The administration of the Scottish Rate of Income Tax 2014-15
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The administration of the Scottish Rate of Income Tax 2014-15

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office
24 November 2015
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Key facts

- HMRC’s estimate of the number of Scottish income taxpayers: 2.6m taxpayers
- High-end forecast of the total costs of implementing the Scottish Rate of Income Tax up to 2018-19: £35 million
- Amount reimbursed to HMRC by the Scottish Government in respect of implementing the Scottish Rate of Income Tax during 2014-15: £1.7 million
Key findings

1 HM Revenue & Customs’ (HMRC’s) process for responding to the upcoming Scottish Rate of Income Tax (SRIT) has been thorough. HMRC has prepared a detailed strategy for identifying Scottish taxpayers, and tested its assumptions in a variety of ways. There is no pre-existing dataset of Scottish taxpayers to compare HMRC’s data against. HMRC’s decision to use third-party data to verify its population data has helped provide greater assurance on the completeness and accuracy of the Scottish taxpayer data that it already holds. HMRC estimates that there are 2.6 million income taxpayers in Scotland.

2 Maintaining an accurate record of the Scottish taxpayer population depends on keeping up-to-date address information. The possibility of a different income tax rate for Scotland and the rest of the UK for the first time means individuals could pay the incorrect rate of income tax if the address held by HMRC is incorrect. Address information can only be updated if taxpayers inform HMRC of a change of address. However, actively ensuring taxpayers keep HMRC informed of their correct address remains a key challenge to HMRC’s objective of recovering the correct amount of income tax from Scottish taxpayers.

3 SRIT is subject to a sound governance process, and HMRC is engaging proactively with the Scottish Government in the run-up to April 2016. HMRC’s relationship with the Scottish Government has allowed timely challenge throughout the project. This has also allowed a greater level of scrutiny of the costs that HMRC has incurred in relation to the SRIT project. The project has been reviewed regularly by the independent Office of Government Commerce, and HMRC has implemented the recommendations in a timely and constructive manner.

4 HMRC has developed a clear and detailed compliance strategy that considers SRIT’s impact on taxpayer behaviour and potential tax avoidance and evasion. HMRC is aware of the risk of tax avoidance and evasion presented by the possibility of a different rate of income tax in Scotland from April 2016. But so far it has put only limited resources into specific planning for potential tax loss as a result of SRIT. Given the significance and complexity of the SRIT project, HMRC will need to react quickly to the changing compliance environment within the UK from April 2016.
5. **By building on existing and long-standing IT capability, HMRC has minimised the risks and costs associated with the need to develop an entirely new system to administer the SRIT.** HMRC has also designed a comprehensive phased plan for delivery that considers the impact of these changes to the SRIT, and how costs associated with future devolution to other regions could be reduced.

6. **HMRC has developed a clear plan and strategy for communicating about SRIT to different stakeholders.** HMRC has engaged with various stakeholder groups, including employers and pension providers. It has conducted market research to refine its strategy for communicating with the Scottish taxpayer population. HMRC plans to write to potential Scottish taxpayers for the first time in December 2015. HMRC is trying to minimise contact from those who receive its letters. At the same time, it wants to ensure its communication in the lead-up to April 2016 helps refine its data on Scottish taxpayers to make it as accurate and complete as possible. There will be a short window between the responses to HMRC’s letters and the rate coming into force in April 2016. Therefore, it is important for HMRC to maximise the impact of its communication strategy during this period.

7. **HMRC plans to communicate with Scottish taxpayers in December 2015.** Due to a delay by the Scottish Government in announcing the Scottish Government’s budget, letters to individuals will not advise them on the actual SRIT they will pay in the 2016-17 tax year. The delay in announcing the rate leaves an increasingly narrow timeframe for HMRC to react to responses from taxpayers and refine its taxpayer data before SRIT begins in April 2016.
Introduction

The Scottish Rate of Income Tax

1.1 The Scotland Act 2012 introduced powers for the Scottish Parliament to apply a Scottish Rate of Income Tax (SRIT) to the non-savings, non-dividend income of Scottish taxpayers from 6 April 2016.

