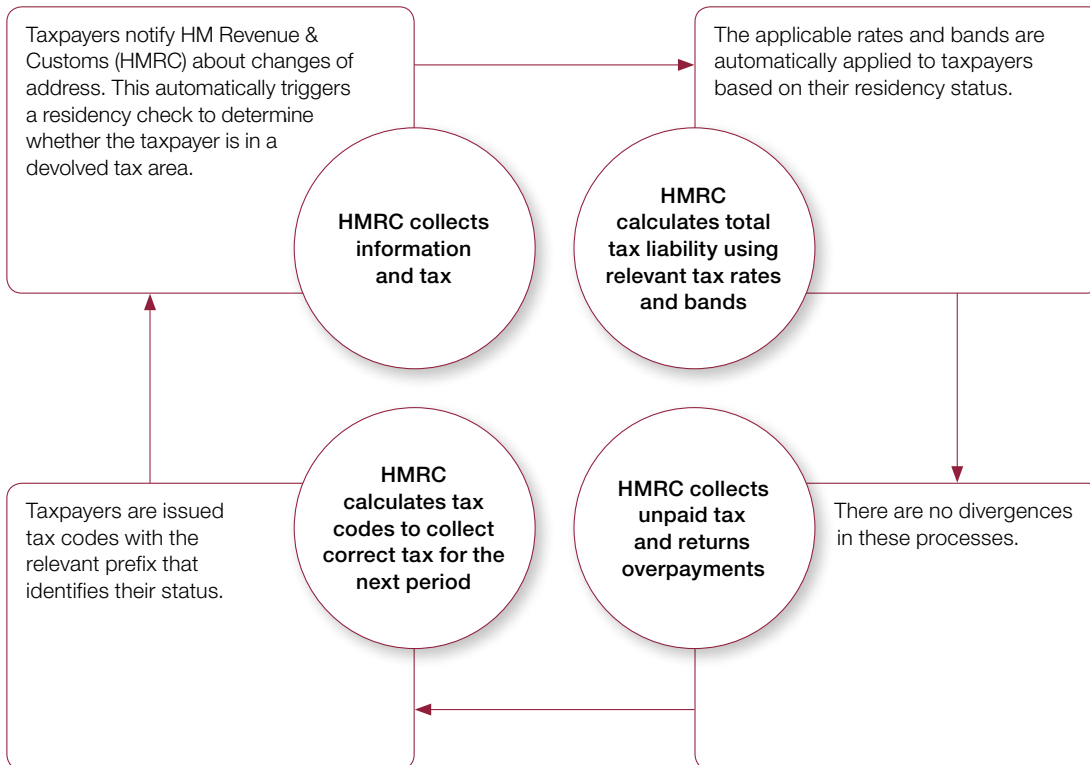
1.11 The correct application of these business rules is dependent on the completeness and accuracy of address data that HMRC holds for each taxpayer, and the maintenance of a master list of UK addresses that confirms which country they are in.

¹ Business rules contain data relevant to the calculation of tax liabilities and they are used by each tax processing system to calculate income tax liabilities based on income data. The rules include, but are not limited to, the application of tax codes and the rates and thresholds that apply to each type of income based on residency. Business rules are updated annually to reflect changes in tax policy.

Figure 3

Divergences in the income tax system

The business rules in the IT system are configured to process income tax using the rates and thresholds applicable to a taxpayer's residency status



Source: National Audit Office analysis of HM Revenue & Customs processes

Part Two

Implementing the Welsh rates of income tax

2.1 At the time of this report (January 2019), the implementation of the Welsh rates of income tax is ongoing and key elements of the project are being, or have yet to be, delivered. Although we are unable to comment on the effectiveness of HM Revenue & Customs' (HMRC') preparations until after implementation, we can comment on HMRC's planned approach to the project and the progress it has made so far.

2.2 This part of the report covers:

- an overview of the project timeline (paragraphs 2.3 and 2.4);
- the governance arrangements for the project, including HMRC's response to assurance reviews and its engagement with the Welsh Government (paragraphs 2.5 to 2.10);
- the lessons HMRC has learned from implementing Scottish income tax (paragraphs 2.11 to 2.14);
- an overview of the IT delivery needed to implement the Welsh rates of income tax (paragraphs 2.15 and 2.16);
- how a Welsh taxpayer is defined and HMRC's strategy for identifying Welsh taxpayers (paragraphs 2.17 to 2.24); and
- HMRC's communications strategy (paragraphs 2.25 to 2.28).

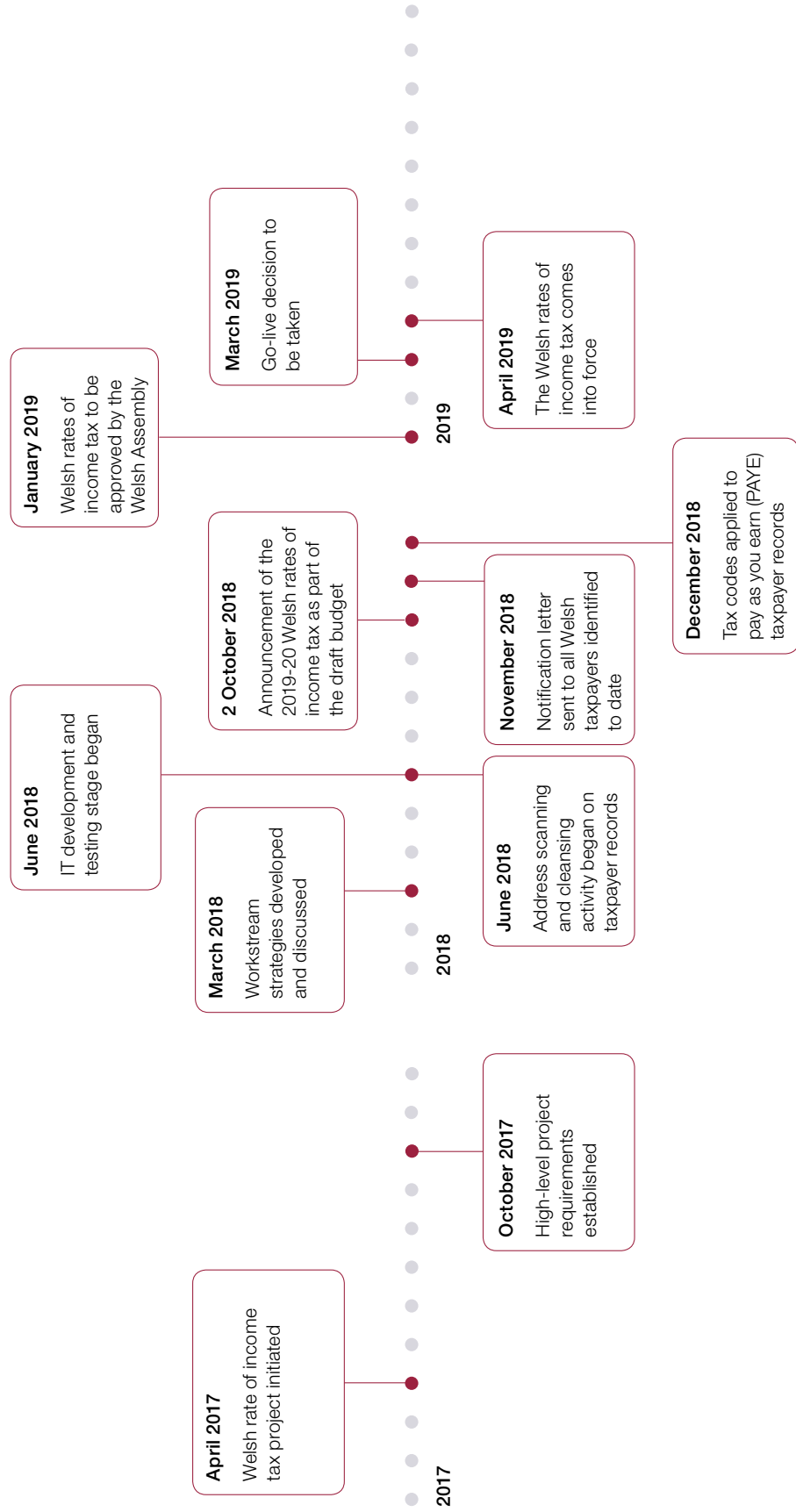
Project timeline

2.3 The project was initiated in April 2017 and activity in 2017-18 has focused on establishing the requirements of the project and developing workstream strategies for the successful implementation of the Welsh rates of income tax.

2.4 In 2018-19, HMRC has been implementing these plans. Development of the IT solution commenced in June 2018. At the same time, work began on the cleansing of taxpayer address records in preparation for the notification letter being issued to identified Welsh taxpayers in November. **Figure 4** provides an overview of the project's key events.