1.2 The UK government will deduct 10p from the basic, higher and additional rates of income tax. The Scottish Parliament will then be able to levy an additional Scottish rate applied equally across the three main tax bands. HM Revenue & Customs (HMRC) will continue to collect income tax and will pay over to the Scottish Government the amount of revenue it collects relating to the SRIT.

1.3 Section 25 of the Scotland Act 2012 sets out the definition of a Scottish taxpayer. A Scottish taxpayer is someone whose main place of residence in a given tax year is Scotland, or who spends most of that tax year living in Scotland. There are a number of exceptional cases whereby a taxpayer would always be deemed Scottish, for example if they are a member of Parliament for a Scottish constituency. HMRC is responsible for accurately identifying individuals as Scottish taxpayers in each tax year to ensure they pay the correct rate of income tax.

1.4 At the time of reporting, the Scottish Government has not confirmed the actual rate of income tax to be recovered from Scottish taxpayers for 2016-17. This is not expected to be announced until mid-December 2015 at the earliest.

Systems and procedures

1.5 Since the Scotland Act received Royal Assent in May 2012, HMRC has been developing its systems for collecting income tax and assessing the data it holds on taxpayers. Figure 1 overleaf shows the most recent timeline of key stages for the SRIT project in the run-up to April 2016.

1.6 HMRC will implement the SRIT project in phases until 2018-19. We will reflect on expenditure incurred by HMRC throughout the project in our future reports.
Figure 1
HMRC’s recent timeline of activities to introduce the SRIT

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Jan: HMRC produce detailed identification strategy</td>
</tr>
<tr>
<td></td>
<td>Oct: Phase 1 IT delivery, Taxpayer identification scan</td>
</tr>
<tr>
<td></td>
<td>Jun: HMRC produce detailed compliance strategy</td>
</tr>
<tr>
<td></td>
<td>Dec: Scottish taxpayer notification letters to be issued</td>
</tr>
<tr>
<td></td>
<td>Apr: Phase 2 IT delivery, SRIT introduced</td>
</tr>
</tbody>
</table>

Source: HM Revenue & Customs timelines
Remit of the Comptroller and Auditor General

1.7 Under section 80HA of the Scotland Act 1998 (the Act), as amended by the Finance Act 2014, the Comptroller and Auditor General (C&AG) is required for each financial year from 2014-15 to prepare a report on:

- the adequacy of any of HMRC’s rules and procedures put in place, in consequence of the Scottish 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 Scottish rate resolution; and

- the accuracy and fairness of the amounts reimbursed to HMRC as administrative expenses incurred as a result of the charging of income tax.

1.8 In discharging his remit under the Act, this is the C&AG’s first report presented to the Scottish Parliament. As the SRIT has yet to be introduced, this report considers:

- whether the amounts reimbursed to HMRC by the Scottish Government are accurate and fair (Part Two); and

- the progress HMRC has made so far in setting up systems to ensure that income tax levied under the Scottish rate is assessed and collected properly (Part Three).

1.9 This report does not consider the correctness of sums brought to account in relation to the SRIT or whether rules and procedures have been complied with. We will consider these matters when we report on activity relating to 2016-17 once the SRIT has been implemented.
Part Two

Costs incurred to date

Costs incurred by HM Revenue & Customs

2.1 The total cost incurred so far by HM Revenue & Customs (HMRC), and reimbursed by the Scottish Government, from the start of the project to 31 March 2015, is £2.70 million. Figure 2 shows how this is broken down by financial year.

2.2 The costs reimbursed to HMRC by the Scottish Government in 2014-15 amounted to £1.74 million. This consisted of IT costs of £0.75 million and non-IT costs of £0.99 million.

2.3 We examined HMRC’s methodology for estimating the costs of collecting and administering the Scottish Rate of Income Tax (SRIT) for the year to ensure this was reasonable. On the basis of our procedures, the amount reimbursed to HMRC by the Scottish Government for the year ended 31 March 2015 is fairly stated.

2.4 HMRC currently estimates the final total costs of implementing SRIT to be in the range of £30 million to £35 million over the seven-year period from 2012-13 to 2018-19. This is split between IT expenditure of between £10 million and £15 million, and non-IT expenditure of £20 million.