Figure 4
Welsh rates of income tax project – key events

The project was initiated and planned in 2017-18 and HM Revenue & Customs is implementing those plans in 2018-19



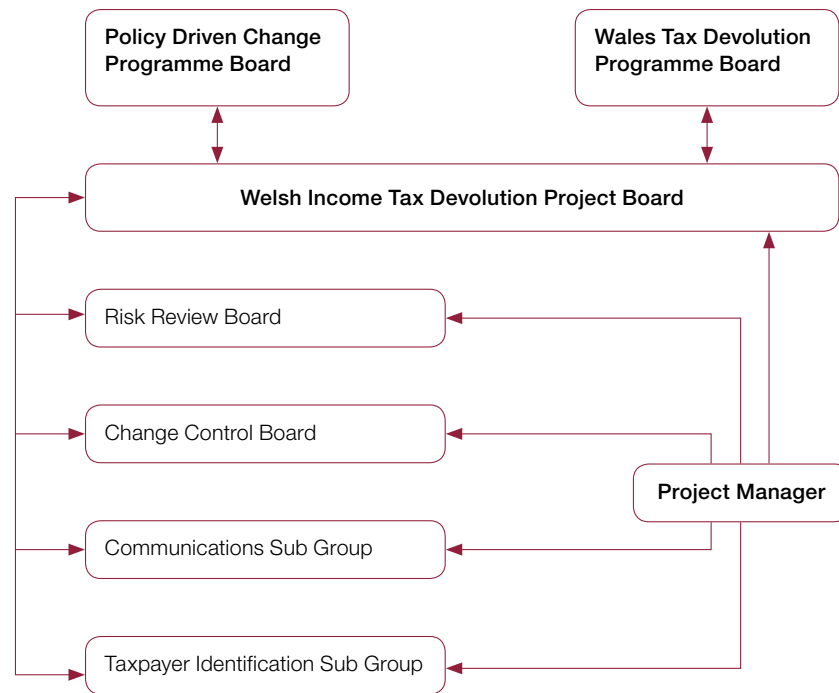
Governance and Welsh Government engagement

2.5 Figure 5 outlines the governance arrangements for the project. The Welsh Government has representation on the project board and each sub-board or group. The project documentation we have reviewed reflects a high level of involvement from Welsh Government representatives in discussing and challenging the plans put forward by HMRC and a positive, active response from HMRC to the matters raised.

Figure 5

Governance structure for implementing the Welsh rates of income tax

The Project Board is a decision-making body responsible for the delivery of the Welsh rates of income tax project, supported by the activities of the lower-level boards and sub-groups



Notes

- 1 The Wales Programme Board holds the ultimate decision-making powers for significant issues escalated from the Project Board for the implementation of the Welsh rate of income tax.
- 2 The Policy Driven Change Programme Board is primarily a governance and assurance function for change projects within HMRC. It holds an oversight role on the activities of the Project Board and also inputs on issues escalated to the Wales Programme Board.
- 3 The Risk Review board is chaired by the Project Manager and is responsible for identifying, assessing, managing and reviewing project risks. Issues that cannot be managed at this level are escalated to the Project Board.
- 4 The Change Control Board is chaired by the Project Director and holds delegated powers from the Project Board to approve cost proposals funded by the Welsh Government that exceed the Project Manager approval limit of £60,000. Proposals above £250,000 are assessed and escalated to the Project Board for approval.
- 5 The Communications and Taxpayer Identification Sub Groups are responsible for designing, developing and implementing detailed plans in their areas of competence. Strategy proposals and significant issues are escalated to the Project Board for approval.

Source: National Audit Office analysis of project governance processes

2.6 It is also evident that discussions have occurred frequently outside formal meetings to provide background briefings and updates, reflecting a good ongoing relationship. This has been supported by HMRC establishing part of the project team in Cardiff to increase in-person communication.

2.7 To support the governance of the project, an independent HMRC team conducted a project health check in March 2018.² The review resulted in a report that was issued on 14 March 2018 and the team's responses to the recommendations were discussed at the May project board.

2.8 The review provided a delivery confidence assessment (DCA) of 'amber'³ and raised thirteen recommendations for action by the project team. Five of these recommendations were rated 'Critical',⁴ covering compliance with expected best practice for project requirements and project planning. Since the end of 2017-18, all the recommendations have been acted on by the project team.

2.9 A more detailed project assessment review (PAR)⁵ was completed in 2018-19 by a joint HMRC and Welsh Government review team and provided an improved DCA of 'amber-green'⁶ when it was issued in October. The report noted that "considerable progress has been made since the Health Check carried out in March 2018. The problems identified in that review have been largely addressed and the project is now in a much better place."

2.10 We will return to the findings of the October PAR in our 2018-19 report because they largely relate to activities undertaken following 2017-18 – the year to which this report relates. Appendix One provides a summary of all the recommendations made as part of the health check and the PAR.

- 2 The health check was completed by three members of HMRC's change, assurance and investment team and covered the project's governance, capacity, capability, risks, issues, and plans and progress to date. It also explored engagement with the Welsh Government and lessons learned from Scottish income tax implementation.
- 3 The report defines an 'amber' rating as: 'Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost or schedule overrun'.
- 4 Recommendations in the report are prioritised, from highest priority to lowest, as either 'Critical', 'Essential' or 'Recommended'. 'Critical' recommendations require immediate action.
- 5 The PAR was completed by two members of the change, assurance and investment team in HMRC and a reviewer from the Welsh Government's integrated assurance hub. The review has a wider and more detailed scope than the Health Check. The review team was led by an Infrastructure and Projects Authority-accredited reviewer to evaluate governance, project delivery, readiness for live service and value for money, and the scope included a wide range of project-specific questions, including a follow-up of health check recommendations.
- 6 The report defines an 'amber-green' rating as: 'Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery'.

Learning from Scottish income tax

2.11 This is the second devolved income tax project that HMRC is implementing. In July 2017, the project team held a 'lessons learned' event with staff involved in the implementation of Scottish income tax.

2.12 This event identified a number of lessons around four themes that would be implemented and monitored in an action plan. The themes were:

- project requirements;
- project management;
- communications; and
- finance.

Appendix Two sets out the specific lessons HMRC identified for each theme.

2.13 The health check review performed in March 2018 identified that none of those lessons had been included in the required project documentation. Although the documentation has now been updated, HMRC has not been able to provide us with the action plan referred to in the project documentation to demonstrate active management and monitoring of those lessons by project management to support the delivery of the Welsh rates of income tax.

2.14 HMRC has instead relied on both the inclusion of staff in the Welsh project team who have experience of Scottish implementation, and the continuity of wider stakeholder contacts inside and outside the department, to deliver improvements.

IT delivery

2.15 In 2017-18 HMRC moved through the early phases of IT delivery: scoping the project and designing the high-level solution – including mapping system dependencies and impacts across the wider IT estate and the minor changes required to Department for Work & Pensions systems. Since then, HMRC has progressed into detailed solution design, development and testing. **Figure 6** provides a summary of progress to date.

2.16 As we have highlighted in Part One of this report, HMRC has already modified existing IT systems to support the delivery of devolved income taxes. This reduces the complexity, cost and risk of implementing the Welsh rates of income tax.

Figure 6

Welsh rates of income tax IT delivery overview

HM Revenue & Customs has progressed through the planning phases of the IT delivery and is currently developing and testing development 'drops'¹

Stage	Stage description	Progress
Pre-discovery	Business requirements are captured and a high-level solution design is developed. The wider system dependencies and interactions are mapped and understood.	This phase was completed early in 2018 and an initial solution design document was shared with the project team at the end of January and it was discussed in the February project board.
Inception	This stage brings together the key participants in the project to discuss the solution design and build a common understanding of the business objectives of the project.	An inception event for the Welsh rates of income tax was held on 13 March 2018. The results of the event were shared and discussed with the project board and the Welsh Government.
Discovery	During discovery, the detailed solution is refined and updated through a series of workshops and discussions with suppliers and stakeholders. Baseline costings are revised and then approval is sought to enter the development phase, supported by an updated solution design document.	Discovery was completed in June 2018 and an updated solution design document was provided to the project team. This was discussed as part of the June project board.
Development and testing	Once approved, suppliers begin work developing and testing prototype builds, eventually progressing to a build and test of a minimum viable product and eventually to a live deployment.	The Welsh rates of income tax project has several development 'drops' ¹ making changes to a diverse number of systems and processes covering taxpayers' address records, and the PAYE and Self Assessment systems among others. Development of the first of these 'drops' began in June 2018 and progress is being monitored regularly by the project board.

Note

- ¹ Development 'drops' are discrete packages of work, affecting a particular system or group of systems, that deliver solutions to specific business needs identified during earlier stages of the project. The Welsh rates of income tax project is split into five development and testing 'drops' that should be completed between June 2018 and April 2020.

Source: National Audit Office review of IT delivery plans and project documentation

Welsh taxpayers

2.17 A Welsh taxpayer is someone with a tax liability whose main place of residence in a given tax year is Wales, or who spends most of that tax year living in Wales.⁷ There are a number of specific cases whereby a taxpayer would always be deemed Welsh. HMRC is responsible for determining whether someone is a Welsh taxpayer. **Figure 7** provides an overview of the rules used to determine residency.

2.18 Based on the latest *Survey of Personal Incomes*⁸ published in May 2018, HMRC estimates that there are 1.35 million Welsh taxpayers in 2017-18.⁹

Identifying Welsh taxpayers

2.19 Identifying the Welsh taxpayer population is the main challenge to HMRC in implementing the Welsh rates of income tax. To ensure that taxpayers are correctly notified of their Welsh status and that the right amount of tax is collected from individuals and allocated to the appropriate government, it is essential that address information is correct.

2.20 In 2017-18 the taxpayer identification sub-group developed a taxpayer identification strategy and this was discussed regularly by all parties during the first half of 2018, receiving agreement from the project board at their June meeting.