Figure 2
Scottish Rate of Income Tax costs reimbursed by the Scottish Government to HMRC by year (£000)

<table>
<thead>
<tr>
<th></th>
<th>2012-13 (£000)</th>
<th>2013-14 (£000)</th>
<th>2014-15 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>–</td>
<td>151</td>
<td>208</td>
</tr>
<tr>
<td>Q2</td>
<td>–</td>
<td>208</td>
<td>345</td>
</tr>
<tr>
<td>Q3</td>
<td>–</td>
<td>191</td>
<td>463</td>
</tr>
<tr>
<td>Q4</td>
<td>165</td>
<td>240</td>
<td>728</td>
</tr>
<tr>
<td>Total</td>
<td>165</td>
<td>790</td>
<td>1,744</td>
</tr>
</tbody>
</table>

Notes
1 2013-14 figures from HM Revenue & Customs, Annual Report and Accounts 2013-14, HC 19 (p. 145).

Source: HM Revenue & Customs
Implementing the Scottish Rate of Income Tax

Collection and assessment

3.1 HM Revenue & Customs (HMRC) has invested significant time and resources in preparing for the roll-out of the Scottish Rate of Income Tax (SRIT). Although we are unable to comment on the success of HMRC’s preparations at this point in time, given that collection of the SRIT is not due to begin until 6 April 2016, we can comment on HMRC’s approach in implementing the SRIT and the progress it has made so far.

3.2 Therefore, in this Part, we will set out the governance arrangements HMRC has in place to manage the SRIT project and the progress HMRC is making in tracking the key risks to implementing the project successfully.

Governance arrangements

3.3 Figure 3 overleaf shows the governance arrangements in place to manage the SRIT project. These arrangements have been developed to reflect the partnership created between HMRC and the Scottish Government. At a senior level, the Inter-Governmental Assurance Board monitors the implementation of the Scotland Act 2012. Additionally, the Scotland Act Programme Board is accountable for the implementation programme and oversees the SRIT project. Finally, the SRIT Project Board is responsible for ensuring the solutions for implementing the SRIT are delivered successfully. Both the Programme and Project Boards include members from HMRC and the Scottish Government. They meet every four to six weeks. Appendix One sets out the terms of reference and membership of each Board.

3.4 Edward Troup, Second Permanent Secretary, is HMRC’s Accounting Officer with responsibility for collecting the SRIT.
3.5 HMRC has worked effectively to manage its relationship with the Scottish Government. Representatives from the Scottish Government attend the regular Programme and Project Board meetings. HMRC’s project team has also held a number of workshops to assure the Scottish Government of progress and refine future management information requirements when SRIT begins. In the immediate lead-up to April 2016, HMRC has arranged three check-points to allow the Scottish Government to challenge and approve HMRC’s progress. These are taking place in November 2015, and January and March 2016. This sustained level of communication has been useful in ensuring that HMRC’s costs in respect of the SRIT project have been monitored and scrutinised effectively by the Scottish Government during the project.
3.6 The SRIT project has been reviewed several times by the Office of Government Commerce (OGC) gateway process and HMRC’s Internal Audit unit. Appendix Two summarises the key recommendations raised by OGC and Internal Audit and how they have been addressed by HMRC. Overall, they concluded that the project is well governed and HMRC has responded proactively to recommendations made throughout.

Risks

3.7 HMRC maintains a risk register to help the Project Board manage issues that may impact on delivering the project successfully. Figure 4 overleaf illustrates those risks currently classed as ‘open’ on this risk register.

3.8 The Project Board risk register has been effective in managing and monitoring the key risks identified by the Board throughout the SRIT project.

3.9 In the following section, we examine the key risks in detail, assess HMRC’s progress in managing these, and highlight the wider challenges facing HMRC ahead of SRIT beginning in April 2016. We will focus on:

- the progress HMRC is making in identifying the Scottish taxpayer population;
- HMRC’s approach and strategy for assuring the appropriate flow of income tax revenue to the Scottish Government;
- how effectively HMRC’s IT systems are equipped to deal with SRIT; and
- HMRC’s plans for communicating the SRIT to taxpayers and key stakeholders.