2.21 The strategy sets out three main steps to the initial identification of the Welsh taxpayer population:

- Identify all Welsh addresses and compile a master record of the relevant postcodes of these addresses using Office for National Statistics (ONS) data and mapping information.
- Cleanse the addresses contained in existing taxpayer records to ensure that they are in a consistent format to facilitate automated processing of residency.
- Compare both the above data sets and update taxpayer records with the appropriate flag when a Welsh address is identified.

2.22 HMRC has also proposed a series of third-party data exercises that should provide greater assurance that the addresses HMRC holds for individual taxpayers are up to date. When third-party data suggest that an individual may be resident in Wales but HMRC holds an address outside Wales, HMRC will contact the individual to prompt confirmation of address.

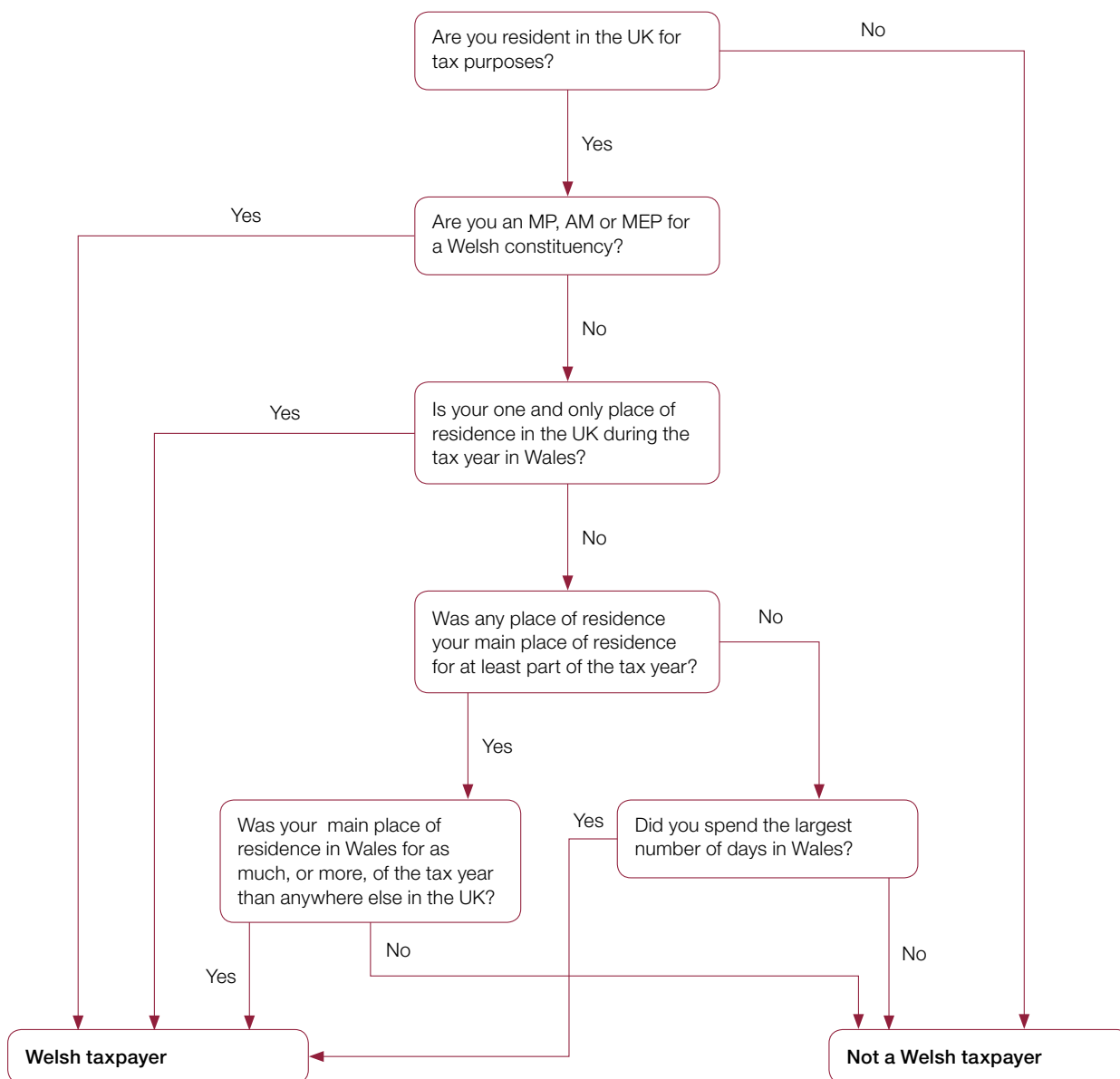
7 This definition therefore excludes individuals who earn less than the personal allowance or those, for other reasons, who have income but no tax liability – for instance, because they have claimed a relief that reduces their potential liability to nil or had no taxable income during the year.

8 *The Survey of Personal Incomes* is based on a sample of information held by HMRC on individuals who could be liable to UK income tax. It is carried out annually by HMRC and covers income assessable to tax for each tax year. The data it gathers are used to construct an evidence base to inform policy analysis, national statistics, tax modelling and forecasting. Although it is reasonably accurate at a UK level, it is less robust for regional analysis because of the sampling methodology it employs.

9 Table 2.2, Number of income taxpayers by country, *Income tax liabilities statistics: tax year 2015 to 2016 to tax year 2018 to 2019*, HMRC, May 2018.

Figure 7
Rules for determining Welsh taxpayers

Residency rules determine whether or not you are Welsh taxpayer based on where you spend the majority of your time



Note

1 Members of Parliament, Assembly Members and Members of the European Parliament for Welsh constituencies are always determined to be Welsh taxpayers.

Source: National Audit Office analysis of the Government of Wales Act 2006

2.23 It is not possible to provide full assurance over the completeness of a tax base and there is no definitive list of Welsh taxpayers that HMRC can use to check their Welsh taxpayer population. In this context, we are content that the strategy for taxpayer identification proposed by HMRC responds to the risk of not properly identifying Welsh taxpayers from the records it holds, either through:

- incomplete or poorly formatted address data in HMRC systems; or
- from holding incorrect addresses for individual taxpayers.

2.24 Taxpayer identification was due to be completed in advance of the notification letter being issued in November 2018. Our 2018-19 report will consider how HMRC has implemented this approach to taxpayer identification and any findings from our review of those processes. However, HMRC has confirmed that around 10,000 taxpayer records were not cleansed before the notification letter was issued. When these records have been cleansed, any Welsh taxpayers that are identified will receive a tax code letter as part of HMRC's normal processes informing them of their status.

Communications

2.25 In 2017-18 the project team, led by the communications sub-group, developed a communications strategy to support successful completion of the project. The strategy incorporates high-level plans for audiences internal and external to HMRC and it was approved by the project board in March 2018.

2.26 Following the approval of the strategy, HMRC began developing their stakeholder mapping and external communications plans to engage with a wide range of audiences through a number of channels. **Figure 8** provides a summary of some of the activities being undertaken for key external stakeholders.

2.27 The Welsh taxpayer notification letter has been developed in conjunction with the Welsh Government. It is bilingual and explains the changes being introduced. It also provides links to further information. Each letter also includes a flyer from the Welsh Government. The letter was posted to identified Welsh taxpayers in November 2018.

2.28 The PAR in October 2018 has resulted in two 'Critical' recommendations relating to external stakeholder engagement plans and the accountability and resourcing of those plans. The details are included in Appendix One.

Figure 8

Summary of communications with key stakeholders

Since the end of 2017-18, HM Revenue & Customs (HMRC) has begun communicating with key stakeholders through a number of established channels

Audience	Content	Channels
All external audiences	Basic information on the changes to income tax in Wales taking place from 6 April 2019.	Social media GOV.UK Factsheets to be circulated in October 2018 to voluntary organisations and more widely to libraries, pension providers and professional bodies.
Employers	To inform employers of the changes in Welsh income tax and provide information tailored to their compliance needs.	Employer bulletins Employer forums
Agents	To inform agents of the changes in Welsh income tax and provide information that will help them support their clients.	Agents forums Agent updates Agent blogs
Individual taxpayers	Notification from HMRC that they are Welsh taxpayers.	Bilingual notification letter to be issued to identified Welsh taxpayers in November 2018. Automated call messages for Welsh taxpayers contacting HMRC.

Source: National Audit Office analysis and summary of HM Revenue & Customs' communications strategy and activity plan

Part Three

Costs

3.1 This part considers the administrative costs of Welsh income tax, and whether these costs are reasonable.

Costs incurred in 2017-18

3.2 In 2017-18, HMRC incurred and recharged £0.34 million of costs on the implementation of Welsh income tax. HMRC recharges costs that can be validated as specifically related to the administration of devolved Welsh income tax and not the costs of administering the overall income tax system in Wales.

3.3 We examined HMRC's method for estimating the costs of collecting and administering the Welsh rates of income tax for the year to ensure that this was reasonable in the context of the agreement with the Welsh government. Based on our procedures, we have concluded that the amount repaid by the Welsh government for the year ended 31 March 2018 is accurate and fair.