Identifying the Scottish taxpayer population

3.10 Identifying the Scottish taxpayer population with certainty has proven a major challenge to HMRC, as there is no existing independent population against which to benchmark the data it already holds. HMRC produced a comprehensive identification strategy in 2014-15, which set out the use of a range of internal and external data to test whether HMRC’s data on the taxpayer population are reasonable and complete.

3.11 Key to HMRC’s strategy was the decision to use a taxpayer’s postcode as the best way of identifying whether they live in Scotland or in the rest of the UK. Of all possible alternatives, HMRC considered that this was the most appropriate because it built on HMRC’s existing taxpayer address data. HMRC attempted to validate its approach through three separate exercises with third-party data-matching specialists (Transactis Ltd):

- assessing the robustness of using postcodes as a proxy for the taxpayer;
- testing the association of an individual taxpayer with an address; and
- matching HMRC’s data against an extract from the Scottish electoral roll.
### Figure 4
SRIT Project Board risk register

<table>
<thead>
<tr>
<th>Risk</th>
<th>HMRC’s assessment of the effectiveness of controls in place</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Scottish Parliament does not agree the Scottish Government’s Scottish Rate Resolution, resulting in a late change of rate.</td>
<td>Low</td>
</tr>
<tr>
<td>Current uncertainty surrounding the content and timing of the notification letter, which impacts on customer experiences and HMRC resources.</td>
<td>Very low</td>
</tr>
<tr>
<td>The project team does not manage the employer/pension provider/payroll/software developer dependencies and lead times.</td>
<td>High</td>
</tr>
<tr>
<td>The project may not be able to identify an acceptable strategy and approach for identifying the potential Scottish taxpayer population.</td>
<td>Moderate</td>
</tr>
<tr>
<td>The project does not keep abreast of wider transformational change, which could result in the solution not sitting within the HMRC operating model circa 2016.</td>
<td>Moderate</td>
</tr>
<tr>
<td>Communications are unclear for those who are not Scottish taxpayers (eg non-UK residents living in Scotland, or the rest of the UK population) resulting in possible confusion and erroneous customer contact.</td>
<td>High</td>
</tr>
<tr>
<td>The project does not manage the IT complexity and planned technological change when integrating the SRIT solution into the wider HMRC IT estate.</td>
<td>Moderate</td>
</tr>
<tr>
<td>The project is unable to accurately forecast the likely levels of customer contact generated as a result of the introduction of SRIT.</td>
<td>Moderate</td>
</tr>
<tr>
<td>The project does not manage its relationship and dependency with the Digital Programme.</td>
<td>Moderate</td>
</tr>
<tr>
<td>The degree of concurrent changes across HMRC results in a cumulative impact on key HMRC events and products.</td>
<td>High</td>
</tr>
<tr>
<td>Other organisations publish information about SRIT that is incorrect, misleading or wrongly timed, leading to customer confusion and contact.</td>
<td>Moderate</td>
</tr>
<tr>
<td>Department for Work &amp; Pensions and HMRC are not joined up in their delivery of SRIT.</td>
<td>Moderate</td>
</tr>
<tr>
<td>Communication products designed to inform the UK population in relation to SRIT are not delivered to time and specification.</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

**Note**

1. There are nine additional risks in respect of Relief-at-Source (RAS), which is being managed as a separate project. Control effectiveness ratings: low (1), moderate (7) and high (1). See paragraphs 3.27 and 3.28 for further information on RAS.

Source: Project Board Risk Register, HM Revenue & Customs, September 2015
3.12 These exercises have given HMRC and the Scottish Government some assurance over the initial identification of the Scottish taxpayer population. The exercises have also enabled HMRC to cleanse corrupt postcode data on its own systems, and target specific areas within the population that were highlighted as mismatches.

3.13 However, there remain risks in maintaining a complete and accurate Scottish taxpayer population:

- Keeping accurate addresses on HMRC’s systems is vital to maintaining an accurate and complete record of the Scottish taxpayer population. The taxpayer is responsible for providing up-to-date address information, as employers cannot notify HMRC on behalf of their employees. There are no controls in place within HMRC’s systems to confirm that any change in a taxpayer’s address is accurate. As a result, HMRC is working with employers and other stakeholders to increase taxpayers’ awareness of their responsibilities.

- If Scottish taxpayers are subject to a different rate of income tax from the rest of the UK from April 2016, HMRC will need to manage the risks of tax avoidance and evasion. These include taxpayers being unaware of the requirement to tell HMRC their new address and taxpayers deliberately avoiding paying a higher rate of income tax by giving HMRC an incorrect address.

- The final element of HMRC’s preparation for finalising the initial Scottish taxpayer population is the response from Scottish taxpayers to HMRC’s initial direct mailshot. The mailshot is to be sent to the full Scottish income-tax-paying population, which is currently estimated at approximately 2.6 million. It was expected that this would be sent in November 2015 and would include confirmation of the Scottish rate taking effect from April 2016. However, because of the delay in announcing the 2016-17 Scottish rate, the mailshot will now take place in December 2015. HMRC has chosen to send this letter before it knows the actual rate to allow it time to react to the response from the mailshot and refine its Scottish population data accordingly. The short window between sending the letters and the rate coming into force means HMRC must maximise the impact of its communication strategy during this period to ensure affected individuals pay the correct amount of income tax.

Compliance

3.14 HMRC’s SRIT project team has developed a clear and detailed compliance strategy that considers the impact of SRIT on taxpayer behaviour and potential tax avoidance and evasion. This has not yet translated into compliance activity. However, HMRC has begun centralising expertise in specialist compliance teams, most notably within its High Net Worth Unit, which monitors individual taxpayers that have a higher risk profile due to the value of their tax liabilities.
HMRC has not yet confirmed the exact nature of the compliance activity it will undertake from April 2016. This will depend on whether the Scottish rate differs from the rate for the rest of the UK for the 2016-17 tax year. HMRC has prepared different compliance strategies to address the impact of any potential difference in rates between Scotland and the rest of the UK.

Non-compliance in its most obvious form will take the form of cross-border tax avoidance and evasion if there is a disparity between the Scottish rate of income tax and the rate of income tax for the rest of the UK. This is heightened by the risk of address manipulation by individual taxpayers.

However, even if there is no overall difference in rates between Scotland and the rest of the UK in 2016-17, and therefore a limited risk of cross-border tax avoidance and evasion, the Scottish Government still needs to know the accurate value of tax revenue collected from Scottish taxpayers.

As the SRIT for 2016-17 is unlikely to be announced until mid-December 2015 at the earliest, this leaves a tight timeframe to refine and finalise HMRC’s planned compliance activity before April 2016. Given the significance and complexity of the SRIT project, HMRC will need to react quickly to the changing compliance environment within the UK from April 2016.

IT capability

HMRC has developed a clear strategy for communicating about SRIT with different stakeholders.

HMRC has not yet confirmed the exact nature of the compliance activity it will undertake from April 2016. This will depend on whether the Scottish rate differs from the rate for the rest of the UK for the 2016-17 tax year. HMRC has prepared different compliance strategies to address the impact of any potential difference in rates between Scotland and the rest of the UK.

Non-compliance in its most obvious form will take the form of cross-border tax avoidance and evasion if there is a disparity between the Scottish rate of income tax and the rate of income tax for the rest of the UK. This is heightened by the risk of address manipulation by individual taxpayers.

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As the SRIT for 2016-17 is unlikely to be announced until mid-December 2015 at the earliest, this leaves a tight timeframe to refine and finalise HMRC’s planned compliance activity before April 2016. Given the significance and complexity of the SRIT project, HMRC will need to react quickly to the changing compliance environment within the UK from April 2016.

IT capability

HMRC has developed a clear strategy for communicating about SRIT with different stakeholders.
3.23 For individual taxpayers, a mailshot to the initially identified Scottish taxpayer population is currently planned for December 2015. Due to an unexpected delay in announcing the Scottish rate, these letters will not be able to illustrate the financial impact of SRIT, as was originally intended. HMRC will also send a targeted mailshot to those individuals it has identified where there is a mismatch between its taxpayer data and that on the Scottish electoral roll extract (paragraph 3.11).

3.24 Throughout 2014-15, Ipsos MORI has helped HMRC to tailor its approach to communicating with the Scottish taxpayer population through focus groups and extensive research predicting individuals’ responses. HMRC continues to engage Ipsos MORI where appropriate.

3.25 HMRC is attempting to minimise contact from those who receive its letter. At the same time, it is ensuring that its communication in the lead-up to April 2016 helps refine its Scottish taxpayer population to make it as accurate and complete as possible. HMRC’s resources are particularly stretched in January 2016 due to the self-assessment return peak. The annual coding exercise – which is vital to ensuring employers pay the appropriate level of tax through the taxpayer’s tax code – also takes place in the months leading up to April 2016. There is a fine balance to be struck between managing resources over this period and ensuring the campaign to publicise the start of the SRIT is fully understood by all Scottish taxpayers.

3.26 HMRC has also been working with employers to prepare them for the upcoming change. This has involved workshops, bulletins and a continued programme of education about SRIT. Employers have been asked to encourage employees to notify HMRC when they change address. As noted in paragraph 3.13, employers cannot notify HMRC on behalf of their employees.

3.27 Pension providers are another main stakeholder group. In 2014-15, HMRC noted a risk around relief-at-source (RAS). Personal pension contributions are made after tax, so the pension scheme administrator can claim RAS from HMRC. The pension provider industry notified HMRC that some pension providers would not be in a position to implement the required changes brought about by the SRIT to their systems and processes by April 2016. Ministers agreed to a two-year transitional period to allow the pension industry to ready its systems for the SRIT. During this period, the pension industry will continue to apply the standard UK rate of income tax to all scheme members. Therefore, if the Scottish rate differs from the rate for the rest of the UK in 2016-17 and 2017-18, HMRC will be responsible for calculating any RAS shortfall or excess payment given by pension providers to Scottish taxpayers.

3.28 HMRC responded to this risk by setting up a project team to focus on the RAS issue. While the two-year transitional period granted by ministers gives HMRC some extra time to resolve the RAS issue with pension providers, there remains a risk from 2018-19 onwards that Scottish taxpayers do not get the correct income tax relief on pension contributions when individuals contribute through personal pension schemes.
Appendix One

Board membership and terms of reference

Intergovernmental Assurance Board

1 The remit of the board is:

- to approve, own and review a joint implementation programme of agreed key milestones and activities to implement these provisions;
- to take a joint approach to quality assurance of the implementation process and to agree and review how progress towards these milestones should be driven and measured;
- to ensure that adequate resources are made available in each administration to drive forward necessary progress;
- to identify risks to implementation and oversee appropriate mitigating actions;
- to identify, and resolve, any concerns about the implementation process;
- to anticipate, and seek to resolve at an early stage, any arising disputes;
- where agreement cannot be reached, to advise on appropriate routes for escalation; and
- to consider relevant issues in advance of the Joint Exchequer Committee (JEC) and to report to the JEC on key assurance activities.

2 Membership of the Board:

Scottish Government:

- Director General Finance/Deputy Director Fiscal Responsibility (Finance).
- Director General Strategy & External Affairs/Director (Strategy/External Affairs).
- Chief Economic Adviser (Economics).
UK government:

- Director of Public Services (HM Treasury).
- Deputy Director Devolution (HM Revenue & Customs (HMRC)).
- Director (Scotland Office).
- Director with responsibility for intergovernmental relationships (Cabinet Office).

The board is chaired jointly by the Director General Finance (Scottish Government) and the Director of Public Services (HM Treasury).

**Programme Board**

3 The board will:

- act as a decision-making body for the Programme, except where it delegates authority to another body (for example, at project level); and provide clarity on who authorises what decisions;
- support the projects to deliver against their critical path and plans, and assess priorities and monitor the status of key milestones, taking into account any potential or known changes or decisions;
- ensure Programme-level risks and issues that impede or threaten delivery are effectively managed to resolution or mitigated;
- ensure the Programme and Scottish Rate of Income Tax (SRIT) project maximise value for money and accurately forecast costs;
- approve and sign off all programme-related documentation;
- authorise any change in the scope of the Programme;
- challenge project activity and provide comment and feedback on issues escalated by the projects;
- set the overall governance and assurance framework for the Programme implementation, and provide clear guidance and support on go-live recommendations;
- provide an update on progress towards implementation at each meeting of the JEC until SRIT is delivered; and
- provide updates to the Intergovernmental Assurance Board and to ministers when key delivery milestones have been achieved.
4 Membership of the Board:

- Deputy Director Devolution/Senior Business Sponsor HMRC.
- Representative from Policy Delivery Portfolio (HMRC).
- SRIT Senior Responsible Owner (HMRC).
- Representative from Internal Audit (HMRC).
- Representative from Scottish Government.
- Representative from HM Treasury.
- Representative from Scotland Office.

The board is chaired by the Deputy Director Devolution/Senior Business Sponsor.

Project Board

5 The board will:

- provide overall direction and leadership for the project;
- report to the Scotland Act Programme Board, providing updates on progress, consulting on key decisions and seeking approval to proceed through gates and project stage boundaries;
- agree the Project Board membership and revise the Project Board structure and terms of reference (as necessary) as the project moves through the life-cycle into delivery;
- agree stage plans, monitor milestone progress against plan and authorise next stage activity;
- authorise the assignment of project resources and the commitment of key HMRC stakeholder resources in line with the agreed stage plan deliverables;
- serve as a point of escalation for project risks and issues, and review the project CRAIDD (log of constraints, risks, assumptions, issues, dependencies and decisions) to support risk mitigation;
- serve as a change control authority, consider proposed changes to both the IT and non-IT specification/solution by balancing risks and benefits against costs;
- recommend and facilitate the appropriate alternative escalation route for any risks or issues that cannot be addressed or managed by the Project Board;
• act as the approvals body signing off key project documentation at major decision points;
• make decisions and invoke exception plans when tolerances are triggered for timeline slippage, product delay and benefits/costs variance;
• provide guidance, direction and decisions to the project manager and advice to the senior responsible owner;
• approve formal project closedown and agree handover strategy;
• nominate a single point of contact (SPOC) at project working level for their respective directorate; and
• provide an escalation point and sounding board for their respective SPOC within their directorate.

6 Membership across the following areas:
• Personal Tax Product and Process (HMRC).
• Personal Tax Policy (HMRC).
• Personal Tax Change Policy and Other Government Department Project Delivery (HMRC).
• Scotland Act Policy (HMRC).
• Compliance and Enforcement (HMRC).
• Digital Service (HMRC).
• Personal Tax Customer and Strategy (HMRC).
• Personal Tax Operations (HMRC).
• Internal Audit (HMRC).
• Data Integrity Programme (HMRC).
• Finance (HMRC).
• Scottish Government.
• Scotland Office.
• HM Treasury Fiscal Devolution Policy.

The board is chaired by the SRIT Senior Business Sponsor.
## Appendix Two

Summary of recommendations raised by Office of Government Commerce (OGC) and HM Revenue & Customs Internal Audit

<table>
<thead>
<tr>
<th>Body</th>
<th>Recommendation</th>
<th>Date</th>
<th>Rating per report</th>
<th>Action taken by HMRC</th>
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</thead>
<tbody>
<tr>
<td>OGC Gateway Process Review</td>
<td>Engage fully with all key Scottish Government stakeholders.</td>
<td>July 2013</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Review all key stakeholders in order to establish their interrelationships and interdependencies.</td>
<td>July 2013</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Produce and manage a comprehensive programme-level Stakeholder and Communications Plan in order to ensure a consistent approach and accountability.</td>
<td>July 2013</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Develop and manage an integrated programme and customer communications strategy and delivery plan.</td>
<td>July 2013</td>
<td>Recommended</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Develop an end-to-end Programme plan identifying key milestones and decision points.</td>
<td>July 2013</td>
<td>Recommended</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Appoint a suitable deputy to the project manager, working full-time on the project, and aiming to have them in post by June 2014.</td>
<td>February 2014</td>
<td>Essential</td>
<td>Recommendation implemented. A deputy project manager was introduced shortly after the OGC review</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Review the composition and size of the Project Board with a view to refocusing it for the increased delivery pace ahead (complete and implement in Q1 of 2014-15).</td>
<td>February 2014</td>
<td>Essential</td>
<td>Recommendation implemented. The Project Board has been reconstituted</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Plan now for increased communications resource, to be fully deployed by December 2014.</td>
<td>February 2014</td>
<td>Essential</td>
<td>Recommendation implemented. A second briefings manager was added to the project team</td>
</tr>
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<tr>
<td>OGC Gateway Process Review</td>
<td>Formalise and extend the existing practice, and presume that Scottish Government representatives should be actively invited to any project meeting, workshop or forum – excepting only those where HM Revenue &amp; Customs policy issues or privileged data makes this inappropriate.</td>
<td>February 2014</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>The project should establish a target level of accuracy in identifying Scottish taxpayers that can be shared and communicated to all stakeholders.</td>
<td>February 2014</td>
<td>Essential</td>
<td>Recommendation implemented, Discussions with Scottish Government continue to take place</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>The Project Board should agree and monitor an action plan to ensure Scottish Rate of Income Tax (SRIT) is properly recognised and represented on the HMRC Digital Roadmap, with requirements for SRIT digital services documented.</td>
<td>February 2014</td>
<td>Critical</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Review the role and tasks of the Programme Board and respective responsibilities of the Programme Management Office in order to maximise successful delivery of the Programme.</td>
<td>May 2014</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>The Programme Board should ensure that the Joint Communication Group regularly reviews the Programme’s communications activity to ensure that there is consistency of message from strategic to tactical levels.</td>
<td>May 2014</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Develop a comprehensive risk register for the Programme Board as a standing agenda item.</td>
<td>May 2014</td>
<td>Essential</td>
<td>Recommendation implemented</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Baseline the end-to-end delivery plan and document, publish and maintain a ‘critical path’ of activities for delivery. The critical path activities are to be monitored at the Project Board.</td>
<td>June 2015</td>
<td>Critical</td>
<td>Recommendation implemented, A draft ‘critical path’ plan has been developed and shared with key stakeholders</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Prepare, agree and publish a compelling narrative describing the activity in place to identify the dataset of Scottish taxpayers and secure stakeholder endorsement, particularly from the Scottish Government sponsor, to this approach.</td>
<td>June 2015</td>
<td>Critical</td>
<td>Recommendation implemented, A draft narrative has been developed and shared with the Scottish Government</td>
</tr>
<tr>
<td>OGC Gateway Process Review</td>
<td>Following the initial analysis carried out by the relief-at-source (RAS) project, define the scope and explore the options for ownership and establishment of a project to deliver the digital solution. (This may include addressing the improvement of pension data quality).</td>
<td>June 2015</td>
<td>Essential</td>
<td>Work is ongoing</td>
</tr>
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<tr>
<td>OGC Gateway Process Review</td>
<td>In conjunction with the Corporate Communication team, define and agree a comprehensive communication strategy and plan for the launch and ongoing adoption of SRIT.</td>
<td>June 2015</td>
<td>Critical</td>
<td>Work is ongoing</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>1 The project should define its strategy, clearly stating assumptions/caveats used to identify the Scottish taxpayer while articulating deep dives so far along with defined tolerances.</td>
<td>January 2015</td>
<td>Corrective action required</td>
<td>HMRC has worked closely with all stakeholders to develop the Scottish taxpayer identification strategy, and work is ongoing to agree with the Scottish Government the assumptions and acceptance criteria for the identification of Scottish taxpayers</td>
</tr>
<tr>
<td></td>
<td>2 Draw up contingency plans to address the gaps in the identification of the Scottish taxpayer and agree a way forward.</td>
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</table>

**Note**
1 Progress on recommendations up-to-date as at the time of reporting.

Source: HM Revenue & Customs
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