Appendix One

Summary of recommendations raised by project assurance reviews to date

Recommendation	Report	Rating	Status	Action taken by HM Revenue & Customs
To assure the project board that plans are in place to ensure that external as well as internal stakeholders are effectively engaged and informed about the forthcoming devolution of income tax to Wales through a comprehensive stakeholder map and a single overall communications plan.	Project Assessment Review (PAR) – October 2018	Critical	Open	Work ongoing
To identify one overall lead with accountability for communications and engagement, and to ensure that stakeholder management is appropriately resourced in the Welsh rate of income tax project team.	PAR – October 2018	Critical	Open	Work ongoing
To complete and agree the business case.	PAR – October 2018	Critical	Open	Work ongoing
To review the project support function to ensure that the resource is sufficient and effectively utilised so that project documentation is complete and actions are effectively tracked and recorded.	PAR – October 2018	Essential	Open	Work ongoing
Secretariat to ensure that appropriate board meeting documents are shared in draft form with the senior business sponsor at least three days prior to members receiving them to make sure that they are content with both papers being submitted and the agenda.	Health check (HC) – March 2018	Essential	Closed	Implemented
Secretariat to ensure that appropriate board meeting documents are made visible to all board members at least five days prior to the meeting.	HC – March 2018	Essential	Closed	Implemented
Only the top five risks to be discussed at project board.	HC – March 2018	Essential	Closed	Implemented
The risk potential assessment must be baselined and signed off by the senior responsible officer for approval by the change, assurance and investment delivery assurance co-ordinator.	HC – March 2018	Critical	Closed	Implemented

Recommendation	Report	Rating	Status	Action taken by HM Revenue & Customs
The project needs to establish the exact requirements from the Welsh Government to preserve costs and timeline.	HC – March 2018	Critical	Closed	Implemented
All lessons learned should be recorded on the Management and Recording Tool (MART).	HC – March 2018	Essential	Closed	Implemented
All risks should be recorded on the MART.	HC – March 2018	Critical	Closed	Implemented
The project manager should ensure that all tabs within the stakeholder register are fully completed.	HC – March 2018	Essential	Closed	Implemented
The project manager must ensure early engagement and collaborative working with all key stakeholders to understand and take account of their concerns and priorities through a regular checkpoint/communications meeting.	HC – March 2018	Essential	Closed	Implemented
It is essential that close working with the Welsh Government is maintained in order to preserve the visibility of costs and funding.	HC – March 2018	Essential	Closed	Implemented
The project must create and agree a single end-to-end plan to encompass all aspects of delivery from inception to implementation.	HC – March 2018	Critical	Closed	Implemented
Engagement with the business should be instigated immediately.	HC – March 2018	Critical	Closed	Implemented
Clear roles and responsibilities need to be established and adhered to in order to avoid overloading critical roles.	HC – March 2018	Essential	Closed	Implemented

Source: HM Revenue & Customs

Appendix Two

Lessons identified from the implementation of Scottish income tax

Project requirements	a	Plan for requirement creep and new requirements – manage the scope tightly and have a robust change control process.
	b	Ensure that roles are clearly defined – there are many IT stakeholders in HM Revenue & Customs projects, which can cause confusion over who is responsible for what.
	c	Plan implementation of requirements around key business events such as annual coding.
	d	Have the Scottish income tax team conduct an ‘independent’ review of user stories once drafted.
Project management	a	Ensure that the project board is primarily a decision-oriented board and not used for updates.
	b	The change control board has proved to be a useful way of managing scope and approvals, and of keeping the Scottish Government informed of IT costs.
	c	The risk review board ensures that risks are managed and given the attention that they require.
	d	Ensure that suppliers and stakeholders are aware of the additional complexity that devolution projects introduce.
	e	Separate out the relief at source requirements so that they are a stand-alone project.

Communications	<p>a Successful communications channels:</p> <ul style="list-style-type: none"> ● Face-to-face customer engagement events. ● Using libraries and Citizens Advice. ● A public sector event to explain to local authorities and other public employers in Scotland. ● Estate agents to disseminate message to home movers. ● HMRC's existing channels, for example, employer bulletins, agent updates and employer forums. ● Scottish Government forums. <p>b Take the opportunity to push key Welsh income tax messages to estate agents as part of the stamp duty and land transaction tax project, which is starting earlier.</p> <p>c Use actual customer contact data from the Scottish project to help inform estimates of Welsh customer contact.</p> <p>d Some communications will have to be UK-wide, because Welsh devolution impacts the UK, not just Welsh residents.</p>
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Finance	<p>a Establish a forecasting process that has robust monthly reviews, is clear and provides a narrative to explain changes.</p> <p>b Explain HMRC processes, including cost estimating, to ensure context of costs is understood.</p> <p>c Ensure that the process for the receipt and approval of proposals is understood in advance.</p> <p>d Recognise that devolved administrations have different requirements for costs from those catered for under normal HMRC cost reporting. A bespoke workbook was created for the Scottish Government which can be replicated for the Welsh Government as a starting point.</p>
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Source: HM Revenue & Customs project documentation

Appendix Three

Our audit approach

1 Section 116K of the Government of Wales Act 2006, as amended by the Wales Act 2014, requires the Comptroller and Auditor General (C&AG) to prepare a report for each financial year on:

- the adequacy of any of HMRC's rules and procedures put in place, in consequence of the Welsh rate provisions, for the purpose of ensuring the proper assessment and collection of income tax charged at rates determined under those provisions;
- whether these rules and procedures are being complied with;
- the correctness of the sums brought to account by HMRC which relate to income tax which is attributable to a Welsh rates resolution; and
- the accuracy and fairness of the amounts which are reimbursed to HMRC as administrative expenses.

2 Due to the timing of this report, prior to the implementation of the Welsh rates of income tax, we have not reported or concluded on the first three of the statutory responsibilities because they are not yet applicable. This report only provides assurance over the accuracy and fairness of amounts reimbursed to HMRC.

3 In relation to administration costs, our conclusion on the accuracy and fairness of the costs charged to the Welsh Government is based on an evaluation of the costs against the details of the Memorandum of Understanding between the Welsh Government and HMRC. During the audit, we also obtained evidence that both parties regularly discuss and review the cost budgets and forecasts as well as agreeing the amounts to be invoiced and paid. These audit procedures have been planned, performed and reviewed in accordance with the National Audit Office's internal quality control procedures for financial audit.

4 To inform the other findings of this report, we have reviewed published and unpublished HMRC documents about the Welsh rates of income tax, including project documentation, risk documentation and the results of key assurance work performed by the department.

5 This document review has been supplemented by discussions with HMRC staff. We also spoke to the Wales Audit Office to inform our risk assessment and planning work for this report.

6 We reached our findings following our analysis of evidence collected between June and November 2018.

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National Audit Office

Design and Production by NAO External Relations
DP Ref: 006698-001

£10.00

ISBN 978-1-78604-239-2



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25 February 2019

The Rt Hon Alun Cairns MP
Secretary of State for Wales

Dear Secretary of State,

Fourth Annual Report on the Implementation and Operation of Part 2 (Finance) of the Wales Act 2014

Thank you for your response of 14 February to the Committee's invitation to attend of 5 December 2018, the Committee is disappointed and concerned that you do not feel it appropriate for you to appear as part of the inquiry.

The issue the Committee wishes to discuss is that of the implementation of fiscal devolution, including the UK Government's annual implementations report, which you published in December. As you are aware, these reports are mandated by an Act of the UK Parliament, and relate directly to the competencies of the National Assembly and Welsh Government.

Given the Secretary of State's role in relation to the legislation, the statutory responsibility you have to report annually on progress, and your role as "Assembly Liaison" for the UK Government, the Committee is of the view that it is entirely appropriate for you to provide evidence to the Assembly on the implementation of fiscal devolution generally, and *the UK Government's Fourth Annual Report on the Implementation and Operation of Part 2 (Finance) of the Wales Act 2014*.

This is particularly the case as we near the imminent implementation of the Welsh Rates of Income Tax. With income tax a non-devolved tax administered by HMRC, a body accountable to the UK Parliament, the relevance and importance of your evidence to the Committee is only increased. I am pleased that you are happy to meet Members individually on the inquiry, but feel that a formal Committee session would be more appropriate, more transparent, and of greater value.

I am happy to give you my personal assurance, as Chair, that questioning in the session will be relevant to the Committee's inquiry. The Committee is also happy to facilitate either a meeting in London, or to hold the session via video-link, if either will enable the meeting to proceed.

I look forward to your timely response.

Yours sincerely



Llyr Gruffydd AM, Chair of the Finance Committee





Rt Hon Alun Cairns MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

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Llyr Gruffydd AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
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Ref: 114SUB 19

14 February 2019

Dear Llyr,

Thank you for your recent letter inviting me to attend an evidence session with your Committee on the implementation of the fiscal provisions in the Wales Act 2014.

The implementation of the Wales Act 2014 is of course the joint responsibility of the UK Government and the Welsh Government. The fourth annual report which I published in December last year demonstrates a great deal of progress and collaborative working between the UK and Welsh Governments to achieve a transition to devolved taxes. I trust this work will continue as we prepare for the implementation of Welsh Rates of Income Tax in April this year.

While I appreciate the invitation to attend your committee I would like to direct you to my previous responses. It is my belief that it's appropriate that your committee formally scrutinises the Cabinet Secretary for Finance and Local Government in relation to these matters given the respective lines of accountability. As you will be aware I am frequently scrutinised by the Welsh Affairs Select Committee in the Houses of Parliament.

As ever, I am more than happy to offer to meet committee members on an individual basis to discuss any particular concerns relevant to your inquiry.

A handwritten signature in black ink, appearing to be 'Alun', with a horizontal line underneath.

Rt Hon Alun Cairns MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru