



**Awdurdod Cyllid Cymru**  
**Welsh Revenue Authority**

# Annual Report and Accounts 2019 to 2020

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# Contents

Chair's Foreword.....	3
Performance Report .....	4
Chief Executive's overview .....	4
Part 1: about the Welsh Revenue Authority (WRA).....	5
Part 2: performance summary .....	8
Part 3: impact of coronavirus (COVID-19).....	16
Part 4: performance analysis .....	16
Review of Our Charter .....	52
Management of the Welsh Revenue Authority .....	56
Financial Report.....	58
Accountability Report.....	62
Governance Statement.....	64
Remuneration Report and Staff Report .....	78
Independent Auditor's Report (Resource Accounts).....	94
Resource Accounts.....	98
Notes to the Resource Accounts .....	102
Independent Auditor's Report (Tax Statement) .....	110
Tax Statement .....	114
Notes to the Tax statement .....	117
Glossary.....	125

# Chair's Foreword



I'm pleased to introduce the Welsh Revenue Authority's (WRA) Annual Report and Accounts for the financial year 2019-20. This is the first year we're reporting on our performance against measures featured in our Corporate Plan 2019 to 2022. The year (2019-20) was one of innovation, learning and a true test of our young organisation's resilience.

We began the year re-affirming our commitment to playing our part in delivering a fair tax system for Wales through our new purpose statement, our 6 strategic objectives, and the priorities given to us by the Minister for Finance and Trefnydd.

Responding to this challenge, one of our key innovations this year has been the development of our partnership approach to managing the devolved taxes, and what we call 'managing tax risk'. We are now beginning to see the positive results of that work and you can find out more about this important aspect in the Chief Executive's Performance Report.

A year of making excellent progress towards delivering our strategic objectives ended in a way none of us could have anticipated. In February, our head office in Treforest was flooded during Storm Dennis, and in March we began to support our people and customers through the UK-wide coronavirus (COVID-19) lockdown.

These tragic events have not been easy for anybody. For us, the last few months have highlighted the importance of 2 aspects of our organisation: innovation and resilience. There is much in this report to prove our ability to innovate, but it is also important to note the quality of our response to crisis.

Our small and young organisation has shown great resilience - I am so proud of how everybody responded to the 2 crises we have experienced. Our people, digital systems, relationships, governance processes and our performance have all stood up to this challenge.

I hope you find this report interesting as a record of a fascinating year in the development of the Welsh Revenue Authority.

**Kathryn Bishop**  
**Chair of the Welsh Revenue Authority**

# Performance Report

Our Performance Report is made up of 5 main sections:

1. [Chief Executive's overview](#)
2. [about the WRA](#)
3. [summary of our performance against our objectives](#)
4. [overview of the impact of coronavirus on our operations](#)
5. [detailed performance analysis](#)

## Chief Executive's overview



Croeso (welcome) to the WRA's Annual Report and Accounts for financial year 2019 to 2020. This was our second year managing the 2 devolved Welsh taxes and it was a truly extraordinary year.

The flooding of our head office in Treforest in February, followed by the unprecedented challenges of coronavirus, really tested our resilience. I would like to send my thoughts to everyone affected by the flooding in our local community.

Despite these challenges, I'm delighted that our work helped raise almost £300 million in tax revenue. I'm grateful to everyone who supported us and our ambition to help deliver a fair tax system for Wales. In this report you can see early evidence of

how we have developed our new approach to managing the taxes and the early results of this work.

During 2019-20, we began to make greater use of the knowledge we have been building as an organisation - based on the data we collect and the skills and experience of our people. We made system changes that made our services easier to use and we targeted our support activities where we can see a higher risk of people getting their taxes wrong – a way of working we call ‘managing tax risk’.

This work on ‘managing tax risk’ has enabled us to start to reimagine our role as a tax authority. These are early days but already this approach has resulted in us protecting between £1.2 million and £1.6 million of tax over the next 3 years. And alongside this, we collected £1.9 million where people had underpaid their tax, as well as identifying and refunding £190,000 in tax overpaid by mistake.

I’m especially proud of the positive culture we’re developing at the WRA, evidence of which you can see in the latest Civil Service People Survey (2019), where we ranked second amongst more than 100 civil service organisations across the UK for the second year running.

I would like to thank our people for their commitment and all those we work with for their support. This report shows positive early signs for our new approach, but we’ll need to continue to invest in our knowledge, capability, and relationships to build on these early successes, at a time when we are faced with unprecedented challenges.

What this year has taught me most about the WRA is that we’re at our best when we’re collaborative, innovative and kind.

**Dyfed Alsop**  
**Chief Executive of the Welsh Revenue Authority**

## **Part 1: about the Welsh Revenue Authority (WRA)**

Since 1 April 2018 we have collected and managed the following devolved taxes, designed and made by the Welsh Government for Wales:

- Land Transaction Tax (LTT) – the Welsh stamp duty land tax
- Landfill Disposals Tax (LDT)

Our overall purpose is to design and deliver Welsh national revenue services and lead the better use of Welsh taxpayer data for Wales.

We are proud of our role in collecting vital funds to support services, like the NHS and schools, in communities across Wales, in a way that is supportive and fair.

## Strategic objectives

To help us deliver our purpose, we have the following objectives, which form the basis of our [Corporate Plan 2019 to 2022](#):

- making it easier for people to pay the right tax
- ensuring we are fair
- being more efficient
- enhancing our capability

We also have 2 further objectives that aim to produce longer-term benefits for the people of Wales from their investment in us. Using our operational experience and knowledge, we are supporting Welsh Government to design future revenue services and we are leading on the better use of Welsh taxpayer data for Wales.

## Our people and values

We are a small and multi-skilled organisation of more than 70 people, with skills and experience spanning 16 different professions.

The values in [‘Our Charter’](#) reflect how we work with each other as well as with our taxpayers, their representatives, and other stakeholders.

## Our Approach: working together

As a small organisation, we appreciate the vital role partnerships play in our operations. We are more effective when we work together. And we believe that engagement based on mutual respect is the best way to learn and grow sustainably as an organisation.

Adopting a partnership-led approach is fundamental to the way we collect and manage the devolved taxes in Wales. We refer to this as ‘Our Approach’. This Welsh way of doing tax guides everything we do.

Therefore, in delivering our objectives, we aim to work collaboratively and openly with all our stakeholders – including taxpayers, their representatives, professional bodies and the wider public, as well as government colleagues and partner organisations – to ensure taxes are collected and managed in a way that is supportive and fair, and delivers the best value for money for the Welsh public.

Both our objectives and Our Approach incorporate the spirit and sense of the ‘Wellbeing of Future Generations (Wales) Act’.

## Our Approach: managing tax risk

Both devolved taxes are self-assessed. Taxpayers are responsible for calculating the taxes they owe and submitting their tax returns. They can, and often do, use a

representative such as a solicitor, tax agent, conveyancer, or personal representative to help them with this.

We recognise that some elements of the tax system are more complicated or difficult to interpret than others and some taxpayers may require more help than others. So, for us, a fundamental part of our role is to support people to understand the tax rules and provide help when they need it.

In our first, full year (2018-19), we invested in high-quality support services to help as many people as possible to get things right first time. We worked alongside taxpayers and their representatives to help them get used to the new taxes and processes and made improvements based on their feedback.

Over the course of our first year, our knowledge increased through the data our taxpayers submitted to us through their tax returns, along with information from their queries and through listening to their feedback. We started to look for more opportunities to proactively share our knowledge, through a range of services and activities, to further support people with their taxes.

Towards the end of our first year we started to identify areas where people were regularly asking for extra support. Alongside this we saw some areas where errors were commonly made. Often this involved people making mistakes because they misunderstood the rules.

We referred to these areas as ‘tax risks’ as we could see, from our analysis of the cases that fell within those specific areas, that there was a risk that more people would get things wrong in future, if we did not take action to reduce that risk.

As an example, a ‘tax risk’ could be a group of taxpayers applying the wrong tax rate to their transaction because they misunderstood who the rate should apply to. This means they paid the wrong tax because they did not understand the rules. If we do not address this tax risk, there could be more cases where people get this wrong and tax is paid incorrectly.

Even though the devolved taxes are self-assessed, rather than wait for people to contact us for help, or to pick an error up after they have filed their tax return, we can have a greater positive impact if we are proactive in addressing tax risk. We target our activities to raise awareness and educate people. And we make changes to our guidance and our tax system to reduce the scope for errors before returns are filed with us. Through this approach we proactively help to ensure that more people get their taxes right first time.

As part of this, we have also developed ways of supporting people to correct their tax returns if they made a mistake. And in those few instances where people sought to evade paying the full amount, we also put in place mechanisms to quickly identify them and use our powers to ensure that the right tax is paid.

Going forward, if we can help more people to get their taxes right first time, and make it harder for those few people who attempt to evade paying what they owe, there will be fewer cases that need to be checked, and fewer errors needing correction.

We provide a summary of how we manage tax risks and measure the impact of our activities in the [performance summary](#) below and more detailed information is contained in the [performance analysis: ensuring we are fair](#).

## Part 2: performance summary

This section provides a summary of our performance against our objectives and performance measures for the financial year April 2019 to March 2020 (2019-20). A more detailed analysis of our performance and activities is contained in Part 4 of this report.

To begin, the table below shows the progress against each of our performance measures for the year.

PM	Indicator	Objective	2022 Target/Aim	2019-20 Progress
1	How well our digital services are used: 1.1 Filing 1.2 Paying	Easier Efficient	1.1 98%  1.2 90%	1.1 98.4% average, generally flat throughout the year  1.2 90% average, increasing to above 90% towards end of year
2	How people find dealing with us	Easier Fair Capable	More people find it easy to use our services, and improved Welsh language services	We have established a baseline that 88% of our feedback responses found our services easy to use
3	Support people to get their taxes right	Easier Fair Efficient	More people getting their taxes right	We have established a baseline of at least 98.3% of transactions that were right first time
4	Reduce the scope for tax risks	Easier Fair Efficient	Reducing each individual tax risk	Reduction in all 3 LTT risks



				Over £300,000 tax protected this year, and between £1.2 million and £1.6 million tax protected over the next 3 years.
5	Timeliness: 5.1 Filing 5.2 Paying 5.3 Refunds	Efficient Easier Fair	5.1 98%  5.2 90%  5.3 Less than 30 days	5.1 98.6% average, generally flat throughout the year  5.2 87% average, generally flat but with a fall towards end of year  5.3 Less than 10 days – see performance analysis
6	Extent of automation	Efficient	90%	87% average, generally flat throughout the year, but with a slight increase towards end of year
7	How our people feel	Capable	Top 25% of Civil Service organisations	Second across over 100 CS employers
8	Our skill mix	Capable	Maintain breadth of professions, and develop our Welsh language skills	16 professions  78% know some Welsh  19% are fluent or near to fluency
9	Diversity	Capable	Be an inclusive organisation which values and involves people regardless of their background or circumstances.	We have made positive progress. Diversity data will be published in our Equality Report in March 2021

			Ensure fair and equal treatment to all	
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## Objective 1: making it easier

This year we made several changes to make it easier for people to pay the right tax and to use our digital systems.

First, we continued to invest in our digital services to make them easier to use. More people are using our digital system compared to last year and more people are filing their taxes correctly due to some of these improvements. For example, we improved the LTT system in some important areas where people commonly made mistakes that led to a loss of tax.

We are grateful to those who have made the switch from paper to our digital services. Throughout 2019-20, over 98% of all our returns were filed through our online tax system.

Second, we invested in developing a new way of communicating which has helped us to make our communications clear for those engaging with us. And we started to develop our own Welsh language strategy to further promote and facilitate the use of the Welsh language across our services.

Finally, we focused on improving and promoting opportunities for taxpayers and their representatives to provide feedback about our services. This has led to an increase in feedback from just over 10 pieces per month to over 100 per month. This feedback has enabled us to continue to learn and improve our processes and engagement activities to meet the needs of our taxpayers and their representatives.

Overall, across all the feedback we received, 88% of our users found our services easy to use. Whilst this figure is positive, we still want to do more. And for us the true value of the feedback we receive is in the comments and suggestions that we collectively take time to understand to drive positive change across our organisation.

We have included more information, including examples of how this feedback has helped us make it easier for our taxpayers and their representatives, under [Performance analysis: making it easier](#).

## Objective 2: ensuring we are fair – managing tax risk

This has been the first full year of implementing our new way of managing and measuring 'tax risk' – this approach helps us deliver a fair tax system for Wales. It not only helps more people to pay the right tax at the right time, it reduces the scope for errors and tax avoidance, and enables us to take proportionate action if people make errors. A more detailed explanation of how we 'manage tax risks' and measure our progress can be found later in the Performance Report under [Performance analysis: ensuring we are fair](#).

In implementing this new approach, we have developed our data analysis capabilities to better understand the information we receive from various sources, including the 60,000 tax returns submitted by taxpayers and their representatives each year. We also worked closely with other partner organisations, such as HM Land Registry to include the data they collect within our analysis.

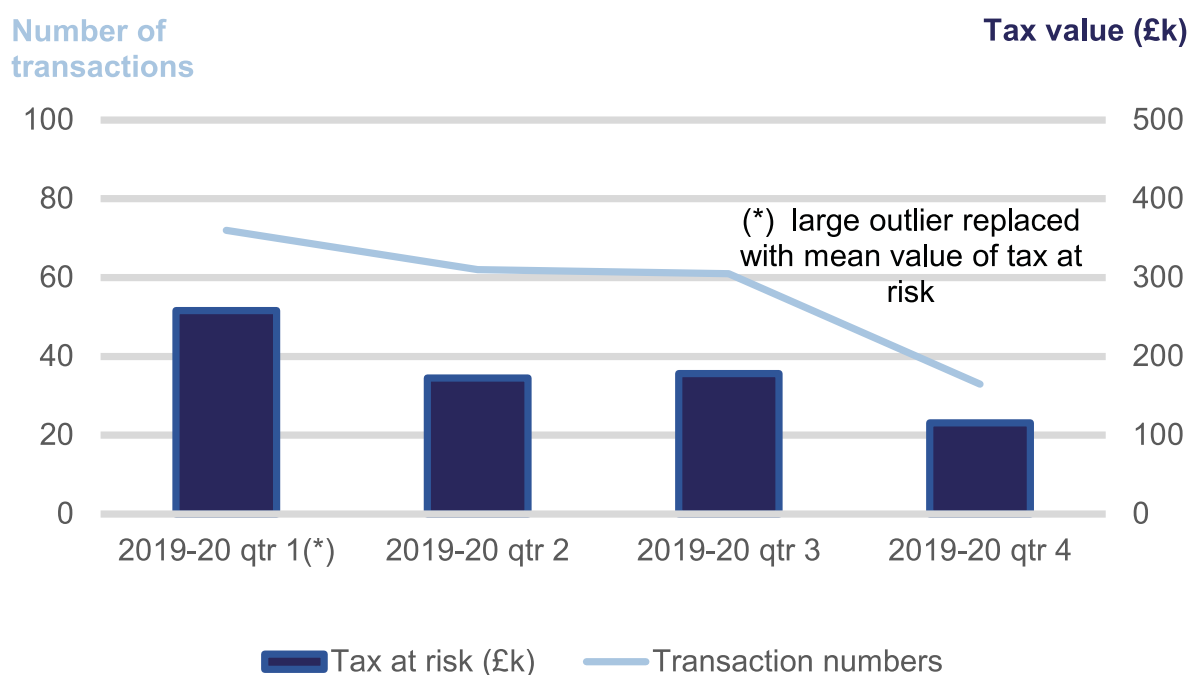
The collective knowledge we have built up has enabled us to start to identify trends and patterns which can indicate a particular tax risk.

By encouraging innovation and collaboration within our organisation, we developed activities that created the best solutions for each of the initial tax risks. In doing this, we made the best use of our specialist skills and expertise across the organisation.

Using the same data that we analysed to identify tax risks, we can measure and report on the impact over time of the activities we undertook to address tax risk. These activities include improvements to our guidance, changing the tax system and more proactive education and engagement.

Whilst these are early days, we are pleased to be able to report on some initial successes in this new approach. The chart below shows that we have already seen a reduction in all the LTT tax risks we targeted our efforts on this year. In those areas there have been fewer incorrect transactions and, therefore, more taxpayers have got their taxes right first time.

**Chart 1: Number of transactions and total tax in LTT risks 1, 2 and 3**



The chart above shows the change in tax risk across the 3 LTT tax risks we identified at the start of the year:

1. company buying residential property
2. outstanding tax return
3. disagreeing with LTT calculator

We carried out a variety of activities throughout the year to reduce these tax risks.

In analysing the chart above we can see that quarter 1 of 2019-20 shows that we received over 70 returns that are likely to contain an error across the 3 LTT tax risks, and together they had a combined tax at risk of around £260,000. If that had continued each quarter, it would amount to over 280 cases and over £1 million of tax not paid correctly per year.

By addressing these risks, we have reduced the level of quarterly transactions down to just above 30 cases and £120,000 of tax at risk within just 1 year, which means that we have reduced potential errors and tax loss by more than half.

By reducing the amount of tax that could be lost in future through people making similar errors, we have helped protect tax of over £300,000 this year. And we estimate between £400,000 and £550,000 of tax has been protected per year in future. The range depends on the different methods that could be used to calculate the future tax loss based on 1 years' worth of data. Nonetheless, assuming the tax risks do not increase in future, which we can track through our data, we estimate tax protected of between £1.2 million and £1.6 million over the next 3 years.

At this early stage of measuring our approach to managing tax risk, we have used several methods to estimate the tax protected within a range. We think we will need at least 2 years' worth of data to be confident in predicting a sustainable reduction in cases and tax loss from our activities. Whilst this is our first year using this approach and there is more work to do, we are confident that this is evidence that our way of managing tax is working.

In future, we'll be able to provide this analysis across several years and incorporate more tax risks as these are identified. The more data we generate, the more confidence we can have that we have indeed reduced a tax risk and protected against future tax loss. Whilst we expect to see annual fluctuations as we identify and work on new tax risks, we hope to see an overall downward trend in the number of transactions and tax at risk in the long-term.

Beyond the 3 main tax risk areas, we started some activity towards the end of 2019-20 on other new and emerging LTT risks. We will report on the impact of those activities next year.

We provide more detail, along with a breakdown of each tax risk within the [Performance analysis: ensuring we are fair](#) section of this report below.

## **Objective 2: ensuring we are fair – tax collected and repaid**

In addition to protecting future tax loss through our activities addressing various tax risks this year, we have collected an additional amount of £1.9 million where errors had been identified leading to an underpayment of tax. And we have refunded around £190,000 to taxpayers because of errors we have identified that led to an overpayment of tax.

Many of the errors leading to an underpayment of tax have come from cases within the main LTT tax risks (1 to 3). As we have reduced these tax risks throughout the year, there should be fewer errors in these areas in future. We expect to see fewer tax returns requiring correction in these areas in future years, as more people get things right first time.

It will take time to reduce tax risks. We expect to identify new and emerging tax risks, particularly as circumstances change. By identifying and acting to reduce any other tax risks will mean that fewer errors are made across the entire tax system and less tax will need to be collected or refunded to correct errors – effectively more people will be paying the right tax first time through our approach.

There is more on this under [Performance analysis: ensuring we are fair](#).

## **Objective 3: being more efficient**

We have made several improvements this year to reduce manual processes, freeing resources so that we can focus on activities which make a difference to our taxpayers and their representatives, such as support services and educational and engagement activities.

We have made sure that, in making those changes, we created value for money by investing in improvements that deliver longer term benefits for our people, our taxpayers, and their representatives, and that we continue to build our resilience.

We continued to see an increasing trend in the number of automated transactions as we progressed towards our target level of automation. This has mainly been achieved by increasing the number of people filing and paying electronically.

At the end of November 2019, we implemented a new Customer Relationship Management (CRM) system. This has improved our efficiency by allowing us to further automate many manual processes. It also provided taxpayers and their representatives with a better experience when they contacted us – enabling us to draw each taxpayer's information together in one place so that all types of query can be dealt with in one conversation.

The system also provides us with the foundations for making further digital enhancements in the future for our own people by creating future efficiencies; we expect this to mean that our taxpayers and their representatives will have a better experience overall.

We have also improved the way we managed debt this year. We implemented a new debt management system which automates parts of the reminder and contact process, and which has enabled our finance and debt teams to focus more of their resources on those who need financial support (those who can no longer afford to pay), as well as proactively chasing and enforcing debt in respect of those who could pay on time, but choose not to.

See more information on this under [Performance analysis: being more efficient.](#)

## **Objective 4: building capability**

For our people to be engaged, we focused on:

- always prioritising and supporting them and their wellbeing
- offering interesting roles with high levels of autonomy
- paying Living Wage salaries and providing fair benefits

Some indicators of our progress are:

- the WRA is positioned second out of over 100 Civil Service employers in the [2019 Civil Service People Survey](#)
- notably high scores for areas such as 'my work', 'organisational objectives and purpose', 'my team', 'inclusion and fair treatment', and 'pay and benefits'
- 100% of our people earn above the Living Wage Foundation's Living Wage

The true test of our engagement and culture was being able to react so swiftly and positively to the significant challenges of having to move the entire workforce to work at home twice in 2 months (in February and in March 2020 onwards).

We started work this year on our Welsh language strategy to further promote and facilitate the use of the Welsh language internally. We will be implementing this during 2020-21.

This year we started the Wales Public Body Equality Partnership, initially with Sports Wales and Natural Resources Wales, and are pleased it has since grown to include 10 public bodies in total. We hope that, by working together, we will have a greater impact on the delivery of more equal public services, significantly contributing to tackling inequalities as set out in the ['Is Wales Fairer report, 2018'](#).

The Partnership pooled its resources, insight, and expertise to create 5 joint strategic equality objectives and developed a set of agreed joint actions and measures for the next 4 years. These were published in our [Strategic Equality Plan 2020 to 2024](#). This report also includes information on the progress we made in 2019-20.

We have continued to create and maintain an inclusive culture where everyone feels valued and able to achieve their potential. We publish our [Equality Report](#) annually to share both our progress against our equality objectives and also our diversity statistics as an employer. As a small organisation, our statistics are often not suitable

for publication as we aim to protect individuals' privacy. We do not publish statistics relating to groups of fewer than 5 people. In such a case, we provide a narrative.

Our previous Reports and Objectives are available on our website, and our Equality Report for 2019 to 2020 will be published in March 2021.

See more information on this under [Performance analysis: building capability](#).

## **Making the most of our role for the benefit of Wales**

We have made good progress in respect of our Data and Design objectives:

### **Data**

We have brought together the main stakeholders, through a series of workshops, to identify areas of common interest, share lessons and best practice and start to look towards a future data-sharing pilot.

We published expanded and detailed data on LTT and LDT and have worked with users to ensure the data we publish address the questions they have.

### **Design**

We have set up a design working group to bring together the range of skills needed for end-to-end service design. The group spans the WRA and wider Welsh Government. We have supported early design of potential new taxes and developed a design framework that can be used in future.

See more information on this under our Performance analysis: [section 5 – design](#), and [section 6 - data](#).

## **Our Charter**

The values and behaviours in '[Our Charter](#)' reflect how we work. Our people naturally work in a collaborative way with each other as well as with our taxpayers, their representatives, and other stakeholders to improve the service we offer. Understanding how we could effectively deliver the values in Our Charter provided the basis for developing '**Our Approach**' which sets out a Welsh way of doing tax.

Reflecting on our second year, we are delighted that the values and behaviours of '**Our Charter**' and '**Our Approach**' are already embedded in the way we work and the choices we make. This is evidenced throughout this Annual Report and we have provided a summary at the end of the Performance Report.



## Part 3: impact of coronavirus (COVID-19)

Throughout the coronavirus pandemic our priority has and continues to be to support our people in looking after themselves and loved ones, while also making every effort to continue to deliver our tax services.

The leadership of our executive team, Tîm Arwain, along with the strategic oversight of our Board has been important during this time. Governance of the organisation has been fully reviewed throughout this period and adjusted where and when necessary to ensure that it remained resilient. More detail of this can be found in the [Governance statement](#).

The closure of the Welsh housing market for much of quarter 1 in 2020-21 has reduced the tax revenue we collect and manage. It has also delayed tax risk management activities planned for this period. Some of our existing tax enquiries were put on hold temporarily until such time it was appropriate to carry on with that work. We have also seen an increase in taxpayers requiring financial support.

In March 2020, we paused all planned recruitment which has impacted on our capacity in some areas of our business. This has, however, coincided with a general slow-down in demand in other areas. We have all worked together to reduce the impact this has had. Nonetheless, as demand for our services begins to increase, it may become more challenging to manage. We hope that our ambitious plan to re-start recruitment will reduce this impact.

We decided to delay certain planned projects in February and March due to the impact of coronavirus and the flooding of our headquarters. Deferring this work into 2020-21 will create some delivery and budgetary pressures next year which we have plans in place to manage.

We are aware that coronavirus will impact on our organisation, our people and those we work with during the remainder of 2020-21. We will continue our supportive approach for our own people and our taxpayers in the way we collect and manage tax, so we can continue to do all we can to raise vital revenue for Wales.

## Part 4: performance analysis

The data found in this section has been published in a statistical context for further analysis and transparency. Please see this [annex to the WRA's annual statistical release for 2019-20](#).

### Section 1: making it easier for people to pay the right tax

We want to support people to make it easy for them to:



- pay the right amount of tax
- use our digital services

## **How have we performed this year?**

We have focused on improving and promoting opportunities for taxpayers and their representatives to provide feedback about our services and ways we could improve.

We have used this feedback and the learning from our first year to identify and develop different approaches to meet the Easier objective, from improving our digital services to developing tax webinars and events.

## **Customer feedback and insights**

We added new exit surveys to our online forms, technical guidance, and tax calculator to increase the feedback we receive on our services. We also encouraged people to provide feedback at our tax forums and webinars.

As a result, we saw an increase in the feedback we received, from just over 10 pieces of feedback per month to between 100 and 130 per month.

We standardised our questions to improve the quality of our feedback. In reviewing feedback, we also related every piece of feedback to our service. This made our change process more effective and efficient.

One of our performance measures is how easy people find it to use our services. Across all feedback:

- 88% of respondents found our services easy to use
- 71% was complimentary
- we received 4 complaints. All were resolved at the first stage, with none needing referral to the Public Services Ombudsman for Wales

We combined this activity with information on our services from a wide range of sources, for example from analysis of our statutory reviews through to user testing of our tax system.

## **Developing our customer insights**

We used the wide range of feedback sources to develop our customer insights. This enabled us to develop a deeper understanding of our taxpayers and their representatives, including their behaviours, their preferences, and their needs.

This has provided us with greater insight into who uses our services and how they are used, and this has enabled us to tailor our engagement, training, and the design of services to meet different needs.

Using customer insights to make improvements has been a continual process for us. We made sure all parts of the organisation accessed and understood the feedback we received and the learning we gained from this work, so we could bring together our collective skills to make improvements.

Developing our customer insights has also enabled us to help more people to get things right first time and reduce several tax risks. We explain more about this in the next section of the report [\(ensuring we are fair\)](#).

The rest of this section explains the different ways we have developed our services to make it easier for people to pay the right tax and use our digital services.

## **Case study: LTT higher rate refund**

### **Situation**

When we originally designed our LTT services, we thought most of our taxpayers would use a representative, such as a solicitor or legal conveyancer, who already had experience of the stamp duty land tax which existed in Wales until LTT replaced it in April 2018.

From feedback, we learnt that increasing numbers of taxpayers were using some of our services without assistance from a representative, for example in connection with the refund of the higher rate of LTT when a main residence is sold. We found that more than half of the higher rate refunds were claimed directly by the taxpayer.

We used feedback, along with analytics from our website and user research to identify several difficulties people were experiencing with the form and process and used that knowledge to develop a range of solutions.

### **Approach**

To make it easier for taxpayers to make refund claims without representation we:

- published a new [LTT higher rate quick guide](#) designed specifically for taxpayers
- made it easier to find the form on our website, applying content design best practice in the process
- added guidance at the start of the LTT form process to explain what information is needed, so people new to the process could have it all at hand when they began to fill in the refund form

- improved the LTT higher rate refund form by reducing the number of questions, simplifying the language used, and adding help text to provide clarity in complex areas
- launched a new exit survey on the online form to provide people with the opportunity to give feedback as soon as they used the service

## Outcome

Through our customer insights work, we learnt about how people are using our services. We listened to feedback and made improvements, thereby making it easier for taxpayers to use the form.

Before making these improvements, we regularly received feedback from users who had difficulty understanding the rules and completing the higher rate refund form. Since making the changes, we have received much less feedback from people experiencing difficulty, which tells us people are finding it easier to use.

## Improving our tax system and tools

Representatives working on behalf of LTT taxpayers and landfill site operators ('users') can register for an online account and file tax returns using our tax system. By the end of this year we had around 7,500 registered users.

Our tax system has been designed to make it easy for registered users to file a tax return and pay the right tax. It guides them through each stage of the return, helping them to navigate to the sections relevant to their circumstances. It includes prompts and guidance, so they know what information to provide us with. And it has a 'toggle' function that enables people to seamlessly switch language between Welsh and English – particularly helpful for those learning Welsh.

Using some of the £500,000 investment for digital change received in the autumn (2019), we made several improvements to our tax system. We:

- redesigned 2 sections of the tax system for LTT to reduce common errors so more people paid the right tax first time
- introduced several new sections to the tax system for LDT to reduce the scope for errors
- added improved guidance, some pre-population functions, and a new tax calculator to make the updated LDT system easier to use
- enhanced the functionality of the tax part of the tax system for LTT to make it easier for people to manage their own accounts. This has also created efficiencies by reducing the amount of manual processing required of us

We also undertook a review of the accessibility of our website and our digital services, including our tax system. This enabled us to create a roadmap to meet the [Web Content Accessibility Guidelines \(WCAG\) 2.1 AA standard](#) by

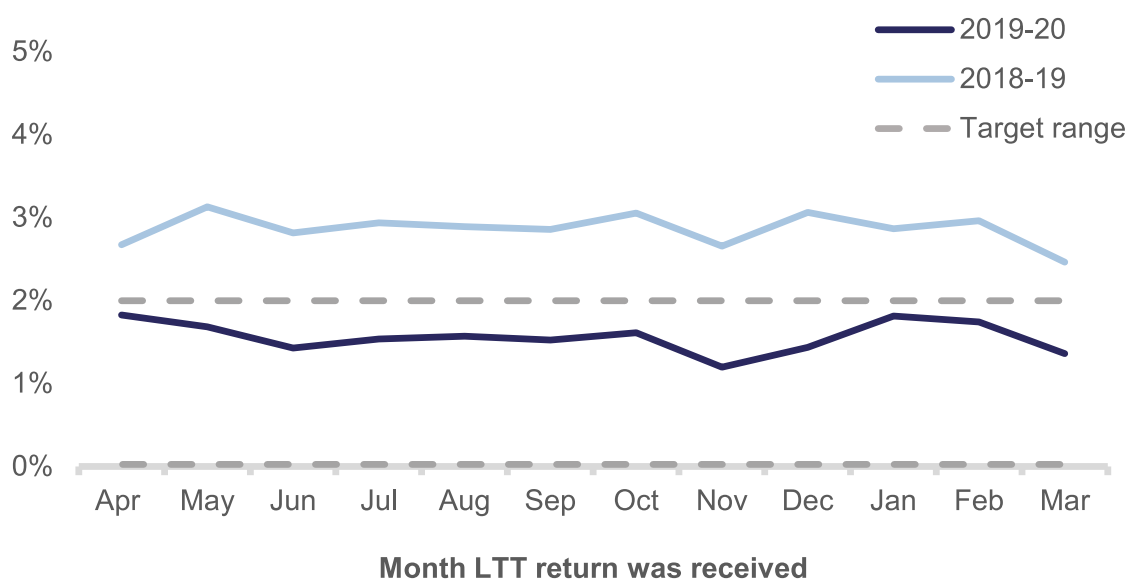
September 2021. We plan to use our in-house digital capability to introduce some of these changes next year. You can see more information in [our accessibility statement](#).

Our analytics show that one of our most popular digital tools, the LTT calculator, was accessed approximately 152,000 times in 2019-20. Recognising the popularity of such tools, we have developed a new digital tool to help people identify whether they are subject to the higher rate of LTT. We based the design on customer insights and successfully tested it with several users, making several refinements based on their feedback and reactions. We aim to release this tool this year (2020-21).

## Making the switch to digital

One of our performance measures is the number of people filing tax returns through our online tax system, compared to using paper tax returns. As well as the benefits outlined above, filing returns through our tax system is more efficient as it involves less manual processing.

**Chart 2: The percentage of LTT returns received by paper, by month received**



The chart above shows the percentage of paper returns received during the year, with the rest of the returns filed using our online tax system. The proportion of paper returns remained below 2% throughout the year, which means the tax returns filed through our tax system met our target of 98%.

This has been achieved through improvements to our tax system and engagement with taxpayer representatives and software providers helping people move away from paper towards digital filing.

## Digital payments

We also increased the number of payments made by digital methods. By the end of 2019-20, this had reached 93%, which is above our 3-year target (90%). This has improved our efficiency and levels of automation. We have provided more analysis, including a case study, in the [being more efficient](#) section below.

## Helping taxpayers and their representatives (LTT)

In addition to our tax system, we continued to improve the range of support services we offer to make it easier for taxpayers and their representatives to pay the right tax at the right time.

We also used the knowledge we gained from our data, combined with feedback on our support services, to identify opportunities to proactively help our taxpayers and their representatives. We did this through a range of educational and engagement activities, such as tax forums and webinars. We found that these were an effective way to raise awareness, establish trust, and build partnerships with key stakeholders such as taxpayer representatives.

## Improving our website and guidance

Our website is part of wider Welsh Government's GOV.WALES platform, which is focussed on user-led content. We applied content design – a practice led by Government Digital Services – to improve our content and the user journey.

We made significant improvements to our website, which hosts our tax system and other important services, and content, including improvements to our operational and tax guidance. We mapped out more than 300 pages of content for review and improvement. This included our guidance which we tested with professional bodies before introducing.

We published [changes made to our technical LTT guidance](#) and [changes to our LDT guidance](#) to help professionals keep up-to-date. In total, our technical guidance was viewed over 31,000 times.

Based on feedback, we published several new guides designed specifically for taxpayers who were without a representative. Our [LTT higher rate quick guide](#) was viewed more than 5,800 times between June 2019 and the end of March 2020.

## Helpdesk and tax specialist support

We are passionate about customer service. We provide a friendly and supportive, accurate, and educational service through our bilingual helpdesk and tax specialists.

We take time with people to understand and meet their needs and to give them confidence in using the information we provide them with. To do this, we bring together our collective professions and expertise to resolve queries efficiently and accurately.

We have invested in this approach because it helps people get things right first time. We believe that this approach increases trust between us and taxpayers as well as their representatives.

We received over 8,300 calls through our bilingual helpdesk, an increase of around 6% compared to last year.

Our tax and finance helpdesk, alongside the wider tax specialist teams, supports taxpayers and their representatives on a range of tax matters. Our tax specialists are experts in LTT and LDT and will support people with more complex tax queries. During 2019-20:

- our LTT specialists handled over 1,200 LTT technical queries. Of the total received, we provided a tax opinion to 5 of the most complex queries
- our LDT specialists handled 210 LDT queries and applications. Of the total received, we provided a tax opinion for 2 of the most complex queries

Taxpayers and their representatives can access the full range of support services we offer in both Welsh and English, using our bilingual helpdesk, including our tax system and online guidance. We have started to develop our own Welsh language strategy to further promote and facilitate the use of the Welsh language across our services. We expect to begin implementing the strategy in 2020-21.

## **Developing our way of communicating**

We wanted to modernise and simplify our communications to help people pay the right tax first time. We explored ways to use language to help us communicate more effectively with different audiences. We introduced a new way of communicating in autumn (2019).

We prioritised reviewing our operational communications, including letters, recognising the important impact this could have on people paying tax. We revised around a third of our 140 plus letters. We did not set specific measures for this activity. However, it is part of wider activity supporting people to pay the right tax.

## **Education, engagement, and communications**

We connected with over 500 of our users during 14 engagement events across Wales and online. For longevity, we also developed the webinars into shorter videos, uploaded to our YouTube channel.

We also increased the reach of our communication channels including social media, videos, animations, and our corporate e-newsletter. For example, we increased our e-newsletter mailing list from 592 subscribers to 1,393.

We launched new channels, such as LinkedIn, to reach more professional audiences and to support our recruitment work.

## **Case study: LTT higher rates – education and engagement**

### **Situation**

In our Corporate Plan 2019 to 2022, we included a case study on the higher rates of LTT. It highlighted how we had started to explore the use of targeted engagement and digital improvements to help taxpayers' representatives to file and pay higher rate transactions correctly. Our research showed that the higher rate remained the most popular subject for technical LTT queries.

### **Approach**

We refined our webinars and tax forums, maintaining our higher rate focus, but breaking it down to make it more accessible, and we added some new topics. We also developed them to have a specific operational focus to meet the needs of those filing LTT returns.

We introduced multiple workshops focusing on the most complex areas of LTT. Our research showed the areas people most wanted information on. We also provided handouts, added examples, and continued to refine the material throughout the year based on event feedback.

To build on these events, we ran a communications campaign using video and social media. We also attended local Law Society events in different parts of Wales to present higher rate training.

At all these events, we encouraged taxpayer representatives to speak to our tax experts directly. Our experts offered technical guidance and discussed general areas of difficulty. We used the events to promote our support services to encourage people to contact us with queries in future.

### **Outcome**

We've received positive feedback from attendees at the webinars and tax forums, including:

"...the 3 webinars ... have made understanding higher rate of LTT so much clearer for me"

“It was an excellent event and both of the speakers delivered an informative and entertaining presentation – unexpected in relation to tax”

“...make a difficult subject look easy”

Some taxpayer representatives have worked with us to correct mistakes on previous LTT returns, which they identified as being wrong as a result of having attended our events.

The new format for the events has encouraged more open and transparent dialogue between us and the attendees. This has enabled people to share feedback on more challenging areas of LTT where more support would be welcome.

Overall, we’ve been able to support more people to get things right in future through this work and, in the process, got to know some of the people who use our services better.

## **Section 2: ensuring we are fair**

In addition to supporting people to pay the right tax at the right time (part of [making it easier](#)), we will:

- be fair, consistent, and equitable in the way we collect and manage tax
- reduce errors and prevent opportunities for people to avoid or evade paying tax
- take proportionate action when people make accidental or deliberate mistakes

### **Managing tax risk**

To achieve this objective, we have developed our own way of collecting and managing tax which focuses on the management of ‘tax risks’. We implemented this approach in 2019-20 and, in this report, we provide more detail than we will in future years about the approach, and about how we measure our performance in respect of these activities.

### **What is a ‘tax risk’?**

We recognise that some elements of the tax system are more complicated or difficult to interpret than others. Both devolved taxes are self-assessed taxes, so people are responsible for calculating the taxes they owe and submitting their tax returns. People might not pay the right amount of tax at the right time if we do not actively help them to understand how to apply the rules correctly.

As an example, a tax risk could be a group of taxpayers applying the wrong tax rate to their transaction because they misunderstood who the rate should apply to. This



means they pay the wrong tax because they do not understand the rules. And if we do not address this tax risk, there could be more cases where people get this wrong and tax is calculated incorrectly.

## **How does it work?**

We start from the position that the tax system is intended to be fair and consistent, so that taxpayers pay the same amount under the same circumstances.

We have developed our data analytical capabilities to better understand the information we receive from the 60,000 tax returns submitted by taxpayers and their representatives each year. We also use publicly available data, as well as data securely gathered from partners, such as HM Land Registry.

We combine our data analysis with the learning from queries, operational data, and customer insights work. We use this collective knowledge alongside the ever-increasing expertise across our organisation to spot trends and identify emerging and potential tax risks early on.

We undertake engagement activity and research to develop a rounded understanding of the tax risks. We engage with our partner organisations, such as Natural Resources Wales, HM Revenue and Customs and Revenue Scotland, to discuss the tax risks and emerging trends. and we engage with professional bodies, taxpayers, and their representatives to understand the circumstances surrounding a tax risk.

We know that for some tax risks, there will be cases that lead to a difference in opinion between us and the taxpayer. We work collaboratively with the taxpayer to resolve these matters.

This engagement activity is vital to understanding why errors might occur in that area, so that we can develop effective and targeted solutions.

By encouraging innovation and collaboration within our organisation, we have been able to bring all our people together to deliver this strategy in a way that creates the best solutions for each tax risk. In doing this, we make the best use of the specialist skills and expertise we have across the organisation.

Most importantly, this approach benefits our taxpayers who get things right first time, as well as the people of Wales, as it delivers better value for money. In doing this, we make the best use of the specialist skills and expertise we have across the organisation.

Whilst many inaccuracies arise from a mistake or misunderstanding, we recognise that some people may deliberately seek to pay less than they owe. Our approach in those circumstances, is to encourage a change in behaviour and to make it as hard as possible for people not to pay what they owe. We can identify cases of evasion in

real time through the same mechanism we have set up to identify tax risk. We use the full range of legal powers to recover missing tax in those cases, including the use of penalties.

## **How do we measure impact?**

We developed new strategic objectives for 2019-22 along with innovative performance measures to determine the impact of our activities in managing tax risk.

Using the same data that we used to identify tax risks, we can measure the impact over time of our tax risk management activities. We complement this with customer insights from engagement activity relating to the tax risk, as well as any tax recovery work.

We recognise that this approach is in its infancy. If our response to the tax risk is not working, we can see this in real time from our data and we can undertake further engagement work and develop different solutions. This iterative approach to resolving tax risks helps us and our taxpayers learn, increasing our overall effectiveness and efficiency in managing future tax risks.

Over time, successful tax risk reduction will result in fewer incorrect transactions and, therefore, in more taxpayers getting their taxes right first time.

We also want to see that successful management of tax risk reduces the burden on taxpayers and their representatives by providing them with more certainty early in the process.

A successful approach should also reduce the amount of time and resources we spend on tax recovery activities, including formal enquiries arising from people making mistakes, so we can focus more time on those who are trying to evade tax. Overall, this should help deliver a fair and more effective and efficient tax system in Wales.

Where we report on the impact we have had on individual tax risks over time, we will not disclose all information about the nature of each of the individual tax risks, or how we identified it. Furthermore, we will report on individual tax risks at the point where we have started to see a real reduction in the tax risk. This is to maintain the integrity of our approach to risk assessment and tax management. We work on many different tax risks across each period and some may take several years to address.

## How have we performed this year?

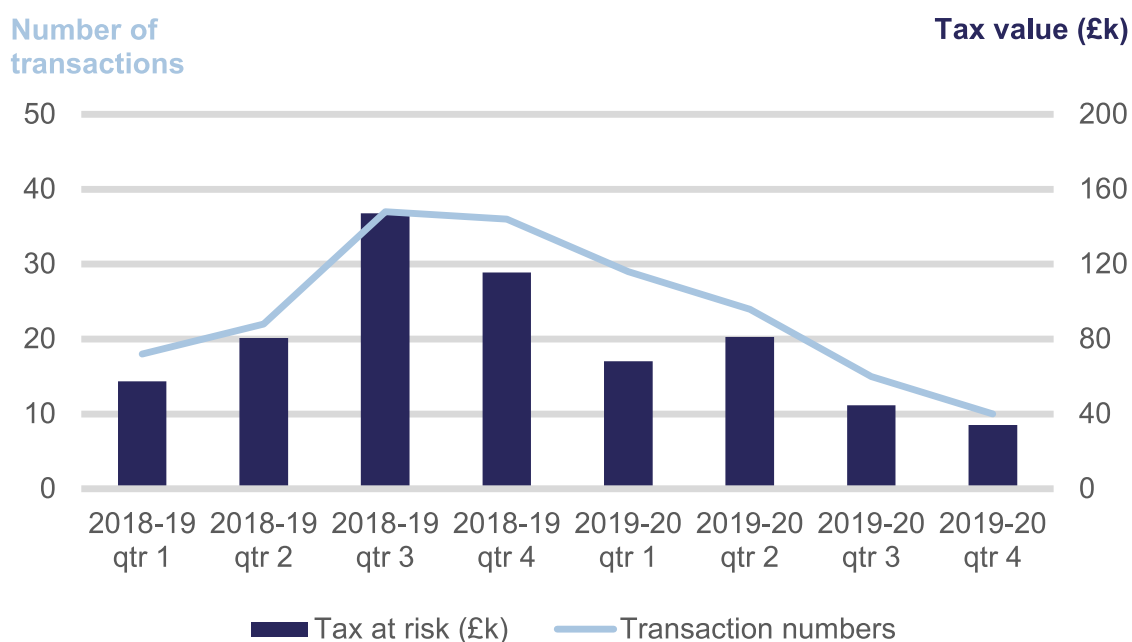
### What we have done to reduce our tax risks

In the [performance summary](#) we included an overview of the progress we have made across the 3 LTT risks we identified at the start of this year. In this section, we provide a breakdown of each of those tax risks and how we have reduced them.

### LTT risk 1 – companies buying residential property

This risk involves companies buying residential properties and applying incorrect tax rates. In most cases this is down to a misunderstanding of the rules as they apply to companies compared to individuals.

**Chart 3: LTT risk 1 - companies buying residential property**



This was one of the first tax risks we identified so we were able to go back and analyse data from 2018-19 onwards. The chart shows how the tax risk has developed over the last 2 years. In general, we estimate that we need at least 2 years' worth of data to best show the overall impact of our tax risk activities.

Whilst we started some mitigation activities towards the end of 2018-19, our main mitigation activities included:

- **quarter 1 (April to June 2019):** hosting events; updating our guidance and issuing a series of prompt letters to taxpayers and their representatives
- **quarter 2 (July to September 2019):** including information about this risk in a series of online webinars to raise awareness and educate users
- **quarter 4 (January 2020):** making changes to our digital tax system, accompanied by an operational update sent to all users

We can see that the digital change in quarter 4 has already had a positive impact on this tax risk, however we will need to wait for next year's data to see the benefit of this change in either continuing to reduce the risk, or at least maintaining it at a low level for the foreseeable future.

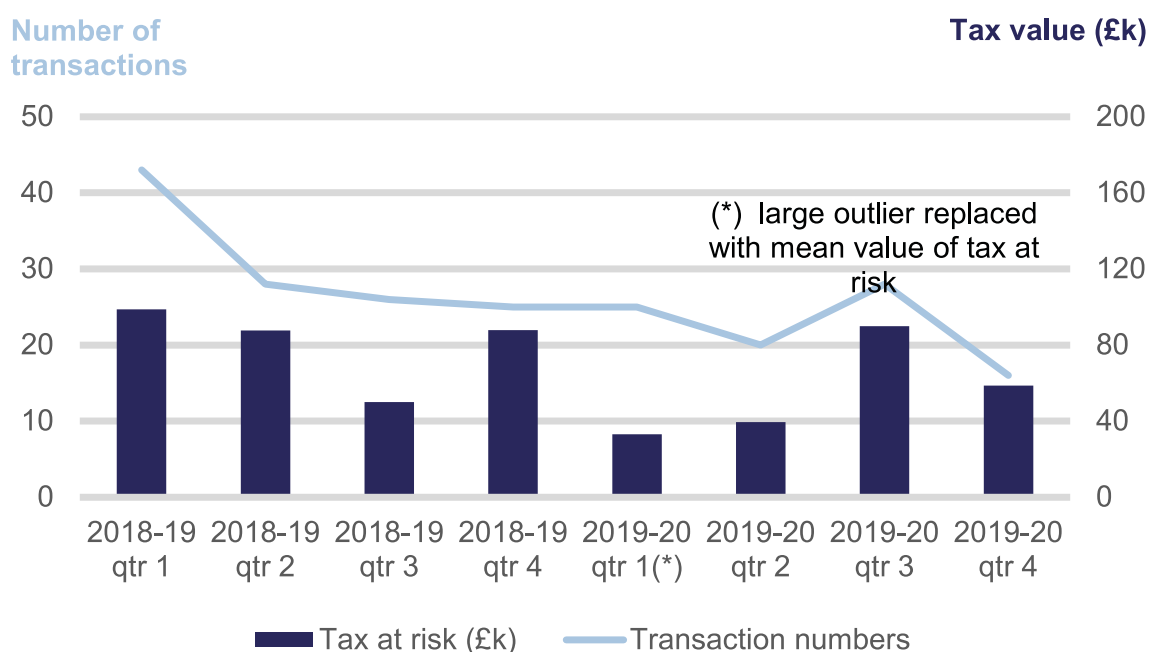
We also used the work on this tax risk to help to implement the new approach across the entire organisation. It enabled us to test and learn which activities worked best in reducing the tax risk in different circumstances. We have found that some activities can have a positive impact for a short period of time, but can be resource intensive, compared to others which require more investment upfront but provide a more permanent impact.

This learning has enabled us to improve our approach and will enable us to be more efficient and effective in future at reducing similar risks.

## **LTT risk 2 - missing tax return**

This risk involves people failing to file a tax return with the WRA due to a lack of awareness or general misunderstanding over the new tax rules that apply in Wales.

**Chart 4: LTT risk 2 - missing tax return**



As with LTT risk 1, the nature of this risk means we have been able to analyse the data relating to this risk for 2018-19 onwards.

In addition to delivering more general awareness-raising through our communications and engagement activities over the last 2 years, our main activities to reduce this risk include:

- **quarter 2 (July to September 2019):** operational update sent to all users
- **quarter 4 (January to March 2020):** prompt letters issued to taxpayers and their representatives where tax was outstanding; a new digital tool released at the end of this period; and a further operational update sent to all users

In the chart, we can identify a gradual decline in the numbers of cases falling within this risk over the last 2 years. This is from a high of over 40 cases in quarter 1 of 2018-19, reducing to less than half the number of cases by quarter 4 of 2019-20.

The nature of this risk means that the tax at risk is less consistent and predictable compared to some other tax risks. This means that despite a general decline in transactions, for some quarters, the tax at risk is shown as much higher than for earlier periods.

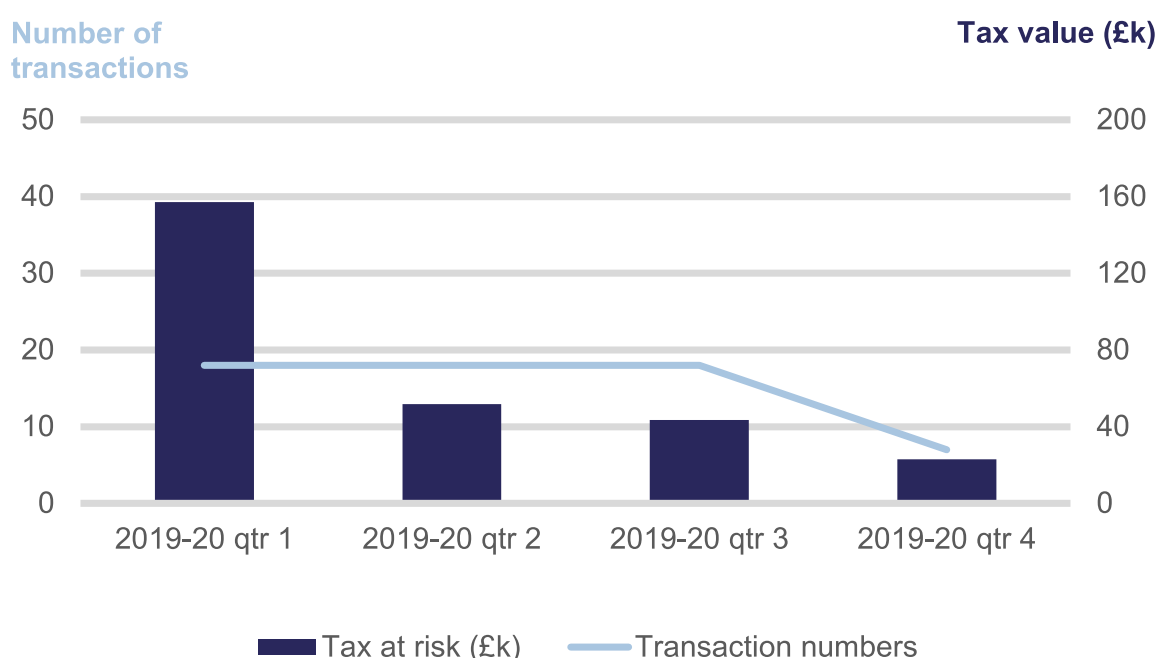
The decline in tax at risk, per quarter, is less obvious due to a spike in quarter 3 of 2019-20. We can, however, see an overall decrease in the total tax at risk for the whole of 2019-20 compared with 2018-19. We hope to see the tax at risk (per quarter) reduce further next year if we continue to reduce the numbers of relevant

cases. Nonetheless, lower case numbers within the risk mean it is easier to follow up on the outstanding returns.

## LTT risk 3 - disagreeing with LTT calculator

This risk relates to people disagreeing with the LTT calculator and overriding the tax figure. The calculator is designed to provide an accurate tax calculation based on the information entered in the system. There are various reasons why people may need to disagree with the calculator. Some are legitimate, but several were due to people misunderstanding the rules around the tax rates that applied to their circumstances.

**Chart 5: LTT risk 3 - disagreeing with LTT calculator**



We started to analyse this tax risk in detail in 2019-20. We have included this chart, as it starts to show the positive impact that a change to our digital tax system had in quarter 4.

The main activities that had a material impact on reducing risk were:

- **quarter 1 (April to June 2019):** prompt letters and early engagement activity
- **quarter 3 (October to December 2019):** developing and trialling a new process which involved our helpdesk in identifying these errors in real time and contacting taxpayers and their representatives to discuss them soon after filing

- **quarter 4 (January to March 2020):** a change made to our digital tax system with an operational update sent to all users. Further prompt letters and calls to taxpayers and their representatives

Given that we have only 1 year of data for this tax risk, it is too early to estimate potential tax savings from our activities. However, we can see a decline in transactions with a total of just under 20 transactions during quarter 3 compared with fewer than 10 transactions in quarter 4. We can see that even though, for 3 quarters, the transaction numbers have stayed the same, the tax at risk changes significantly, due to some larger one-off transactions in the data, particularly in quarter 1.

Most of the quarter 4 transactions were dealt with before our digital changes. As such, we are pleased with the progress we are making on this risk. As with LTT risk 1 – companies buying residential property – the digital changes we made should help maintain this risk at a low level, freeing up time to focus our resources on other risks in future.

## **Analysis of our tax risk work – LDT Risks**

We adopted a similar approach to managing tax risks for LDT. We focused on supporting people to pay the right tax first time and identified potential tax risks to carry out mitigation activities to reduce the scope for errors. As we have far fewer taxpayers for LDT, we tailored our approach.

During the year, we continued to develop our relationships with the landfill site operators at sites in Wales through our dedicated LDT specialists.

We combine our knowledge with information and expertise from our partner organisation, Natural Resources Wales, to provide more tailored support to our taxpayers and a more tailored approach to managing tax risks.

We are unable to report on the impact of our tax risk activity for LDT in the same way that we do for LTT because we only work with 17 landfill site operators. As a tax authority, we have a legal obligation to protect the confidentiality of taxpayers so we cannot provide data for tax risk cases on such a small pool of users.

Therefore, instead of providing data on our performance, we provide a narrative of our tax risk activities and impact.

### **LDT risk 1 – discounting water content in waste**

The LDT legislation requires that taxpayers apply for certain discounts and tax reliefs before using them in their tax returns. One complex area is reducing the taxable weight of waste to discount any water content within specific waste streams. There are several legislative conditions that must be met to qualify for this. We carried out a review of all the ‘water discounts’ and established a review and reapplication process

with the taxpayers who had existing agreements, to check the agreements were being managed appropriately to reduce the scope for future errors.

We worked closely with taxpayers, reviewing evidence and data to check all discounts remained appropriate and conditions were being applied correctly. We identified some errors made by some taxpayers as well as weaknesses in their processes. By undertaking this as a specific tax risk project, we were able to view the approach taken by each taxpayer and ensure fairness and consistency. We provided advice to those who were getting things wrong or where we had identified potential weaknesses, to prevent future errors which could lead to a loss of tax.

In some cases, by working with us our taxpayers identified that the discount needed to be revised. We also identifying improvements we could make to the conditions we had included in the agreements to help reduce the risks going forward. We provided further guidance and updated these conditions.

## **LDT risk 2 – tax treatment of fines material**

During the year, we collected and analysed a range of data and worked closely with Natural Resources Wales to identify potential tax risks across the industry in relation to certain types of waste. We found that there was inconsistency of tax treatment relating to the taxation of fines material. Due to the nature of the material, there are certain tests that are required to be undertaken by the taxpayer to establish the correct tax rate for that material. We found people were not applying these rules correctly in every case and awareness of the rules varied between taxpayers.

We worked closely with all our taxpayers who were processing this type of waste. Where we identified a higher chance of error occurring in relation to this particular risk, we undertook further investigations to identify activities and look for ways to reduce the risk of error.

Through this two-way engagement, some taxpayers have adopted new processes and made changes to the way they manage LDT, reducing the risk. We are continuing to work with others to improve their awareness and education. We are also working with taxpayers where errors have been made, to correct them and remedy any errors in tax paid.

We also worked with taxpayers to make several improvements to our tax system for LDT to reduce the tax risks we have identified. The system collects more data than before, and it should ensure fairness and consistency across the tax.

In developing the system, we improved its functionality to make it easier to use whilst also managing these tax risks. We are continuing the development of the LDT tax system with a view to introducing the changes by the end of 2020-21.



## Preventing and tackling tax avoidance or evasion

Whilst most people want to pay the right tax at the right time, we recognise that some seek to pay less through tax avoidance or evasion. As part of the way we manage tax risk, we have reduced opportunities to avoid or evade paying tax, making it harder to do so.

We have:

- established partnerships with other law enforcement agencies
- used our own data and intelligence, as well as data and intelligence from our partners, to identify potential cases
- used our powers, including tax enquiries, to investigate potential cases; and worked with other law enforcement agencies to share intelligence on those cases
- reduced the scope for evasion through implementing our tax risk management plans, including making updates to our systems and processes
- increased awareness of potential tax risks through early engagement and communications

## Additional tax collected

We collected £1.9 million additional tax from our tax risk cases, through amendments to tax returns and in relation to missing tax returns. This is made up of 2 broad categories:

### Tax recovered from tax risks

We recovered £1.6 million from cases that fell within one of our tax risks or from other direct interventions. We collected most of this tax from cases that fell within the 3 main tax risks we reported above.

### Voluntary disclosures

We collected a further £300,000 of tax from other amendments to tax returns. These amendments were not in relation to our tax risks, or any direct intervention by us, such as a prompt letter or formal enquiry. However, some of these amendments have been influenced by other educational and engagement activities, which we explain under [making it easier](#).

## **Tax refunded due to errors**

We refunded around £190,000 to taxpayers because of errors we identified in their tax returns which caused them to overpay tax. We identified these errors through our data analysis and risk assessment activities and helped them to correct the errors so that they paid the right tax.

## **Measuring how many people paid the right tax first time**

This is the first year we have attempted to measure how many people paid the right tax first time. To create an initial baseline, we have looked at all transactions that fell within one of the tax risks we identified during the year. We added to this figure any transactions where the tax return was later corrected.

In some cases, the correction led to additional tax being paid or refunded. In others, there was simply an administrative error, and the return was still technically incorrect. Of all transactions received, this accounted for 1.7%. As such, we established an initial baseline of at least 98.3% of transactions that we believe were correct first time during 2019-20.

We believe it is too early to draw any conclusions or comment on this figure. This is because we only have 1 year of data for all these tax risks and it is our first year implementing this approach. In future, we hope to be able to refine the way we report on this. This will happen as we improve our understanding of the reasons why some taxpayers and their representatives correct returns.

Furthermore, we initially expect the figures under this measure to fluctuate as we identify new tax risks and reduce existing tax risks. However, we will track the figure over time to look at how effective we are at identifying tax risks and then reducing them. We hope that, with time, we will see an increase in the numbers of people getting things right first time through our approach to managing tax risk.

## **Taxing unauthorised disposals**

We worked with our partner, Natural Resources Wales, to establish a partnership approach to charging LDT on the unauthorised disposals of waste. This built on the successful partnership approach we introduced for LDT on authorised landfill sites.

As part of this work, we extended our delegation arrangement with Natural Resources Wales for a further 3 years until March 2023. This will provide significant opportunities for us to continue to build our partnership work in managing LDT and helping to reduce waste crime.

We established the foundations of this new area of LDT during the year, ensuring we had the necessary resources and capability to implement new processes and ways

of working. We also established a case identification and referral process and began to analyse several cases from Natural Resources Wales.

Prior to the coronavirus outbreak, we planned to scope and test our powers during 2020-21. We also planned to use the scoping and testing phase during 2020-21 to build a clear picture of the longer-term opportunities and benefits of the tax in respect of unauthorised disposals. However, the speed of progress in this new area has been affected to some extent due to the impact of coronavirus on our operational processes and resources.

## **Penalties**

Where taxpayers have either filed their tax returns late, paid late, or made an error in their tax returns, we have charged penalties. We apply penalties to ensure that everyone is treated on the same fair basis and no-one gains a more favourable position or outcome. We issued over 1,000 penalties, amounting to a total charge of just under £340,000.

## **Reviews and appeals**

Where we identified errors, we worked proactively and supportively with taxpayers and their representatives to put things right. However, some issues led to a dispute over the correct tax. When this happened, we took the same positive, collaborative approach to resolving the dispute as effectively and efficiently as possible.

In those cases, we sought to reach agreement on disputes in line with the legislation, ensuring the right tax was paid. Where a dispute could not be settled by agreement, in most cases the taxpayer could ask us to review that decision. This is known as a statutory review.

In 2019-20, a total of just under 80 new requests for a review were submitted to the WRA.

If a taxpayer does not accept our operational team's decision or the subsequent decision of our Review Officer, then she or he can also appeal to the independent body, the First Tier Tribunal for Tax. In 2019-20, the tribunal notified us of fewer than 5 new appeals. Due to the small number of appeals, we cannot provide more detail this year in the interests of protecting taxpayer information.

As part of our own continuous improvement, we use feedback from the case team, our review officers, the tribunal, and our taxpayers to try to understand how we can reduce the scope for disputes and resolve them more effectively in future.

## **Section 3: being more efficient**

We will deliver in a way that is sustainable and delivers value for money.

### **How have we performed this year?**

During our first 2 years we have focused on building a resilient, digital-first organisation, which is entirely cloud based. We benefitted from our initial digital investment decisions at the end of 2019-20 as we were able to continue delivering our services as usual despite our headquarters being flooded in February and the subsequent need for all our people to work remotely due to the coronavirus lockdown at the end of March. This organisational resilience is testimony to the way we were established and is a reminder of the importance of making investment decisions that are sustainable and that continue to grow our resilience.

### **Reducing manual processes**

To be efficient and effective as an organisation, we designed our processes to be digital end-to-end as far as possible. We made some important improvements to further increase our use of digital systems and to reduce manual processes.

At the end of November 2019, we introduced a new case management system using customer relationship management (CRM) software. When making this investment decision, we considered the short, medium, and long-term impact on our people, taxpayers, and their representatives to help future-proof our services as much as possible.

To achieve this, we learnt from our early operational experience. When we started managing tax in 2018, we did not implement a full case management system, as we didn't know what was needed at that early stage of development. Instead, we learned from the experience of working with our customers and gained an understanding of the nature of the cases we needed to manage. We applied our knowledge through a digital discovery exercise, which scoped out our requirements and options, to develop a more robust solution that we believe can meet both our short and long-term needs.

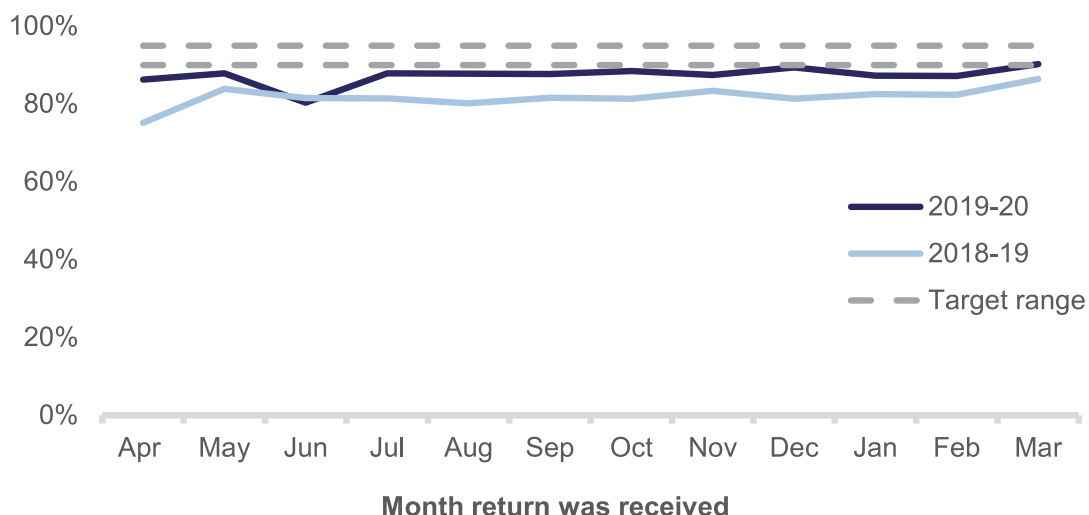
By investing in our CRM system, we automated many manual processes, improving our overall efficiency.

The rest of 2019-20 was focused on staff training and growing our internal understanding of the new system and processes. This is aimed at improving the way we use the system and identifying opportunities for future enhancements.

## Automation

In our Corporate Plan 2019 to 2022, we explained that automation was an important way for us to continue to be efficient as an organisation.

**Chart 6: The percentage of transactions that are processed automatically through to initial payment, with no manual involvement, by month received**



This only includes initial submission and payment (if relevant) and not future action the WRA might undertake to manage tax risk.

In 2019-20, we saw a clear trend of growth in the number of automated transactions year-on-year, which shows how we have made positive progress towards achieving our target level of automation. The increase in automation enabled our people to focus less on manual processing tasks and prioritise more valuable work such as helping taxpayers and their representatives with their queries.

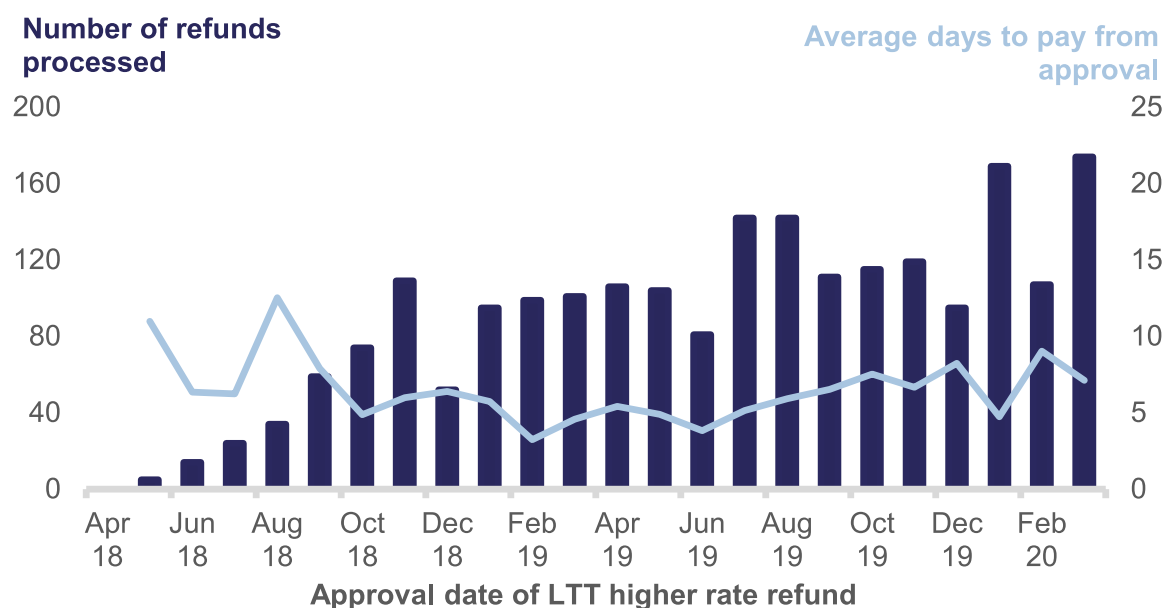
During June 2019, we saw a reduction in automation because of improvements we made to our finance system, which increased the need to temporarily maintain manual processes during that month.

Towards the end of 2019-20, we also made several improvements to our tax management system and finance systems. This allowed us to analyse our data more efficiently and reduce some of our manual processes, such as data inputting, particularly when dealing with taxpayer amendments.

## Time taken to make LTT higher rate refunds

We made almost 1,500 repayments, more than double the previous year's total (650). We anticipated this increase in refund processing as the taxpayer has a 3-year period to make a repayment claim. 2018-19 was our first year processing such claims.

**Chart 7: The number of and average days to pay LTT higher rate refunds, by month of approval**



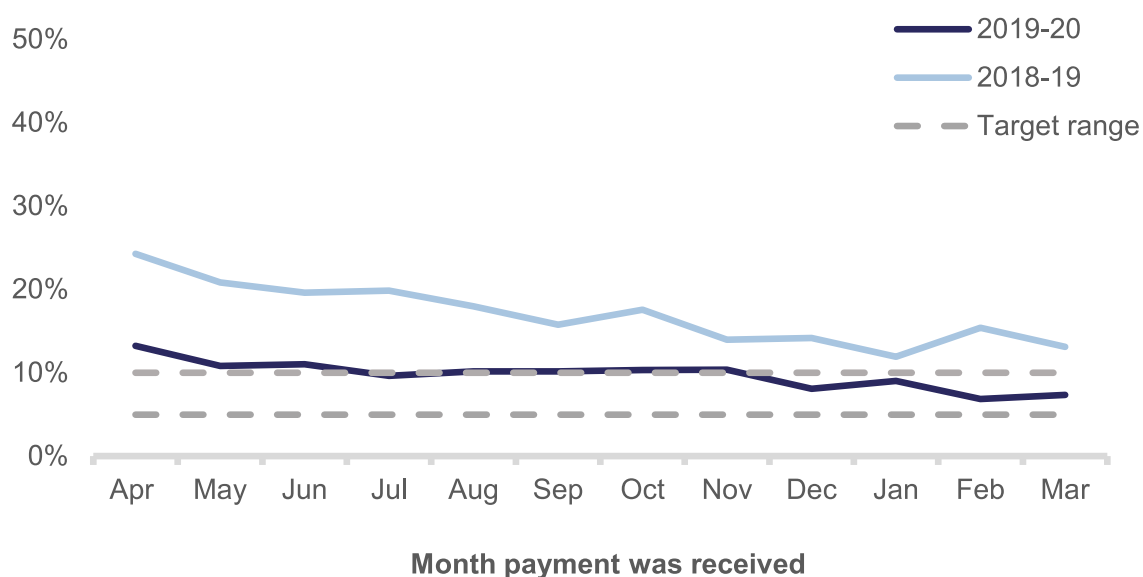
The chart above shows that the average number of days taken to make a refund increased slightly but this was still well within our target of 30 days. However, the chart only shows the time taken from the date we approve the repayment to the date of making the repayment. Nonetheless we are confident that if we add to the chart the approval process (where the refund information is complete), processing time will still fall well within our target.

Our CRM system should in future enable us to more accurately track and report on the time it takes to approve a refund (especially for those circumstances where we have to follow up missing evidence and supporting information, for example).

## Increasing digital payments

Processing cheque payments proved a significant overhead in terms of resource. Electronic payment is more efficient and cost effective overall as it allows us to automatically match the payment and requires little manual intervention.

**Chart 8: The percentage of payments received by cheque, by month received**



We focused on further decreasing the number of cheque payments. Following engagement work with taxpayer representatives in October and November 2019, our cheque receipts dropped to sit within our target level (under 10%) for the remainder of the year.

## Preventing debt

We made several improvements to continue to help people pay tax on time.

We analyse our transactions to establish how many have paid on time and those that are paid late and result in a debt. Payment is typically due within 30 days of the transaction date for LTT or the end of the accounting period for LDT.

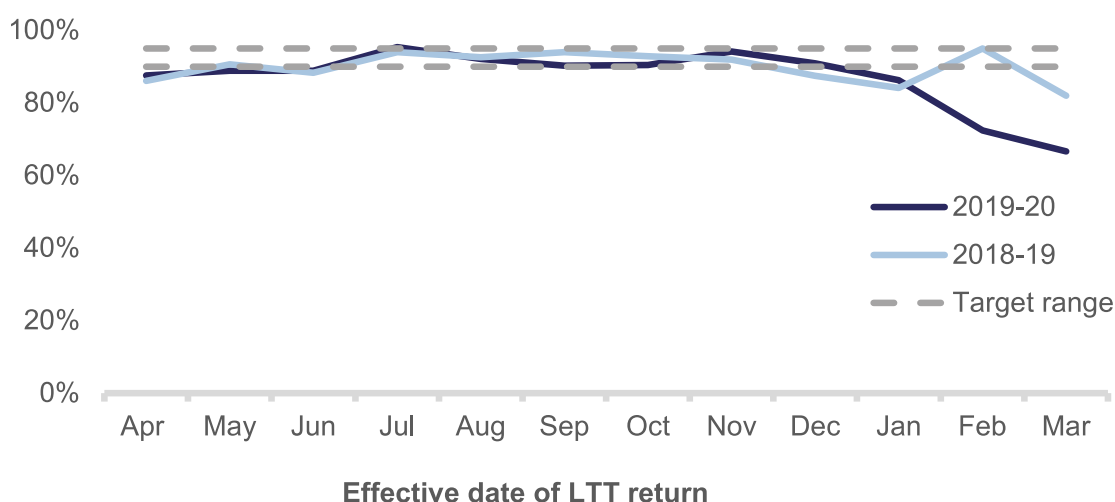
For the purposes of this analysis, we exclude any transactions that have been amended or resulted in a refund, because this impacts the accounting closure dates in our systems.

Of the transactions that we analysed, which is most of them, over 95% were paid on time. This is a good indication of our ability to prevent debt. This is a similar level to the previous year. We consider this to be a reliable sample for the other transactions that are excluded from this overall analysis.

For the 5% of transactions that were paid late, we can also measure our impact in recovering the debt within the subsequent 30 days of them becoming a debt (effectively 60 days from the transaction date).

## Time taken to pay debts – how have we done?

**Chart 9: The percentage of manageable Land Transaction Tax debts collected within 30 days, by month transaction was effective**



The chart above shows we were either achieving or close to our 90% target for collecting debt within 30 days throughout the year, until February 2020.

The impact of coronavirus on the timeliness of debt collection was evident in respect of transactions that took place in February and March 2020. This was primarily because the 60-day period for transactions in February and March 2020 extended into the lockdown period, and was impacted by the following factors:

- we saw an increase in the number of people who were unable to pay on time due to being unable to access their offices or staff being furloughed
- in recognition of the unprecedented impact of coronavirus on taxpayers and their representatives, we suspended the debt collection process temporarily in late March

One change we have made to the way we report in respect of this measure, is to separate out those transactions that are notified to us later than 60 days after the transaction took place. In analysing our data in the year, we realised that including those transactions within this performance measure was impacting the usefulness of this indicator (as a measure of our ability to manage the timeliness of debts within 60 days of the transaction date) and prevented us from seeing the effectiveness of our processes and activities.

Instead, we track and measure the debts arising on transactions that are notified to us later than 60 days separately. These numbers are consistently low, averaging fewer than 10 transactions per month. We undertake separate activities and have



other measures for timely notification of transactions, and managing risks associated with people failing to file a return.

### Implementing a new debt management process

We improved our processes to make debt collection more efficient and effective. During November and December 2019, we introduced a new debt management system and process, known as 'dunning', which is widely used in accounting.

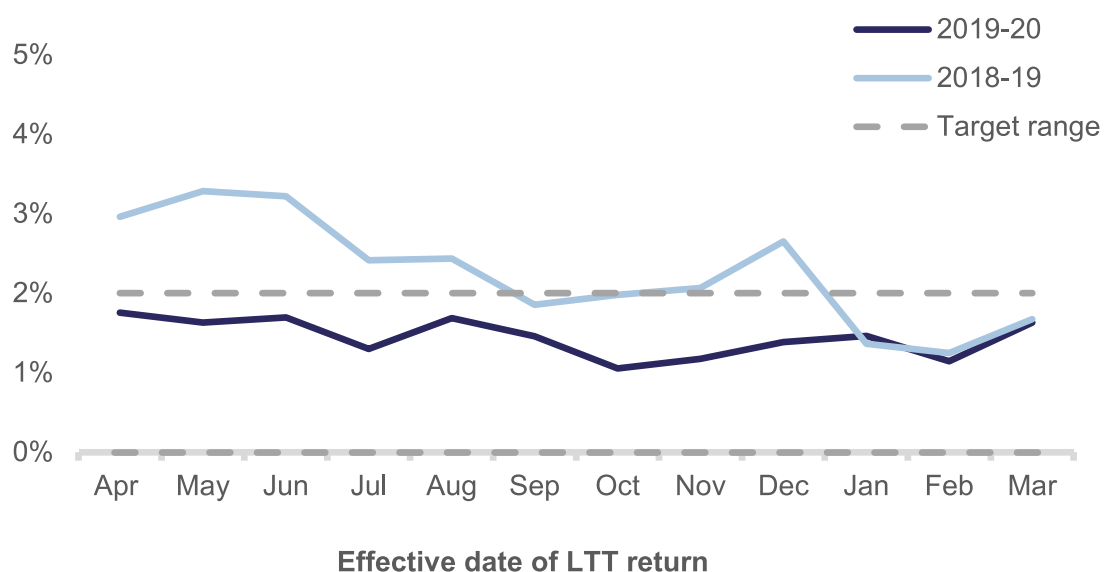
Dunning is a process that automatically issues targeted reminders and debt collection letters to taxpayers, based on the lateness of the individual payment. Using systems-based data to generate the letters, it requires minimal checks and approval by our finance team before being sent to the taxpayer.

This has increased the level of automation in the system creating efficiencies in the debt collection process. This has allowed the finance team to dedicate more time to helping those needing financial support, as well as concentrating on older debt and supporting our debt enforcement team in more difficult debt collection cases.

### Time taken to file – how have we done?

We saw improvements in the time taken to file. This was despite our positive starting point at the beginning of 2019 to 2020 as we had already reached 98% during 2018 to 2019.

**Chart 10: The percentage of Land Transaction Tax returns received outside 30 days, by month transaction was effective**



The chart above shows that throughout 2019 to 2020 more than 98% of tax returns were received on time, with an average for the year of 98.6%.

We believe this is testimony to the promptness of our taxpayers and their representatives, along with the engagement work we do to raise awareness of the taxes and filing obligations, and the support we provide to people to file their tax return.

## **Section 4: we will develop our capability**

We want to be an organisation whose collaborative, innovative and kind culture fuels high engagement, continuous learning, and inclusion. We believe that having capable people doing jobs that they truly enjoy will translate into everyday excellence in our day to day services and innovative and sustainable solutions for the future. By working together across skilled, multi-profession teams, we will be more than just the sum of our parts and achieve stretching and bold objectives for the benefit of our own learning and our stakeholders.

### **How have we performed this year?**

#### **Engagement**

Having highly engaged people is important to us as it increases both our people's happiness and their motivation to do their best to achieve our objectives. For our people to be engaged, we:

- provide interesting roles with high levels of autonomy
- offer Living Wage salaries and fair benefits
- always prioritise and support our people's wellbeing

Specifically, in 2019-20, we carried out the following activities to engage our people:

- encouraging a culture of kindness, trust, and empowerment, and acknowledging that we are still on a journey towards maintaining and increasing these values
- offering all roles as open to flexible working patterns and role-modelling alternative working patterns at Tîm Arwain level
- providing all staff with the equipment to work from home
- becoming an accredited Living Wage employer
- organising an annual calendar of activities through our staff-led Wellbeing Committee.
- encouraging physical and mental health as well as positive community links such as volunteering – see more information under [Section 7: wellbeing](#).

Some indicators of our progress during the year can be drawn from the [2019 Civil Service People Survey](#) including:

- being rated second out of more than 100 Civil Service employers
- notably high scores for category areas in the survey such as 'my work', 'organisational objectives and purpose', 'my team', 'inclusion and fair treatment', and 'pay and benefits'
- 82% of our people 'strongly agree' or 'agree' that they are satisfied with their total benefits package (+43 percentage points compared to the UK Civil Service average)
- 92% 'strongly agree' or 'agree' that their manager trusts them to work at home and 94% 'strongly agree' or 'agree' that they are confident using collaborative working at home technologies

Other indicators include:

- 100% of our people earn above the Living Wage Foundation's Living Wage
- 95% of our people have permanent contracts and none of our people have zero-hours contracts
- 79% of our people earn above the UK median wage

### **The challenge of Storm Dennis and coronavirus lockdown**

In addition to the indicators above, the true test of our engagement and culture was being able to react so swiftly and positively to the unprecedented challenges of having to move our entire workforce to work at home twice in 2 months.

It was not an easy process, nor did we expect it to be given the unprecedented nature of the events that took place. During this period, 76% of our people saw changes to their roles or took up new roles, as many roles changed overnight to plan and support our people and services during lockdown.

We have seen reduced available working hours due to caring, childcare and wellbeing needs, and some functions – such as processing our post and recruitment – were stopped due to safety and staff availability.

As a result of the changes we put in place, 100% of staff reported feeling supported by their line managers and confident in senior leaders' handling of the impact.

Overall, we are proud of the response of our people, who have continued to carry out the important role we do in raising revenue for Wales.

### **Skills**

To encourage a learning culture and ensure we have the skills we need as an organisation, we sought to bring in a wide variety of professions, and created interesting opportunities for promotion, learning and development.

Despite our small size, we provided loans in and out of the organisation as well as apprenticeship, student, and graduate opportunities.

We measured this by looking at the professions, Welsh language skills, and development of our people.

### **Professional and technical skills**

Our people brought together the experience of 16 different professions.

Having many professions within one small organisation allows us to resolve problems and respond to challenges quickly and self-sufficiently. For example, when we identified tax risks during 2019-20, we brought together our collective skills and expertise to design and deliver the best solution for that risk. See more information under [Performance analysis: ensuring we are fair.](#)

### **Improving our digital skills**

As a digital-first organisation, digital capability is important to us both as a specialist skill and at a broader level across the organisation.

We have continued to build and develop the long-term digital skills in the organisation in several ways. For example, we partnered with the University of South Wales to recruit 3 digital apprentices in the autumn (2019). They have split their time between supporting us internally and completing the first year of a 4-year degree course. Over the course of their apprenticeships, they can specialise in different areas and they will be able to help us undertake more of our system enhancements in-house.

We have also increased all our people's capability through regular updates and learning opportunities in areas such as cyber-security and information management.

### **Welsh language skills**

Our current levels of Welsh language are:

- 78% of our people know some Welsh
- 19% are fluent or near to fluency
- all business areas have Welsh speaking colleagues, but not all individual teams within those areas have them

We started to develop our own Welsh language strategy, as one of the key themes of our staff away day in January 2020, looking at the types of approach we could implement to further promote and facilitate the use of the Welsh language internally, and with our customers.

As we develop and implement our Welsh language strategy in 2020-21, we will be able to better review its impact on increasing skills levels once we have defined our measures.

## **Development and growth**

People from a wide variety of different organisations joined us and took the opportunity to grow during 2019-20. Some key learning is:

- just over half (56%) of our people joined us from other Civil Service organisations, and just under half (44%) joined us from a variety of public and private sector employers, or chose the WRA as their first ever employer
- of those joining us from the Civil Service, just over a third (35%) joined us on promotion and 3-quarters of those were women (75%)
- of those who found a new job in other organisations in the Civil Service, the majority did so on promotion. We are pleased to be contributing to this cross-government talent pool

Our people have shown themselves to be ambitious and talented. This has coincided with a period of growth for the organisation. Some examples from 2019-20 include the fact that 15% of our people were internally promoted or took up a temporary promotion, with just over a quarter (26%) of people in post having been internally promoted or temporarily promoted since joining WRA. We have recruited apprentices, university student summer placements and graduate placements, and all our apprentices who have finished their qualifications have taken up permanent roles in our Data, HR and Operations teams.

As a small organisation, not all our people will be able to gain promotion internally in the timeframes which suit them, and so this cannot be our only measure of success. For example, around a third (33%) of our people 'disagree' or 'strongly disagree' that there are opportunities for them to develop their careers with us. Given our size, this is likely to be the case for many roles.

However, we can do more to upskill line managers and our people, helping them to develop career plans and continuing to encourage and support those who are ready to find their next step with another employer. Our people's own perception of their learning and development, based on feedback in the Civil Service survey, is not as high as we would like it to be. While still positive in Civil Service average terms, we see this as an area for improvement.

During 2019-20, every one of our people took part in learning and development. In particular:

- our people invested 208 days into their learning and development on over 500 activities. This averaged 3 days per person. However, we think these numbers, which are self-declared, are under-reported and, the total is in fact much higher

- we invested £74,000 of our budget in formal training, with a focus on coaching, technical and professional skills. Alongside external training, we also developed a lot of our own bespoke training material in-house
- 20% of our people worked with a formal coach, and others benefitted from having or being a mentor, including reverse mentoring

The impact on training during lockdown has been small for this period and is expected to not impact our people too much into next year as many training providers already deliver online offerings or have rapidly switched to providing them virtually.

However, our people have had less time generally, including for development, during lockdown due to caring responsibilities and supporting new or additional priorities. This is something we will need to look to address through 2020-21 and into 2021-22.

## **Diversity**

For our people to feel included and respected, we aim to maximise the opportunity for everyone to innovate, collaborate, and be involved in the decisions we make. We also work to create and maintain an inclusive culture where everyone feels valued and able to achieve their potential.

We have focused our approach to date on inclusion and fairness and have monitored whether this has led to equality of outcome. As we mature as an organisation, we plan to develop more specific strategies to address any areas we find where this approach is not fully successful.

Measuring and publishing data on diversity is difficult in an organisation of around 70 people. We don't publish data which could reveal an individual's or a small group of individuals' identities, to protect their privacy. This means we won't publish data on groups of fewer than 5 people, so we are unable to publish most of our diversity data. Our annual [Equality Report](#) includes data that is large enough to publish publicly and provides a narrative where this isn't the case.

We publish Strategic Equality Objectives every 4 years, and publish our [Equality Report](#) annually to share both our progress against these objectives and also to share our diversity statistics as an employer.

Our previous Reports and Objectives are available on our website, and our Equality Report for 2019 to 2020 will be published in March 2021.

## **Section 5: design**

Our aim is to use our experience and expertise to support the design of Welsh revenue services.

Working across wider Welsh Government on new and existing revenue services, we can draw on our experience and expertise from our customer insight, operations, data, digital and policy teams to support the design of systems, policy and legal frameworks in an integrated way that works well for end users and meets Welsh Government objectives.

## **How have we performed this year?**

During 2019-20, we engaged with wider Welsh Government to seek opportunities to provide support in early thinking on the design of potential new revenue services.

We set up a design working group to bring together the range of skills needed for end-to-end design across both the WRA and wider Welsh Government. As a result, we supported early design thinking on a variety of possible new taxes and revenue services, such as a vacant land tax and a social care levy.

We also supported wider Welsh Government with early thinking around a strategic approach to tax implementation and administration across Welsh taxes.

## **Case study: framework for design of Welsh revenue services**

### **Situation**

In starting to work with wider Welsh Government on the early stages of designing potential new revenue services, we identified common design questions that came up constantly.

### **Approach**

We developed a framework based on our collective experience to help identify and analyse the main building blocks for the development and implementation of a revenue service. The areas were categorised as follows:

- establishing and agreeing liability
- quantifying liability
- paying tax
- enforcing payment and compliance
- creating and managing a record of payments made

We trialled this framework in the context of possible new Welsh taxes and revenue services.

## **Outcome**

This exercise quickly highlighted the impact particular policy decisions would have on the operational delivery of different areas of a new Welsh tax or service. For example:

- data requirements
- digital solutions

This helped illustrate the significant benefit of bringing consideration of delivery into policy thinking from the start and iteratively throughout the process of design.

Taking this approach in future will help minimise the risk that policies are developed that cannot be implemented as intended from an operational perspective.

Anna Adams, Assistant Director of Welsh Treasury:

“The Welsh Revenue Authority (WRA) continues to support the development of devolved tax policy in Wales. Working with the team at the WRA has proven invaluable to the Welsh Treasury, especially with their experience of administration of revenue services and knowledge of tax design.”

## **Section 6: making the most of our data**

We want to make the most of the data we hold, and work with others holding Welsh taxpayer data to enhance the way that data is shared, used, and analysed for the benefit of taxpayers.

Our aim is to maximise the value of Welsh taxpayer data. Working across government we want to explore effective and secure ways of sharing, using and developing data – turning that data into an asset for Welsh taxpayers.

Initially, we aim to explore the potential use of the data we hold and how to make it available to relevant partners, bearing in mind legal aspects of data-sharing.

### **How have we performed this year?**

During 2019-20, we’ve made progress in several areas. We are pleased to have made a good start in this first year, building on relationships with wider Welsh Government and Welsh local authorities. We have identified areas of common interest as well as the data that we hope will be the subject of our data sharing pilot.

We continued our engagement with local authorities and:



- we built relationships with revenue and benefit managers who are responsible for overseeing the collection of council tax and non-domestic rates. We discussed the opportunities and challenges faced in administering revenue services to share best practice and ideas. We also identified areas where additional data might provide a solution and discussed the data, we held
- we identified opportunities for future data sharing through a series of workshops. We explored in detail the benefits, risks, and challenges in sharing data. Attendees included local authorities, Swansea University, and experts across wider Welsh Government

Glyn Jones, Chief Digital Officer, Welsh Government said:

“If we are going to transform the way we deliver public services to citizens we need to ensure data is being used effectively and securely to support those services and produce better outcomes. The workshops the Welsh Revenue Authority held this year started an important conversation about how we can use legal gateways to achieve that ambition in partnership across public services.”

## **Publishing LTT and LDT data**

We also published detailed data on LTT and LDT to a defined timetable, in line with the Code of Practice for Statistics.

We worked with some of our main users of our data to ensure what we publish addresses the questions they have about both taxes. Some examples include:

- expanding the LTT data we publish to include information for different urban areas in Wales during the year. We built on this in publishing our second annual results (2019-20)
- developing the way that we publish the data to include more accessible formats. We will continue to develop this work in 2020-21

We continue to expand on the data we make available and will report on this in our next annual report.

## **Section 7: wellbeing, charity, and the environment**

### **Wellbeing**

Our wellbeing strategy is aligned with the National Health Services’ ‘5 Ways to Wellbeing’ as we recognise that the workplace is a key setting for promoting good behaviours.

As a small organisation, we have been able to bring together all our people to play a part in developing initiatives and programmes that support our wellbeing. Fundraising and wellbeing events go hand in hand and are led by a group of volunteers, with representation from all our teams, who form our Wellbeing Group.

The group organised several events in line with each of the themes of our wellbeing strategy, for example annual health checks, time to talk mindfulness sessions and a book club.

## Charity

The Wellbeing Group is also our social hub and organises many fundraising events for our annual charity of choice. These are opportunities for our people to have fun together within and outside the office environment while also raising money for a deserving cause.

We first established a charity of choice in October 2018 and hold annual discussions as to what it should be for the following year. During 2019-20 our chosen charities were:

- [Llamau](#) whose mission is to eradicate homelessness for young people and vulnerable women (October 2018 to September 2019)
- [FareShare](#) who are the UK's longest running food redistribution charity (October 2019 to September 2020)

Raising money for our charity of choice is about looking out for the wellbeing of others. It also supports the overall wellbeing of our people.

## The environment

We are committed to protecting the environment. We recognise the impact that the important work we do in collecting and managing LDT has on the environment. We are pursuing opportunities to extend our work to help reduce unauthorised disposals of waste. We hope to make further progress on this in future years.

In addition to collecting and managing LDT, to help protect the environment, we have:

- continued to increase the use of digital services by our taxpayers and their representatives, such as filing and payments, to reduce the use of paper
- continued to encourage paperless working. We run an entirely cloud based ICT system. Reducing our use of and reliance on paper over the year also enabled us to shift to working from home with little disruption following our office flooding in February and during the coronavirus lockdown
- encouraged and made better use of digital technology to hold meetings and workshops remotely to reduce travel by our people and developed online

webinars to enable our users to join our tax updates without the need to travel to physical events

Dyfed Alsop  
Chief Executive and Accounting Officer  
19 October 2020

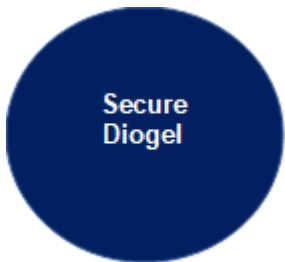
# Review of Our Charter


[Our Charter](#) sets out the shared values, behaviours and standards which enable us to work together with taxpayers, their representatives, and other stakeholders to deliver a fair tax system for Wales.



Our Charter, published in 2018, applies to everyone we work with, including our delivery partners, for example Natural Resources Wales. It incorporates the spirit and sense of the Wellbeing of Future Generations (Wales) Act.



Understanding how we could effectively deliver the values in Our Charter provided the basis for developing [Our Approach](#) which sets out a Welsh way of doing tax.

Reflecting on 2019-20, we are proud that **Our Charter** and **Our Approach** are embedded in the way we work, and we are starting to see evidence that this is proving effective. You will see examples of this throughout the Annual Report. To bring this all together we summarise our performance against each of the values in our Charter in this section below.

Value	What we have done
 <b>Secure:</b> protect all information and respect confidentiality.	<p>We take the security and correct management of information very seriously. We have developed an Information and Governance Policy which explains our approach to the management of information we hold. Appropriate supporting policies, procedures and guidance are in place and all staff took part in our annual mandatory information management training.</p> <p>Our website provides helpful information on how we manage information, including the policy and privacy notices, which we have reviewed and updated.</p> <p>We give high priority to cyber security. Our Corporate Risk Register includes 2 risks on ICT system failure and information loss that are specific to cyber security. More information is contained in our Governance Statement on information management and cyber security.</p>

 <p><b>Supportive:</b> create guidance and provide support when you ask for help. Build and use effective digital services.</p>	<p>We have made several improvements to our website and digital services. We developed new educational material through tax forums and webinars and improved existing material, such as our operational and tax guidance, in some common areas.</p> <p>In the Performance Report section about our objective of <a href="#">making it easier</a>, we provide information about our various support services, the activities we undertook to help people get things right first time, and improvements to our digital services.</p>
 <p><b>Fair:</b> be honest in our dealings with each other and create a level playing field so all taxpayers are treated equally. Tackle evasion and avoidance, use powers consistently and proportionately.</p>	<p>At the start of 2019-20, we introduced a new strategy, including new measures, to manage 'tax risks'. This approach aims to ensure fairness and consistency across the tax system.</p> <p>As part of this, we developed ways of supporting people to put things right when errors were made. In cases where people sought to either evade or avoid paying the full amount, we put in place mechanisms to identify these cases and took steps to ensure that the right tax was paid.</p> <p>More information is provided under the Performance Report section about our objective of <a href="#">ensuring we are fair</a>.</p>
 <p><b>Engaging:</b> support the Welsh public to understand devolved taxation and work together to develop it for the benefit of Wales.</p>	<p>Our engagement has been primarily focused this year on the people who use our services and on ensuring they are easy to use and meet people's expectations. However, we have also undertaken more proactive outreach this year, developing communication and engagement activities to raise awareness of tax and improve understanding. We explain more about this in our Performance Report under the section on <a href="#">making it easier</a>.</p> <p>Our success in working with taxpayers and their representatives could not have been achieved without the positive approach they have taken in working with us and through the honest conversations we are able to have with them. For example, several improvements to our guidance were made in</p>

	collaboration with tax and legal professionals to make sure these guides were as helpful as possible.
 <p><b>Responsive:</b> listen to each other's points of view and be open in our conversations, act on feedback and advice given. Treat each other with respect.</p>	<p>Listening to and being responsive to feedback from taxpayers and representatives has remained a priority for us. We focused on developing our customer insights through collecting more feedback this year and listening to the needs of our taxpayers and their representatives. We explain more about this in our Performance Report under the section on <a href="#">making it easier</a>.</p> <p>We invested in our capability to support people with queries. We raised awareness of more complex areas of tax and encouraged people to contact us early in the process so we could help them get things right first time. This approach helped develop relationships and trust between us and our taxpayers and their representatives.</p> <p>We worked with taxpayers and their representatives throughout this year to correct errors and collect underpaid tax or refund overpaid tax. We used our dispute policy, which we developed during the year, to reduce the number of disputes that arose, whilst still collecting the tax owed. More information on this is contained in our Performance Report under the section on <a href="#">ensuring we are fair</a>.</p>
 <p><b>Bilingual:</b> confidence to conduct our business in Welsh and English.</p>	<p>We continued to offer a bilingual service and conducted our business in both Welsh and English.</p> <p>Our digital services are offered in both Welsh and English, including a built in 'toggle' feature within our online tax system – which enables users to seamlessly switch between Welsh and English.</p> <p>We also started to develop a Welsh language strategy for our organisation.</p>
	We invested in our tax expertise throughout the year, building capability across our helpdesk and our tax specialists to ensure we provide timely and accurate responses to queries.

 <p><b>Accurate:</b> work together to get things right and correct them if we need to, and share accurate data and information, taking reasonable care to avoid mistakes. Keep accurate records.</p>	<p>We worked with tax and legal professionals to update our guidance where opportunities for improvement were identified.</p> <p>We engaged with taxpayers and representatives to build up our collective knowledge from queries, tax events, and webinars. We used this collective knowledge to manage tax risks, raising awareness and providing education to help people get things right first time and prevent errors.</p> <p>Our section on <a href="#">ensuring we are fair</a> in the Performance Report explains more about our work managing tax risks.</p>
 <p><b>Efficient:</b> respond quickly to each other, submit returns and process requests on time. Identify ways we can improve the service.</p>	<p>Taxpayers and their representatives regularly praised the timeliness and quality of our response to queries and requests.</p> <p>We improved our services where we have received suggestions for improvement. See more information in the Performance Report under <a href="#">making it easier</a>.</p> <p>We have seen an increase in the timeliness of filing this year. And an increase in the automation of transactions, with a higher proportion of transactions being filed and paid digitally in 2019-20.</p> <p>We also made several improvements to create efficiencies within the organisation, such as the roll-out of our CRM system. More information is provided within the Performance Report under <a href="#">being more efficient</a>.</p>

# Management of the Welsh Revenue Authority

## Board of Management

Name	Position Held	Change
Kathryn Bishop	Non-Executive Chair; People Committee Member	
Jocelyn Davies	Non-Executive Member; Chair of ARAC; People Committee Member	Appointed Chair of ARAC June 2019
Dyfed Edwards	Non-Executive Deputy Chair; Chair of People Committee	
David Jones	Non-Executive Member; ARAC Member	
Lakshmi Narain	Non-Executive Member; ARAC Member	
Martin Warren	Non-Executive Member	Resigned 27 August 2019
Dyfed Alsop	Chief Executive	
Sean Bradley	Chief Legal and Policy Officer	Resigned 2 May 2020
Rebecca Godfrey	Chief Strategy Officer	Maternity leave April 2019
Samuel Cairns	Chief Operations Officer	Appointed Interim May 2019, Appointed March 2020
Lucy Robinson	Staff Elected Member	

## Senior Officers

### Tîm Arwain - Executive Committee

- Dyfed Alsop - Chief Executive Officer
- Rebecca Godfrey - Chief Strategy Officer
- Jim Scopes - Interim Chief Strategy Officer (Joined May 2019)
- Jo Ryder - Chief of Staff



- Melissa Quignon-Finch - Chief People Officer
- Sam Cairns - Chief Operations Officer (Appointed March 2020)
- Kate Innes - Interim Chief Finance Officer (Joined December 2019)
- Sean Bradley - Chief Legal and Policy Officer (Left May 2020)
- Teresa Platt - Chief Finance Officer (Left October 2019)

# Financial Report

## Resource Accounts

The WRA receives an annual funding allocation from the Welsh Government to cover its expenditure. We set an expenditure budget each year based on the activities we plan to undertake to deliver our Corporate Plan, functionally split into the following broad areas:

- Staff costs including learning and development
- Operational costs of collecting the taxes, enforcement action and data intelligence
- Corporate running costs, such as HR, ICT, facilities, governance, legal advice, etc.
- Business change to ensure continual improvement to both digital systems and operational processes to support new processes and tax legislation change

Funding allocated to the WRA and drawn down from the Welsh Government is set out in the table below. Note that prior period comparison is for 18 months.

<b>Funding Stream</b>	<b>2019-20 Allocation</b>	<b>2019-20 Funding drawn 12 Months</b>	<b>2017-19 Allocation 18 Months</b>	<b>2017-19 Funding/asset transferred 18 Months</b>
	<b>£000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	6,616	5,948	7,500	7,050
Capital	80	79	2,580	2,579
<b>Total Funding Allocation</b>	<b>6,696</b>	<b>6,027</b>	<b>10,080</b>	<b>9,629</b>

For 2019-20, we were granted revenue funding of £6,196,000. This was increased in year by £500,000 to undertake identified digital improvements to reduce tax loss risk and to develop new sections to the systems to support new processes. Part of this additional funding was subsequently converted to capital funding of £80,000 for the purchase of a CRM software and its configuration.

Funds drawn is the actual cash received in year from the Welsh Government. Allocation and cash receipt will differ as the WRA only draws down funding as needed to pay its costs as they fall due while allocated funds will include accruals (amounts liable but not yet paid).

**A summary of staff and operational expenditure is set out below.**

	2019-20 12 Months £000	2017-19 18 Months £000
Staff Costs	4,576	4,961
ICT Infrastructure & System Support	721	1,005
Business Change	714	517
Operational Costs	277	365
Central Costs	103	105
Board Costs	64	167
<b>Total Staff and Operational Expenditure</b>	<b>6,455</b>	<b>7,120</b>

The WRA expenditure has been managed efficiently throughout the year and final expenditure was 3% below the allocated funds (£6,455,000 spent compared to budget of £6,616,000). This result is after having accounted for the additional costs incurred due to both the flood at our main office in February 2020, which required the relocation of staff, and the more recent impact of coronavirus.

We were unable to complete certain planned projects in February and March due to both events and have had to defer some of this work into 2020-21 for completion. This has reduced our expenditure for the year.

These accounts for 2019-20 cover the first year of the WRA's 3-year Corporate Plan, published in May 2019. Our expenditure reflects the key objectives of that Plan. We have invested in staff through improved recruitment processes, and additional learning, coaching, training, and opportunities to ensure the organisation has the necessary capability in skills and knowledge to deliver this Plan. Staff numbers have increased from 61 to 71 as a result of the organisation filling existing posts and introducing new areas of working, such as enforcement and tribunals, as the WRA matures through the tax collection process.

The business change programme budget was boosted by the receipt of an additional £500,000 in the second quarter of the year. These funds have enabled the delivery of a range of digital outcomes for the WRA and our customers in line with our corporate objectives.

We have made improvements to our tax management system in 2 key tax risk areas to make it easier for people to pay the right tax at the right time. We have started to build our longer-term digital capability, as well as improve efficiencies, for example through increasing the amount of automation between our tax system and finance systems.

As expected, central costs have also increased in line with the maturing nature of the WRA's services. Legal, Policy, ICT and Finance expanded their processes and grew their teams to support the wider increase in operational function across the organisation. New costs, such as for enforcement, are emerging which will continue to grow as tax collection develops and uses new areas of the legislation to debt collect.

## Devolved Taxes

During the year the WRA raised taxes on behalf of the Welsh Government as set out in the table below. Tax collection began in 2018. Therefore, the prior year comparisons are also for a 12-month period.

	2019-20 £000	2018-19 £000
Land Transaction Tax	260,281	227,846
Landfill Disposals Tax	36,926	44,433
<b>Total taxes and revenues</b>	<b>297,207</b>	<b>272,279</b>

Due to the impact of coronavirus on our operational processes, staff have been unable to access post since 22 March 2020. No paper returns or cheques since that date have been processed and these are therefore not recognised in the accounts. Due to the relatively small proportion of returns that are received in paper format (less than 2%), this omission is not considered to have a material effect on the year-end numbers.

The WRA processed just over 61,000 LTT returns, a similar volume to that processed in the previous period. Of these returns, just over 50% resulted in a tax liability requiring payment, which was once again comparable with the previous year. This generated a net revenue income of £260 million for the Welsh Consolidated Fund.

We also processed higher rate LTT refunds totalling £11.25 million (2018-19: £9.22 million) refunding the taxpayer on average within 7 days from receipt of claim.

Penalties due to late submission of returns and or late payment of tax resulted in £327,000 (2018-19: £157,000) of additional revenue charged along with late interest charges of £45,000 (2018-19: £16,000).

The WRA paid interest to taxpayers totalling £42,000 (2018-19: £13,000) where the taxpayer received a tax refund. This occurred either as a result of an amendment to a return or where an application for refund of the higher rate element of LTT is approved following the sale of a previous main residential property within a 3-year period.

**The WRA successfully collected the following net cash amounts:**

	<b>2019-20</b> <b>£000</b>	<b>2018-19</b> <b>£000</b>
Net cash collected	271,377	256,209
Cash remitted to Welsh Consolidated Fund	274,000	250,750

The remaining cash balance will be held on account and remitted in the next financial year.

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

# Accountability Report

## Statement of the Accounting Officer's responsibilities

As Accounting Officer of the WRA, the Chief Executive, Dyfed Alsop, is personally responsible for:

- The proper stewardship of public funds
- Day to day operations and management of the WRA
- Ensuring compliance with the requirements of 'Managing Welsh Public Money'

Under Sections 29(1)(b) and 30(1) of the Tax Collection and Management (Wales) Act (TCMA) 2016, the Welsh Ministers have directed the WRA to prepare for each financial year our resource accounts and tax statement in the form and basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the WRA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer must comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular must:

- Observe the accounts direction issued by the Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts
- Prepare the accounts on a going concern basis
- Confirm that the Annual Accounts, as a whole, are fair, balanced and understandable and take personal responsibility for the Annual Accounts and the judgements required for determining that they are fair, balanced and understandable

In addition, the Accounting Officer must ensure that the tax statement is prepared in accordance with Section 25 of the TCMA to:

- Show the amounts receivable from the collection of taxes, penalties and other income, any deductions permitted, and the amounts paid to the Welsh Consolidated Fund
- Provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Welsh Government or material transactions that have not conformed to the standards of the authorities which govern them

The duties of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding WRA assets, and are set out in the Accounting Officer's Memorandum, Framework Document and Managing Welsh Public Money.

As the Accounting Officer for the WRA, I confirm that:

- The Annual Accounts as a whole for the period 1 April 2019 to 31 March 2020 are fair, balanced and reasonable
- I take personal responsibility for the Annual Accounts and the judgements required for determining that they are fair, balanced and reasonable
- In producing these accounts, I have undertaken widespread consultation, seeking feedback and comment and sought assurance from the WRA Management Board, Audit and Risk Assurance Committee (ARAC), internal auditors and members of the wider staff team
- I have taken all reasonable steps to make myself aware of any relevant audit information, and to establish that our auditors are aware of that information
- As far as I am aware, there is no relevant audit information of which our auditors are unaware

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

# Governance Statement

## Introduction and scope of responsibility

As the Accounting Officer, I am personally responsible for the Governance Statement which outlines how I have discharged my responsibility to manage and control the resources of the WRA during the financial year.

The Statement provides an account of the WRA's corporate governance structure, an overview of the risk management arrangements and a description of the principle risks faced by the organisation.

TCMA (Wales) 2016, designates me as the Accounting Officer and details of my Accounting Officer responsibilities are annexed to the published [WRA Framework Document](#).

## Corporate governance

Corporate governance is the framework within which an organisation works and is directed and controlled. The framework focuses equally on how business is done and the way in which decisions are made.

The Board of Management of the WRA (the Board) provides leadership and direction and retains overall legal responsibility for ensuring there is an effective and proper standard of governance within the organisation. It therefore plays an important role in scrutinising the performance of the management team in their delivery of agreed objectives and priorities.

As Chief Executive, I am responsible for ensuring that a sound system of internal control is maintained to support the delivery of policies, aims and objectives and for regular review of the effectiveness of the system.

The WRA's Board is held to account by the National Assembly for Wales and by the Welsh Ministers. They are responsible for ensuring that it achieves the objectives and priorities agreed between the WRA and the Welsh Ministers, as set out in the Annual Remit Letter and reflected in the Ministerially agreed WRA Corporate Plan.

During the year, the Chair of the Board attended quarterly meetings with the Minister for Finance and Trefnydd, alongside the WRA Chief Executive and officials from the Welsh Treasury, to discuss WRA operational performance and the development of new policies and strategies. The meetings provided an opportunity for the Chair to update the Minister on Board performance and progress.



## Governance framework

Our organisational structure, policies and procedures have been established in line with the [UK Corporate Governance in Central Government Departments \(2017\)](#). Our leadership structure is consistent with expected senior management roles and responsibilities; supporting procedures are in place to ensure Board roles can operate effectively. We have clear reporting routes to ensure that accountability and key internal controls are in place.

The independence of decisions on remuneration is ensured by delegation of all such decisions to the Board's Non-Executive Member-led People Committee. We maintain constructive working relationships with our key stakeholders through regular meetings.

## Overview

The Board, ARAC and the People Committee have key roles in relation to the system of governance and assurance, scrutiny, development discussions, assessment of current risks and performance monitoring. Committees are chaired by Non-Executive members and are attended by relevant members of Tîm Arwain. They report directly to the Board, with all minutes being made available to Board members. An overview of the activity of the Board and its Committees during the year is set out below.

## Exceptional circumstances

The unprecedented events of the last 6 weeks of the year presented the WRA with some very real challenges, including its governance. Our main offices were flooded in mid-February during Storm Dennis and this was closely followed by the coronavirus pandemic and the imposition of lock-down measures. The WRA has had a cloud-based IT infrastructure from its establishment designed to be robust and to enable dispersed working.

In February, following Storm Dennis we successfully implemented our Business Continuity Plan for the organisation to continue to deliver services. Early on we reviewed our governance processes and adjusted those to support the change in circumstances. This included a move to virtual (and more frequent) Board and Committee meetings. We also reviewed the WRA's Risk Registers and, alongside immediate issues, we identified new risks and established appropriate controls, mostly around ensuring the continued health and well-being of staff. In addition, we took action to maintain the integrity of our IT infrastructure and the security of our data during a time of increased threats to our cyber security.

When coronavirus impacted us in March, we once again reviewed and adjusted our governance as required for the circumstances.

## The Board

The Board consists of 5 Ministerially appointed Non-Executive Members, the Chief Executive, 2 Executive Members designated by the Chief Executive, and a Staff Elected Member. Current Board membership and meeting attendance are listed further on.

The Board met formally 6 times in the year (April 2019, June 2019, September 2019, October 2019, December 2019 and February 2020) and there were, in addition, 2 development away-days. The first of these was in July 2019 and its aim was to consider the strategic direction and the priorities of the WRA for the remainder of the year. The second was in January 2020 to consider and discuss its effectiveness review for the year and any consequent actions for improvement.

Minutes, once approved, are made available on the [WRA website](#). Discussions and decisions taken outside Committee meetings are recorded in Board papers and the relevant minutes.

The key decisions taken by the Board during the period included the approval of:

- 2019-20 budget proposal and staff resourcing levels
- Business planning
- Annual Report and Accounts
- ICT development expenditure for our tax management system
- Relevant policies, including to counter fraud
- Natural Resources Wales delegation review
- Strategic communications principles and approach
- Digital principles

The Board also received and considered various other reports during the year covering:

- Updates from the Chief Executive and Chair
- Operational and financial performance updates
- Risk management reports and Risk Registers
- Updates from Committees
- Updates from the Welsh Treasury on tax policy
- Staff survey outcomes
- Progress against agreed objectives and priorities

## Board performance and effectiveness

The Chair's performance is assessed on a 6-monthly basis against objectives.

The Permanent Secretary of the Welsh Government leads on the appraisal on behalf of the Minister for Finance and Trefnydd. The Chair's end-of-year assessment includes feedback from:

- The Minister for Finance and Trefnydd
- WRA Board Members (consisting of individual appraisals from the Non-Executive, Executive and the Staff Elected Members)
- The Permanent Secretary
- The Welsh Treasury Director
- The Chair (self-appraisal)

The Chair met with all Board members at least twice during the period on an individual basis to discuss their performance. Non-Executive Members and the Staff Elected Member agreed a set of individual objectives with the Chair. These were areas of particular focus for their individual oversight. Progress in each area was discussed at their 6-monthly performance meetings with the Chair.

A strong commitment has been demonstrated and evidenced through members' attendance at Board, Committee and other meetings.

The Board reviewed its collective performance during the year through an anonymous online survey. The survey data confirmed the Board's view that there had been an improvement in the following areas:

- Oversight and direction
- Holding the executive to account
- Challenge and support

At a Board effectiveness away-day held in January, members discussed areas for improvement and agreed some actions.

## **ARAC**

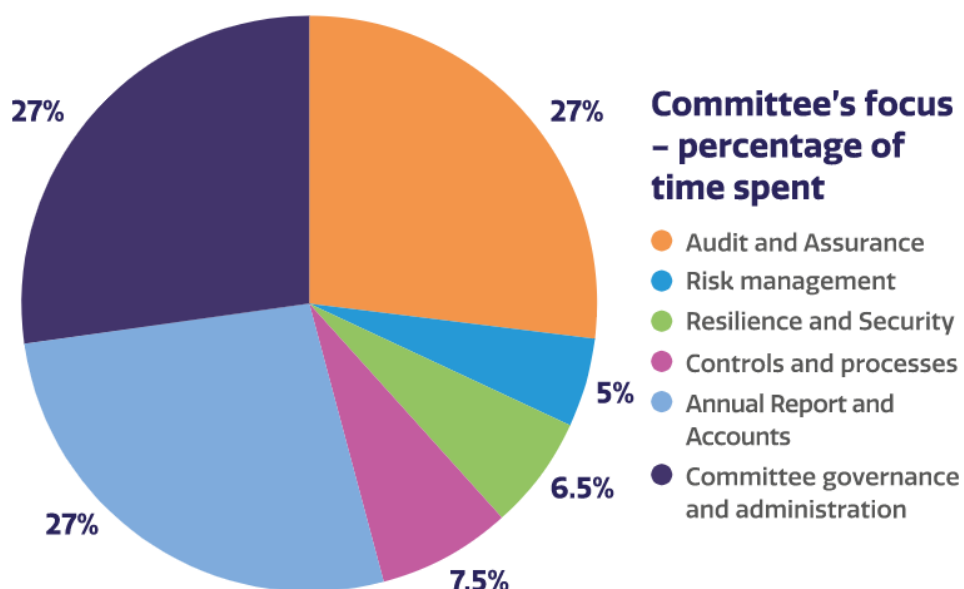
The Committee supports the Board and the Accounting Officer (the Chief Executive) by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the Annual Report and Accounts.

Membership comprises 3 Non-Executive Members. The Chief Executive, the Chief Finance Officer and an Internal Audit Services (IAS) representative attend meetings. The Welsh Government and Audit Wales also attend regularly. Martin Warren served as Chair of the Committee until his resignation as a Non-Executive Member in May 2019, at which point the Board appointed Jocelyn Davies as his successor.

During the year, 3 meetings were held in June 2019, November 2019, and March 2020. In September, no meeting took place but papers for the standard September meeting were circulated to members for scrutiny and response.

Minutes of meetings are shared with the Board and the ARAC Chair summarises its work at Board meetings. The Committee prepared an annual report about its activities which was subsequently presented to the Board.

**The Committee's focus during 2019-20 was as follows:**



## **Audit and assurance**

- Progress by IAS towards the delivery of the agreed Internal Audit Programme - Annual Audit Plan\*
- Consideration of IAS proposals for Internal Audit Plan - 2020-21
- Consideration of Terms of Reference of internal audit assignments and final reports following completion of assignments
- Progress by the WRA against agreed actions following IAS audit assignments and annual report (IAS and Audit Wales)\*
- Consideration of IAS Annual Assurance Report\*
- Progress against actions following the Welsh Government's HR/ payroll Shared Service internal audit report
- Audit Wales - Counter-fraud Study
- Audit Wales - Audit Plan

## **Risk management**

- Reports on risk management and the latest Corporate Risk Register\*
- Consideration of proposals for embedding risk management: Information Management

## **Resilience and security**

- Reports on IT cyber security incidents and data breaches\*
- WRA/NCSC (cyber security) update

## **Controls and processes**

- Gifts, Rewards and Hospitality log\*
- Conflicts of Interest log\*
- Discussion around counter- fraud: policy and framework development
- Deep-Dives: agreeing approach

## **Annual Report and Accounts**

- Scrutiny of the WRA's first draft Annual Report and Accounts
- Review of plans for preparing 2019-20 Annual Report and Accounts

\*Standing agenda items

## **Committee governance and administration**

The Committee undertook a review of its effectiveness during 2019- 20 and drew from the National Audit Office's effectiveness checklist to guide work. The Committee discussed the results of the review and agreed the review's findings that although ARAC was still in its infancy, it was nevertheless operating effectively.

Several actions were agreed as a consequence of the review, including seeking improvements to the presentation of monitoring returns on the Corporate Risk Register; using a deep-dive process to explore key risks; exploring the wider and more frequent use of virtual meetings and considering the Committee's future skill requirements.

## **People Committee**

The Committee supports the Board by reviewing, confirming and providing assurance that the WRA is complying with all relevant policies and legislative requirements, specifically on:

- Total remuneration (including any performance-related elements)
- Provision of other benefits (including pensions)
- Allowances
- Termination and severance payments
- Recruitment proposals for Senior Civil Servant roles
- Changes to staff contractual terms

The Committee also provides oversight and assurance on WRA talent, performance and recruitment strategies and associated processes.

Membership comprises 3 Non-Executive Members. Additionally, the Chief People Officer and Chief Executive attend each meeting. The Committee met twice during the year, in October and February, and shared its minutes with the Board, with the Committee Chair summarising its work at Board meetings. The Committee also held a telephone conference in May to discuss succession planning.

During the year, the Committee considered standing items on succession planning and headcount monitoring as well as items on the following:

- Location and accommodation
- Wellbeing Strategy
- Public Sector Equality Duty
- Employee engagement and staff survey
- Senior Civil Service (SCS) and delegated pay awards
- Performance management
- Succession planning
- Senior recruitment
- People Survey results

## Board and Committee member attendance

Attendance by members at Board and Committee meetings during 2019-20:

Board/Committee Members	Board	ARAC	People Committee
No. of meetings held	6	3	2
<b>Non-Executive Members:</b>			
Kathryn Bishop (Chair - Board)	6	N/A	2
Jocelyn Davies (Chair - ARAC)	6	3	2
Dyfed Edwards (Deputy-Chair - Board, Chair - People)	6	N/A	2
David Jones	4	3	N/A
Lakshmi Narain	6	3	N/A
Martin Warren (resigned in-year)	1	N/A	N/A
<b>Executive Members:</b>			
Dyfed Alsop (Chief Executive)	6	3*	2*
Sean Bradley	6	N/A	N/A

Rebecca Godfrey (until April 2019)	1	N/A	N/A
Sam Cairns (from May 2019)*	4	N/A	N/A
<b>Staff-elected Member:</b>			
Lucy Robinson	6	N/A	N/A

\*Attendance as advisor

## Strategic risk

As the Accounting Officer, I have specific responsibility for risk management and reporting. The Board has a responsibility to ensure that the systems of risk management are robust and defensible, and it also provides a clear steer on the desired risk appetite within which risks are expected to be managed. The Board has determined that it will consider risks formally once a year.

ARAC supports the Board in looking at risk management and provides advice as well as both assisting and challenging Tîm Arwain.

Tîm Arwain, is responsible for maintaining the Corporate Risk Register and supporting team/project risk registers. Tîm Arwain reviews the Corporate Risk Register monthly, scrutinising existing risks and their management and identifying new risks. Corporate risks are identified from specific discussions on strategic threats, as well as from themes in the departmental Risk Registers.

## Summary of key strategic risks and controls

### Not having the right people and skills to deliver against objectives

- Continually reviewing organisation and roles and flexing accordingly
- Most recruitment completed - remainder planned for 2020-21
- Succession planning
- Knowledge management

### Managing stakeholder expectations of service quality, including managing unexpected demand

- Approach to communications - visible and transparent
- Partnership working, engagement and use/ giving of feedback
- Guidance kept under review

## **Non-adherence to the WRA's specific approach to tax collection**

- Data and intelligence-led approach to risk assessment
- Approach aligned to Welsh Government tax policy

## **System failure**

- Testing regime
- Business Continuity Plan covering IT and operations
- Security products

## **Threats to effective information management security**

- Information Asset Register in place
- Clear governance structure, roles and responsibilities
- Staff training on cyber security and testing

## **Annual Internal Control Questionnaire and assurance statements provided to the Accounting Officer**

Through completion of an annual Internal Control Questionnaire (ICQ), senior managers provide me with their self-assessments of internal control, governance and risk management arrangements and their thoughts on how effective controls have operated throughout the year. The latest exercise provided positive assurances in respect of the key activities and functions undertaken. Some areas for future development were identified and an action plan was established. No fundamental control weaknesses were identified during the reporting period.

I have also received assurances from Natural Resources Wales in relation to the delegated functions concerning LDT and sought assurance from the Welsh Government in relation to its provision of HR shared services.

## **Internal audit**

The WRA appointed the Welsh Government Internal Audit Services (IAS) to deliver a programme of audit work and provide assurance to the Accounting Officer and to the Board, via ARAC, concerning the controls in place to manage risk and the quality and compliance of the WRA's service delivery.

The audit programme is risk-based and agreed annually with ARAC and the Accounting Officer. IAS attended ARAC meetings to present reports on progress in implementing the programme and coordinated its wider work with that of Audit Wales.



In her annual report, the Head of Internal Audit provided background to the IAS provision, a review of work undertaken during the year against planned activity and an opinion on the overall adequacy and effectiveness of the WRA's internal control environment.

She confirmed that the Audit Plan provided sufficient coverage to give a broad-based opinion on the adequacy and effectiveness of the WRA's risk management, control and governance arrangements. The audit opinion, based on the results of the audit work during the year, was:

“Management can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with moderate risk exposure until resolved.”

All audit work carried out in the period produced positive outcomes. Overall, IAS considered that effective progress has been made in implementing a robust control framework within the WRA. Where significant weaknesses were identified, even when aggregated, they were not thought to be significant to the overall opinion. None of the individual audit reports received a 'limited' or 'no assurance' classification. Further details of the audit reports follow:

Audit Assignment	Assurance opinion	Number of Observations*	
		A	B
Late filing and payment penalty notices	Reasonable	2	-
Risk Management	Reasonable	2	-
Approach to task risk	Reasonable	1	2
Information Management	Reasonable	3	-
Debt Management – time-to-pay	Substantial	1	-

\*Observations (category): A = merits attention

B = significant. There were no fundamental observations.

## External audit

The WRA is audited by Audit Wales which, on behalf of the Auditor General for Wales, has responsibility for the review and audit of financial controls and the reliability of the financial accounts. Audit Wales issues an audit report and presents its findings to ARAC and the Board. Audit Wales' report for the year can be found for the [Resource Accounts](#) and [Tax Statement](#).

## **Information management and governance**

The WRA takes the security and correct management of information very seriously. We have developed an Information Management Strategy which explains our approach to the management of the information held by the WRA. Appropriate supporting policies, procedures and guidance are in place and staff have been trained.

An ICT Security Officer leads on managing the day-to-day risks associated with information activity. We share a Senior Information Risk Owner (SIRO) with the Welsh Government due to having common IT platforms and our Chief Operations Officer has the role of Deputy SIRO.

We also share a Data Protection Officer (DPO) with the Welsh Government. She provides independent advice and assists us in monitoring internal compliance with General Data Protection Regulation and the Data Protection Act 2018.

The DPO reports annually on activity she has undertaken concerning the WRA. Her latest report confirms that no correspondence had been received directly from any data subject concerning the use of their data by the WRA. Neither has the DPO received any correspondence from the Information Commissioner's Office concerning data protection at the WRA.

The WRA had 6 data breaches and ten 'near misses' during 2019-20, all of which were minor. No breaches were referred to the Information Commissioner's Office.

An internal audit assignment that considered information management was undertaken during the year and provided reasonable assurance.

## **Cyber Security**

The WRA gives high priority to cyber security. Our Corporate Risk Register includes 2 risks on ICT system failure and information loss that are specific to cyber security.

Security approval for the WRA has consisted of a series of risk assessments following NCSC guidance and ISO27001 and ISO27002 principles. Final approval of the security documentation and process is provided by the Welsh Government SIRO.

### **To support our cyber security\*:**

- Digital infrastructure and software is tested annually using an independent NCSC accredited third party
- Any significant changes to digital systems and infrastructure are tested
- There is mandatory cyber security training for all staff and Non- Executive Members

- Staff are tested regularly through various phishing simulation exercises and, where necessary, additional training is given
- There is a cyber security incident plan and the NCSC 'exercise in a box' scenarios are used to simulate a cyber security incident; these test the resilience of our incident plan and staff awareness of cyber attacks
- We continue to work with key partners such as NCSC, Microsoft, HMRC, the Welsh Government and the University of South Wales Cyber Security Centre to review and improve cyber security risks
- There is regular monitoring by the Digital and Technology Team of malware detections, spoof email detection, browsing logs, cloud application security, firewall log, phishing attacks and more. This informs a quarterly cyber security report to ARAC

\* This list is not exhaustive.

## **Conflict of Interest**

We have clear policies and procedures in place for gifts and hospitality received and conflict of interest for our people and board members. Biannual declarations of conflict of interest are completed by our people with a central register of declarations kept. These have been scrutinised by ARAC along with the gifts and hospitality register. Our Board considers its members' log of conflict of interests at the beginning of each board and ARAC meeting and update to reflect any changes.

We understand that some of our people, their family; and/or friends will purchase properties during their employment with us, and we have processes in place to manage this risk, given we collect LTT.

Conflict of Interest forms are completed by our people who must declare either their own purchase of a property, or that of a family member or a close friend. In all instances, the return or request for refund is processed by another member of staff.

The tax management and finance systems time date and username stamp all processed changes on these systems for audit purposes. These forms are also used to notify secondary roles which could also cause conflict.

In 2019-20, 18 conflicts were recorded. Every conflict was reviewed internally, and appropriate action taken to manage each conflict of interest.

## **Anti-Fraud**

We undertook various initiatives during the year to managing the risk of fraud in the WRA and provided assurance to ARAC by:

- introducing a new counter-fraud policy and framework
- taking part in Audit Wales' counter-fraud study

- integrating our Fraud Risk Register into our main Corporate Risk Register ensuring a high-level of focus within the organisation on fraud
- reviewing the scope for money laundering through our tax systems
- continuously reviewing our cyber security arrangements and undertaking testing to ensure robustness of systems and procedures
- undertaking a review of our whistleblowing arrangements to ensure they are relevant and adequate
- recruited a specialist in enforcement and intelligence handling to build up our capability in this area

In January (2020), we also joined the National Fraud Initiative, the central government programme that matches electronic data within and between public and private sector bodies across the UK to help prevent and detect fraud. This provides us with an enhanced line of defence to strengthen our anti-bribery and fraud processes.

We can confirm that no issues were identified or reported, either to us or by us, in relation to anti-corruption, anti-bribery and anti-fraud.

## **Freedom of Information requests**

We received 2 Freedom of Information requests in the year, both of which were responded to in accordance with the appropriate timescales. No complaints were received relating to our handling of requests for information and there were no investigations by the Information Commissioner's Office.

## **Whistleblowing**

We have a Whistleblowing Policy and guidance in place to provide staff with clear details about how to raise any concerns. Work has commenced on reviewing our policy and process following the publication of new Civil Service guidance. No disclosures were made under our policy during the year.

We are also listed as a prescribed person in the Public Interest Disclosure (prescribed persons) Order 2014 to receive disclosures relating to 'Matters relating to devolved taxes (within the meaning of section 116A(4) of the Government of Wales Act 2006)' from external sources. No devolved tax disclosures were received by us as prescribed person during the year.

## **Welsh Language Standards**

We do not have our own formal Welsh Language Standards. However, we voluntarily comply with Welsh Government Standards where it is both appropriate and feasible. Discussions continued in the year with the Welsh Language Commissioner's office to inform them of the positive work being done within the organisation to improve our internal and external Welsh language services. Work is underway to develop the organisation's first Welsh Language Strategy, which will

focus on culture, learning and development and creating opportunities for our people and customers to use the Welsh language.

## **Well-Being of Future Generations**

The WRA is committed to a sustainable future for the people of Wales. Although we are not subject to the Well-being of Future Generations (Wales) 2015 Act, Our Approach (which drives all we do) incorporates the spirit and sense of the Act, and the work which we have been asked to undertake by Welsh Ministers supports the aims of the Act.

## **Conclusion**

As the Accounting Officer for the WRA, I confirm that the statements made in this report are correct for the period 1 April 2019 to 31 March 2020. There have been no significant internal control or governance issues and I confirm that there are sound systems of internal control in place to support the delivery of the organisation's policy aims and objectives.

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

# Remuneration Report and Staff Report

## Remuneration Report

### Service contracts

WRA employees are civil servants. The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances in which appointments may be made on another basis.

The senior officials covered by this report hold appointments which are open-ended, either with the WRA directly, or with their home Civil Service departments if they are on loan to the WRA. Early termination, by the WRA or by those home departments, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at the [Civil Service Commission website](#).

### Remuneration policy

The remuneration of members of the SCS is not delegated, unlike the remuneration of staff below SCS. This means that the WRA implements SCS pay in accordance with the rules set out in chapter 7.1, Annex A of the [Civil Service Management Code](#) and annual guidance produced by UK Cabinet Office, following recommendations from the Senior Salary Review Body (SSRB). In reaching its recommendations, the SSRB is to have regard to the following considerations:

- The need to recruit, retain and motivate and, where relevant, promote suitably able and qualified people to exercise their different responsibilities
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- The funds available to departments as set out in the government's departmental expenditure limits
- The government's inflation target
- Evidence it receives about wider economic considerations and the affordability of its recommendation

Further information about the work of the SSRB can be found on [GOV.UK](https://www.gov.uk).

The WRA's People Committee, chaired by a Non-Executive Member, is responsible for recommending senior pay decisions on an annual basis, or as required. The Committee is responsible for ensuring that remuneration is handled fairly and in line with the Cabinet Office guidance. The Committee has, during the period, chosen to broadly align its approach to that of the Welsh Government, which has some flexibility to operate within the guidance set by the Cabinet Office. For example, the WRA has not made any performance related bonus payments to members of the SCS during 2019-2020 or 2017-2019.

The remuneration of WRA staff below the SCS mirrors the approach of the Welsh Government. Further information about Welsh Government's Pay Policy can be found at [GOV.WALES](https://gov.wales).

The WRA Board's Non-Executive Members receive fees for duties on behalf of the WRA, such as attendance at Board and Committee meetings. Fees are paid at a daily rate as set out in their letters of appointment and are as follows:

	Daily Rate (£)
Non-Executive Chair	400
Non-Executive Deputy Chair	350
Non-Executive member	300

Expenses necessarily incurred in carrying out these duties are also reimbursed.

## Remuneration disclosure

The following section provides information about the remuneration and pension interests of the WRA's most senior management, its Board members. This includes both Non-Executive Members and senior officials but does not include the Board's Staff Elected Member.

Salary covers both pensionable and non-pensionable amounts and includes gross salaries, overtime, recruitment and retention allowances, or other allowances or payments to the extent that they are subject to UK taxation, and any severance or ex-gratia payments. Reimbursement of legitimate expenses directly incurred in the performance of an individual's duties is not included in salary. This report is based on accrued payments made by the WRA and thus recorded in these accounts.

The monetary value of benefits in kind covers any benefits provided by the WRA and treated by HMRC as taxable emoluments.

In order to balance reporting requirements against individual privacy, in most cases we report remuneration figures in bandings of £5,000 (for example £65,000-£70,000).

## Non-Executive remuneration

Fees paid to Non-Executive Members were:

Executive Member	Fees	
	2019-20 £000	2017-19 £000
<b>Kathryn Bishop</b> Non-Executive Chair	15-20	35-40
<b>Dyfed Edwards</b> Non-Executive Deputy Chair (from 20 July 2018) Non-Executive Member (to 19 July 2018)	10-15	25-30
<b>Jocelyn Davies</b> Non-Executive Member	5-10	10-15
<b>David Jones</b> Non-Executive Member	5-10	20-25
<b>Lakshmi Narain</b> Non-Executive Member	0-5	15-20
<b>Martin Warren</b> Non-Executive Member (to 27 August 2019)	0-5	10-15

This table is subject to audit.

In addition to their fees, where Non-Executive Members' work for the WRA necessitates travel and other expenses to attend meetings, they are entitled to reimbursement under the WRA Fee Paid Fees and Expenses Policy. Tax liability arising from the reimbursement is met by the WRA.

Non-Executive Members are not employees of the WRA and do not receive pension benefits from the WRA.



## Senior Officials' remuneration and pension benefits

Remuneration figures for senior officials were:

	Salary in bands of £5,000		Pension benefits to the nearest £1,000		Total in bands of £5,000	
	2019-20	2017-19	2019-20	2017-19	2019-20	2017-19
<b>Dyfed Alsop</b> Chief Executive	95-100	135-140	35,000	71,000	130-135	205-210
<b>Rebecca Godfrey</b> Chief Strategy Officer (to 2 May 2019)	05-10	100-105	4,000	66,000	10-15	165-170
<b>Sean Bradley</b> Chief Legal & Policy Officer (from 4 December 2017)	65-70	90-95	31,000	33,000	100-105	125-130
<b>Sam Cairns</b> Chief Operations Officer (from 1 May 2019)	75-80	Not in post	33,000	Not in post	105-110	Not in post

This table is subject to audit.

Notes:

- Benefits in kind were assessed as nil in both 2019-20 and 2017-19
- No bonuses were paid in 2019-20 or 2017-19
- The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights
- Dyfed Alsop's annual salary in 2018-19 was £95,000-100,000
- Rebecca Godfrey was on maternity leave from 3 May 2019 through 2 May 2020, during which time she remained a member of staff but was not an active Director. Her annualised salary in 2019-20 would have been £75,000-80,000 (2018-19: £70,000- 75,000)
- Sean Bradley, Chief Legal and Policy Officer, worked on a part-time basis at 0.86 full time equivalent (FTE) from 1 April 2018, prior to which he worked full time. His FTE annualised salary in 2019-20 would have been £80,000-85,000 (2018-19: £75,000- 80,000, actual salary £65,000-70,000)

- Sam Cairns was appointed as Chief Operations Officer from 1 March 2020 through fair and open competition. He had held the role on an Interim promotion basis from 1 May 2019. His annualised salary in 2019-20 would have been £80,000-85,000

Senior officials' pension benefits were:

Senior officials	Accrued Pension at pension age as at 31/03/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/20	CETV at 31/03/19	Real Increase in CETV
	£000	£000	£000	£000	£000
<b>Dyfed Alsop</b> Chief Executive	25-30 plus lump sum of 45-50	0-2.5 plus lump sum of 0	377	342	14
<b>Rebecca Godfrey</b> Chief Strategy Officer	15-20	0-2.5	198	196	2
<b>Sean Bradley</b> Chief Legal & Policy Officer	25-30 plus lump sum of 10-15	0-2.5 plus a lump sum of 0-2.5	434	397	15
<b>Sam Cairns</b> Chief Operations Officer	15-20	0-2.5	177	155	11

This table is subject to audit. \*CETV = Cash Equivalent Transfer Value.

## Other staff

### Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of

those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 provide benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one provides benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will have switched into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the 2 schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to 3 years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service.

Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to exchange (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer can opt to make a basic contribution of between 8% and 14.75% (depending on their age) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to

cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the 2 schemes but the respective elements of that pension may be payable from different ages.)

Further details about the Civil Service pensions arrangements can be found at the [Civil Service Pensions website](#).

### **Cash Equivalent Transfer Values (CETV)**

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

## **Pay multiples**

This section is subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the WRA in the financial year 2019-20 was £95,000-100,000 (2018-19: £95,000-100,000). This was 2.4 times (2018-19: 2.45) the median remuneration of the workforce, which was £40,545 (2018-19: £39,750). The highest paid director was the Chief Executive in both 2019-20 and 2017-19.

In 2019-20, no employees (2017-19, 1 employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 to £98,360 (2018-19: £19,240 to £96,907).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the CETV of pensions.

The reason the median pay ratio very slightly decreased is because the median pay (£40,545) increased from the previous year (£39,750), whereas the pay band for the highest paid director remained the same (£95,000- 100,000). £40,545 and £39,750 both represent the same point in our pay scale - Spine Point 2 of our SEO grade - taking into account the increase following the 2019 pay award, which took effect from 1 April 2019.

However, while the median pay has remained nearly the same, there have been 2 other changes of note to levels of pay in the WRA. First, because the WRA has now employed some staff for over 2 years, more staff are at the higher spine points in their pay grade than before (2019-20: 55% of staff on lower 2 spine points, 2018-19: 75%). This has increased individuals' pay. Second, more staff are now employed in lower grades than previously (2019-20: 47% of staff the lower 3 grades, 2018-19: 38%) because the WRA was still recruiting roles for the first time in 2019-20 and, generally, the more senior roles were filled first. Consequently, average pay has decreased.

In terms of median pay, these 2 changes effectively cancelled each other out.

## **Staff Report**

### **Staff costs**

Staff costs were:

	Permanently employed staff	Contract and agency staff	Total	Total Restated
	2019-20	2019-20	2019-20	2017-19
	£000	£000	£000	£000s
Salaries	2,783	386	3,169	3,540
Social security costs	321	9	330	377
Other pension costs	804	14	818	730
<b>Total</b>	<b>3,908</b>	<b>409</b>	<b>4,317</b>	<b>4,647</b>

This table is subject to audit.

Permanently employed staff in this table include staff who are on loan to the WRA from other Civil Service employers, but who remain permanently employed by that Civil Service employer.

Contract and agency staff for the period included a small number of agency staff (3) and fixed-term contracts (3).

Salary includes gross salaries, overtime, recruitment and retention allowances, and other allowances or payments to the extent that they are subject to UK taxation. In addition, for contract and agency staff, salary may also include agency fees and VAT at the applicable rate. Social security and other pension costs for contract and agency staff are in some cases included under the figures for salaries because they were invoiced on a gross basis.

Staff costs during the period were slightly lower than expected, mostly due to a small number of occasions where a member of staff left the organisation, and their replacement was unable to start until after they left, creating a short gap.

## Pension scheme

The PCSPS is an unfunded multi-employer defined benefit scheme in which the WRA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016.

Details can be found in the Resource Accounts of the [Cabinet Office: Civil Superannuation](#).

For 2019-20, employers' contributions of £749,432 were payable to the PCSPS (2017-19: £724,475) at one of 4 rates in the range 26.6-30.3% (2017- 19: 20.0-24.5%) of pensionable pay, based on salary bands. The scheme's Actuary reviews

employer contributions every 4 years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,600 (2017-19: £5,726) were paid to one or more of the panel of 3 appointed stakeholder pension providers. Employer contributions are age-related and range from 8-14.75% (in both 2019-20 and 2017-19) of pensionable pay. In addition, 0.5% of pensionable pay is payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Employers also match employee contributions up to 3% of pensionable pay.

No persons (in either 2019-20 or 2017-19) retired early on ill-health grounds; the total additional accrued pension liabilities in the year were therefore nil.

## **Civil Service and other compensation schemes**

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme created under the Superannuation Act 1972. These are employer costs associated with early departure and are accounted for in full in the year of departure. Where the WRA has agreed early retirements, the additional costs are met by the WRA and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the undernoted. Such payments during the period were nil.

## **SCS by pay band**

The numbers of members of the SCS by pay bands, as of 31 March 2020, were:

<b>Pay band</b>	<b>2019-20</b>	<b>2018-19</b>
<b>SCS 2</b>	1	1
<b>SCS 1</b>	3	2

A new role, Chief Operations Officer, was created in May 2019, adding one member of staff at SCS1.

The WRA does not have any roles at grades SCS3 or SCS4.

## Number of persons employed

The average numbers of full-time equivalent (FTE) persons employed (including SCS) were:

	2019-20	2018-19	2017-18 (from 18 October 2017)
Permanent staff	58	38	6
Loan staff	11	23	27
Fixed term staff	2	0.2	0
<b>Total</b>	<b>71</b>	<b>61</b>	<b>33</b>

This table is subject to audit.

Fixed term staff included roles such as summer placement for university students and cover for existing staff's parental leave or other time away from work.

In addition to employed staff as above, the average numbers of FTE agency staff engaged were:

	2019-20	2018-19	2017-18
<b>Agency staff</b>	2	1	0.2

## Staff composition

The WRA is committed to the principles of equal treatment and holds and reviews equality information on its staff. It has policies to ensure equal treatment and considers the impact on recruitment, training, career development and promotion for groups protected by the Equality Act 2010 (for example, disability, age and gender). Oversight of equality in the WRA was provided by the Board, People Committee and Tîm Arwain during the reporting period, and the People Committee signed off the WRA's [Strategic Equality Plan 2020-2024 and Equality Report 2020](#) in March 2020. While this equality information is reviewed internally, in most cases the breakdown of staff is not fit to publish because, as a small employer, it would allow individuals and/or small groups to be identified. An exception to this is our staff gender profile, which is included below.

The gender breakdown of persons employed was:



	As of 31 March 2020		As of 31 March 2019	
	Female	Male	Female	Male
<b>Directors</b>	0	3	1	2
<b>SCS</b>	1	0	0	0
<b>Other employees</b>	39	27	34	25

Processes that were used and/or implemented during the period to promote equal treatment included:

- Becoming an Accredited Living Wage employer
- Adding the 'Happy to Talk Flexible Working' logo to our recruitment pages, and continuing to advertise all roles as available flexibly by default
- Holding Disability Confident-Committed employer status, and displaying this status on our recruitment web page
- Providing a guaranteed interview scheme for all disabled applicants who meet the role's minimum requirements
- Removing all reference to name, gender, age, address and names of educational establishments from job applications to avoid bias during selection
- Asking all candidates if they have any adjustments or require alternatives to our assessment processes
- Requiring all recruitment panels to be of mixed gender and panel members to have completed unconscious bias training
- Providing staff training on completion of Equality Impact Assessment
- Centrally considering all requests for training, for reviewing talent management and internal promotion to ensure consistency and reduce bias
- Using and promoting Occupational Health and Employee Assistance Programme services to support staff who become unwell during employment
- Continuing to have an active staff Wellbeing Group, having a Wellbeing Strategy, and arranging events including in-house health checks and volunteering opportunities for staff
- Conducting DSE assessments for all staff to identify any reasonable adjustments required on joining the WRA and as required, particularly since our staff have had to work at home following the flooding of our offices during Storm Dennis (and soon after, due to social distancing for coronavirus)
- Providing all staff, regardless of role, with laptops to facilitate flexible working

## Sickness absence

Sickness absence figures are typically expressed as one of 2 Annual Working Days Lost (AWDL) calculations.

**AWDL per staff year = total number of working days lost across the year / total number of potential staff years**

This is a better representation of true available days lost because it excludes weekends and public and privilege holidays from the sickness period. Using total staff years also correctly accounts for part-time staff, new entrants and leavers during the period.

For example, someone working half the full-time number of hours per week would have a staff year of 0.5.

**AWDL per person = total days lost / total headcount**

This calculation is widely used across the public and private sectors and is included only for ease of comparison with other organisations that use this calculation. However, it is a less accurate measure than AWDL per staff year for the above reasons.

The level of sickness absence within the WRA was 6.35 (2018-19: 6.86). This is similar to the latest Civil Service AWDL figures available (2018-19: 6.9). AWDL per person for the WRA was 8.4 (2018-19: 8.83), which is higher than the latest Civil Service AWDL per person figures available (2018-19: 5.9).

The figure for the WRA staff sickness absence includes the extended absences of 3 members of staff following serious illness, which in a small organisation like the WRA can have a significant impact on AWDL calculations. When their absence is excluded from the calculation, the AWDL per staff year was 2.8 (2018-19: 2.07).

## Consultancy costs

Consultancy costs during the period were:

	2019-20 £000	2017-19 £000
<b>Consultancy costs</b>	180	257

Where there is a permanent need for skilled individuals, we would typically recruit an employee or team to undertake the activities. However, for shorter-term specialist work this is neither practical nor cost effective.

Such work is best completed by a specialist consultancy organisation rather than an individual. This approach allows the WRA to buy the expertise and services it needs without unreasonable costs or the commitment of fixed- term contracts. This is particularly important because the WRA is a small and new organisation. Much of

the implementation work required during the first 18 months of operations was interim in nature and the WRA does not have capacity to operate the economies of scale available to larger organisations which in-house all their work.

Examples of consultancy services used during the period were:

- **Digital and technology:** contracted for specialist skills relating to cyber security, automated system testing, and advice on the costs and approach for potential future systems development
- **Communications:** consultancy for brand identity project, the WRA's culture review and impact assessment along with the development of the organisation's Welsh Language Strategy

## Off-payroll disclosures

Off-payroll arrangements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer.

From 6 April 2017, reforms to intermediaries legislation (known as IR35) came into effect. These changed the rules for off-payroll people working in the public sector and moved the obligation to determine tax status from the contractor to the engager.

All existing off-payroll engagements have been subject to a risk-based assessment. This is to determine whether assurance is required that the individual is paying the right amount of tax. Where necessary, that assurance has been sought.

Off-payroll engagements as of 31 March 2020, for more than £245 per day and lasting for longer than 6 months:

Number of existing engagements as of 31 March 2020	10
<b>Of which:</b>	
Number that have existed for less than 1 year at time of reporting	8
Number that have existed between 1 and 2 years at time of reporting	2

All new Off-payroll engagements, or those that reached 6 months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than 6 months:

Number of new engagements, or those that reached 6 months in duration, between 1 April 2019 and 31 March 2020	7

Of which:	
Number assessed as caught by IR35	1
Number assessed as not caught by IR35	6
Number engaged directly (via PSC contracted to department) and on the departmental payroll	0
Number of engagements reassessed for consistency / assurance purposes during the year	6
Number of engagements that saw a change of IR35 status following the consistency review	0

Any off-payroll engagements of Board members and/or senior officials with significant financial responsibility between 1 April 2019 and 31 March 2020:

Number of Off-Payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off payroll that have been deemed Board members, and/or senior officials with significant financial responsibility, during the financial year.	13

## Other employee matters

The 2 most significant issues during the period were the impact of Storm Dennis and social distancing and lockdown measures due to coronavirus.

During Storm Dennis (February 2020), the WRA's main office, QED in Treforest, was severely damaged, resulting in all staff working from home from 17 February onwards. Most, but not all, staff were temporarily relocated to Cardiff and Merthyr Tydfil Welsh Government offices while a long-term solution was sought. However, following the UK Government's announcement on coronavirus on 23 March, Tîm Arwain decided that all staff should work from home until further notice (24 March onwards) and this remains the case.

Additional support was put in place to support:

- Long-term home working, such as DSE and risk assessments
- Ordering of additional IT/home working equipment
- Reasonable adjustments such as reduced working hours for health reasons or to care for dependents

- Increased wellbeing activities and weekly all-staff calls

Impact on staff is discussed weekly at Tîm Arwain and at all Board meetings and calls.

The WRA actively ensures participation of its staff in issues and decisions which involve them in several ways. These include digital communications such as emails and use of the intranet, a fortnightly all-staff call and Q&A with the Chief Executive and away-days where all staff are involved in the organisation's decision making. Additionally, 3 trade unions are recognised by the WRA to represent employees.

Staff safety at work is reviewed and maintained by a variety of processes. While in our offices, checks of physical safety of the workplace and equipment used are conducted frequently, with additional checks for staff with particular needs, such as during pregnancy or when experiencing stress or other ill health. When visiting other sites and taxpayers, risk assessments are completed and a buddy system is in operation to ensure staff safety. As mentioned previously, an active Wellbeing Group is in place, and a Wellbeing Strategy is reviewed by the People Committee. Specific risk assessments have been completed for staff working from home due to flooding and then coronavirus, and for pregnant workers.

16 different professions are represented in the WRA, including data, digital, finance, legal, HR and tax specialists. Both WRA-wide and profession or role specific training has been conducted during the period for all staff, and a number of roles have been offered on a loan basis – into and out from the WRA – to encourage interchange and knowledge-sharing with other civil service employers. A performance management process based on continual development and high-quality line management conversations is in place.

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

# **The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd (Resource Accounts)**

## **Report on the audit of the financial statements**

### **Opinion**

I certify that I have audited the Welsh Revenue Authority's Resource Account for the year ended 31 March 2020 under the Tax Collection and Management (Wales) Act 2016. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- Give a true and fair view of the state of the Welsh Revenue Authority's Resource Account as at 31 March 2020 and of its net operating expenditure for the year then ended; and
- Have been properly prepared in accordance with Welsh Ministers' directions issued under the Tax Collection and Management (Wales) Act 2016

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- The use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue

## **Other information**

Legislation and directions issued to the Welsh Revenue Authority do not specify the content and form of the other information to be presented with the financial statements. The Accounting Officer is responsible for the other information in the annual accounts. The other information comprises the information included in the annual accounts other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on regularity**

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Report on other requirements**

### **Opinion on other matters**

As legislation and directions issued to the Welsh Revenue Authority do not specify the content and form of the other information to be presented with the financial

statements, I am not able to confirm that other information within the annual accounts (outside of the financial statements) has been properly prepared.

In my opinion, based on the work undertaken in the course of my audit, the information given in the annual accounts is consistent with the financial statements.

Although there are no legislative requirements for a Remuneration Report, the Welsh Revenue Authority has prepared such a report, and in my opinion that part ordinarily required to be audited has been prepared in accordance with HM Treasury guidance.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Accounts or the Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Proper accounting records have not been kept
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns
- Information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit

## **Report**

I have no observations to make on these financial statements.

## **Responsibilities**

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Tax Collection and Management Act 2016 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to



enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

### **Responsibilities for regularity**

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

### **Adrian Crompton**

Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
6 July 2020

The maintenance and integrity of the Welsh Revenue Authority's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# Resource Accounts

## Statement of Comprehensive Net Expenditure

	Note	2019-20 £000	2017-19 Restated £000
Staff costs	2	4,317	4,647
Other staff related costs	2	205	314
Other operating costs	2	1,933	2,159
Depreciation	3.1	35	35
Amortisation	3.2	870	850
<b>Net operating expenditure</b>		<b>7,360</b>	<b>8,005</b>
<b>Total comprehensive expenditure for the year</b>		<b>7,360</b>	<b>8,005</b>

## Statement of Financial Position

	Note	2019-20 £000	2017-19 £000
<b>Non-current assets</b>			
Equipment	3.1	34	69
Intangible assets	3.2	834	1,625
<b>Total non-current assets</b>		<b>868</b>	<b>1,694</b>
<b>Current assets</b>			
Prepayments and other accrued income	4	140	156
Cash and cash equivalents	5	243	477
<b>Total current assets</b>		<b>383</b>	<b>633</b>
<b>Current liabilities</b>			
Trade and other payables	6	(960)	(703)
<b>Total current liabilities</b>		<b>(960)</b>	<b>(703)</b>
<b>Total assets less current liabilities</b>		<b>291</b>	<b>1,624</b>
<b>Taxpayers equity</b>			
<b>General fund</b>		<b>291</b>	<b>1,624</b>

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

## Statement of Cash Flows

	Note	2019-20 £000	2017-19 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(7,360)	(8,005)
Adjustments for non-cash transactions			
(Increase)/decrease in trade and other receivables		15	(156)
Increase/(decrease) in trade and other payables		258	703
Depreciation and amortisation	3.1 & 3.2	905	885
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(6,182)</b>	<b>(6,573)</b>
<b>Cash flows from investing activities</b>			
Additions of equipment	3.1	0	(104)
Additions of intangible assets	3.2	(79)	(2,475)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(79)</b>	<b>(2,579)</b>
<b>Cash flows from financing activities</b>			
Funding from Welsh Government		6,027	9,629
<b>Net increase/(decrease) in cash and cash equivalents</b>	5	<b>(234)</b>	<b>477</b>
Cash and cash equivalents at the beginning of the period	5	<b>477</b>	<b>0</b>
Cash and cash equivalents at the end of the period	5	<b>243</b>	<b>477</b>

## Statement of Changes in Taxpayers' Equity

	General Fund £000
<b>Balance at 18 October 2017</b>	<b>0</b>
<b>Changes in taxpayers' equity 2017-19</b>	
Funding from Welsh Government	9,629
Total comprehensive expenditure for the year	(8,005)
<b>Balance as at 31 March 2019</b>	<b>1,624</b>
<b>Changes in taxpayers' equity 2019-20</b>	
Revenue funding from Welsh Government	5,948
Capital funding from Welsh Government	79
Total comprehensive expenditure for the year	(7,360)
<b>Balance as at 31 March 2020</b>	<b>291</b>

# Notes to the Resource Accounts

## 1. Statement of accounting policies

### 1.1 Basis of accounting

These accounts are prepared in accordance with:

- The accounts direction issued by the Welsh Ministers, in accordance with Section 29(1)(b) of the Tax Collection and Management (Wales) Act 2016
- The 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury
- International Financial Reporting Standards (IFRS) adapted or interpreted for the public sector context
- The accounting policies detailed in subsequent notes

The WRA has considered the impact of standards and interpretations which have been issued but are not yet effective. It is not expected that these will have a material impact on the financial statements.

The WRA was created on 18 October 2017 and therefore the 2017-19 period covers the period from 18 October 2017 to 31 March 2019.

The financial information contained in the statements and in the notes is rounded to the nearest £000.

### 1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified according to the requirements of relevant accounting standards and subject to the interpretations and adaptations of the FReM standards. Expenditure has been accounted for on an accruals' basis. Accounting for funding has been set out in AP1.7.

### 1.3 Going concern

These accounts have been prepared on the basis of 'going concern' as the WRA is a non-ministerial department of the Welsh Government and receives its revenue funding from the Welsh Government to meet its liabilities. The WRA expects to remain in existence for the foreseeable future.

## **1.4 Use of judgement**

In preparing these financial statements, management has made judgements that affect the application of the accounting policies and the reported amounts of assets, liability and expenses. Actual results may differ from these estimates and are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following:

- No right of use assets exist within the WRA. The office space allocated to the WRA for use is directed by the Minister alone

## **1.5 Annual leave accrual**

Staff annual leave accrual is accounted for within Other Staff Costs. The accrual is a calculation to reflect the annual leave owed or owing to staff at the year end. Movement in year is now charged as an accrual within the other staff related costs. Figures for 2017-19 included in staff costs have been amended to reflect this change and to aid comparison.

## **1.6 Value Added Tax (VAT)**

The WRA is registered for VAT and recovers some elements of VAT for business services and contracted out services. Other goods and services expenditure is recorded inclusive of VAT in accordance with the HMRC internal government VAT manual.

## **1.7 Funding**

The WRA receives funding from the Welsh Government (known as the Grant Allocation) to finance its revenue and capital expenditure. In accordance with the FReM, these amounts are recorded as financing rather than income and are credited to the General Fund. The FReM also confirms that this financing is to be accounted for on a cash basis and we have complied with this.

## **1.8 Cash and cash equivalents**

Cash and cash equivalents are solely comprised of the balances WRA holds with the Government Banking Service.

## **1.9 Segmental reporting**

IFRS 8 requires entities to disclose information about their operating segments and geographical areas. The WRA operates in one segment and exclusively in Wales. No additional reporting is therefore considered necessary.

## **1.10 Leases**

For 2019-20 the WRA is not party to any lease arrangements as lessor or lessee under IAS 17. Under IFRS 16 the WRA will review its contractual and non-contractual arrangements to establish whether a lease exists as defined. The WRA will recognise the right of use assets and lease liabilities for these leases. The implementation of IFRS 16 in the public sector has been delayed until April 2021 due to coronavirus.

## **1.11 Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another. IFRS7 requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. As the WRA is directly funded by the Welsh Government, the only financial instruments within the accounts are financial assets in the form of trade and other receivables and financial liabilities in the form of trade and other payables. The WRA is not considered to be exposed to any significant level of credit, liquidity, or interest rate risk.

## **1.12 Non-Current Assets**

### **Equipment**

Equipment is carried at fair value. Depreciated historic cost is used as a proxy for the fair value of these assets. During the initial setup phase ICT equipment was purchased by the Welsh Government on behalf of the WRA. On 1 April 2018 this was transferred from the Welsh Government to the WRA. All these initial costs have been capitalised.

All equipment costing £5,000 or more purchased directly by the WRA is capitalised.

Depreciation is provided for in the month following acquisition and is calculated to write off the value less estimated residual value, on an equal instalment basis over its expected useful life as shown below.



Equipment category	Expected useful life
ICT Equipment	3 years
Other Equipment	5 years

## Intangible Assets

As no active market exists due to their bespoke nature, intangible assets are stated at historic costs and amortised on a straight-line basis over the estimated useful life or term of the licence. Amortisation is provided for in the month after the asset is acquired as set out below.

Category of Intangible asset	Expected useful life
Licences and software	3 years

## 2. Expenditure

	2019-20 £000	2017-19 Restated £000
<b>Staff and related costs</b>		
Wages and salaries	2,992	3,388
Pensions costs	818	730
Social security costs	330	377
Agency costs	177	152
	<b>4,317</b>	<b>4,647</b>
<b>Other staff related costs</b>		
Training and development	73	115
Travel and subsistence	54	88
Other employee related expenses	78	111
	<b>205</b>	<b>314</b>
<b>Other operating costs</b>		
Administration and other office costs	91	97
Board and related costs	64	167

External audit fee	33	30
ICT related costs	1,516	1,570
Internal audit fee	11	21
Other professional costs	218	274
	<b>1,933</b>	<b>2,159</b>
Amortisation and Depreciation	905	885
<b>Total comprehensive expenditure for the year</b>	<b>7,360</b>	<b>8,005</b>

Further analysis of staff and related costs is provided in the [Staff Report](#).

### 3. Non-current Assets

#### 3.1 Equipment

	ICT equipment £000	Other equipment £000	Total £000
<b>Cost or valuation</b>			
At 18 October 2017	0	0	0
Additions	93	11	104
<b>At 31 March 2019</b>	<b>93</b>	<b>11</b>	<b>104</b>
<b>Amortisation</b>			
At 18 October 2017	0	0	0
Charged in year	33	2	35
<b>At 31 March 2019</b>	<b>33</b>	<b>2</b>	<b>35</b>
Carrying amount at 18 October 2017	0	0	0
<b>Carrying amount at 31 March 2019</b>	<b>60</b>	<b>9</b>	<b>69</b>
<b>Cost or valuation</b>			
At 1 April 2019	93	11	104

Additions	0	0	0
<b>At 31 March 2020</b>	<b>93</b>	<b>11</b>	<b>104</b>
<b>Depreciation</b>			
At 1 April 2019	33	2	35
Charged in year	33	2	35
<b>At 31 March 2020</b>	<b>66</b>	<b>4</b>	<b>70</b>
Carrying amount at 31 March 2019	60	9	69
<b>Carrying amount at 31 March 2020</b>	<b>27</b>	<b>7</b>	<b>34</b>

### 3.2 Intangible Assets

	<b>Licenses £000</b>	<b>Software £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 18 October 2017	0	0	0
Additions	66	2,409	2,475
<b>At 31 March 2019</b>	<b>66</b>	<b>2,409</b>	<b>2,475</b>
<b>Depreciation</b>			
At 18 October 2017	0	0	0
Charged in year	24	826	850
<b>At 31 March 2019</b>	<b>24</b>	<b>826</b>	<b>850</b>
Carrying amount at 18 October 2017	0	0	0
<b>Carrying amount at 31 March 2019</b>	<b>42</b>	<b>1,583</b>	<b>1,625</b>
At 1 April 2019	66	2,409	<b>2,475</b>
Additions	0	79	<b>79</b>
<b>At 31 March 2020</b>	<b>66</b>	<b>2,488</b>	<b>2,554</b>
<b>Amortisation</b>			

At 1 April 2019	24	826	<b>850</b>
Charged in year	35	835	<b>870</b>
<b>At 31 March 2020</b>	<b>59</b>	<b>1,661</b>	<b>1,720</b>
Carrying amount at 31 March 2019	42	1,583	1,625
<b>Carrying amount at 31 March 2020</b>	<b>7</b>	<b>827</b>	<b>834</b>

#### 4. Prepayments and Other Accrued Income

	<b>2019-20</b> <b>£000</b>	<b>2017-19</b> <b>£000</b>
Prepayments and other accrued income	140	156
Balance at 31 March	<b>140</b>	<b>156</b>

There are no amounts falling due after 1 year included in the figures above.  
A provision for bad and doubtful debts is not required.

#### 5. Cash and Cash Equivalents

	<b>2019-20</b> <b>£000</b>	<b>2017-19</b> <b>£000</b>
Balance at start of period	477	0
Net change in cash and cash equivalent balances	(234)	477
Balance at 31 March	<b>243</b>	<b>477</b>

All balances are held with the Government Banking Service.

#### 6. Trade and Other Payables

	<b>2019-20</b> <b>£000</b>	<b>2017-19</b> <b>£000</b>
Trade payables	(819)	(599)
Other payables	(141)	(104)
Balance at 31 March	<b>(960)</b>	<b>(703)</b>

The majority of the amount in other payables relates to the annual leave accrual.

## **7. Related party transactions**

The WRA is a non-ministerial department of the Welsh Government. As such, the Welsh Government is regarded as the parent department and therefore a related party. The WRA has had a number of material transactions during the year with the Welsh Government.

Revenue funding of £5.95 million was received in the year (2017-19: £9.63 million of which £1.44 million was recorded in the Welsh Government's accounts in 2017-18). Capital funding received in year was £79,000 (2017-19: £2.57 million non-current assets transferred on 1 April 2018).

Payments of £4.42 million were made to the Welsh Government during 2019-20, mainly in relation to payroll costs, seconded staff and ICT cloud costs (2017-19: £3.89 million).

During the year, the WRA hired a room from Newport Live for £439. Martin Warren who was a Non-Executive Member until 27 August 2019 was also a trustee and director of Newport Live. The transaction was undertaken at arm's length and in full compliance with WRA procurement policies and procedures.

No Board members, senior officers, nor any related parties, undertook any material transactions with the WRA.

## **8. Capital commitments**

There were no capital commitments as at 31 March 2020.

## **9. Contingent assets and liabilities**

There were no contingent assets and liabilities as at 31 March 2020.

## **10. Events after the reporting period**

There were no reportable events after the reporting period.

# **The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd (Tax Statement)**

## **Report on the audit of the financial statements**

### **Opinion**

I certify that I have audited the Welsh Revenue Authority's Tax Statement for the year ended 31 March 2020 under the Tax Collection and Management (Wales) Act 2016. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, Statement of Financial Position, Statement of Cash Flows and related notes, including a summary of accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- Give a true and fair view of the state of affairs of the Welsh Revenue Authority's Tax Statement as at 31 March 2020 and of the net revenue for the year then ended; and
- Have been properly prepared in accordance with Welsh Ministers' directions issued under the Tax Collection and Management (Wales) Act 2016

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Welsh Revenue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- The use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the ability of the Welsh Revenue Authority's Tax Statement to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue

## **Other information**

Legislation and directions issued to the Welsh Revenue Authority do not specify the content and form of the other information to be presented with the financial statements. The Accounting Officer is responsible for the other information in the annual accounts. The other information comprises the information included in the annual accounts other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on regularity**

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Report on other requirements**

### **Opinion on other matters**

As legislation and directions issued to the Welsh Revenue Authority do not specify the content and form of the other information to be presented with the financial

statements, I am not able to confirm that other information within the annual accounts (outside of the financial statements) has been properly prepared.

In my opinion, based on the work undertaken in the course of my audit, the information given in the annual accounts is consistent with the financial statements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Welsh Revenue Authority's Tax Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Accounts or the Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Proper accounting records have not been kept;
- The financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit

## **Report**

I have no observations to make on these financial statements.

## **Responsibilities**

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Tax Collection and Management (Wales) Act 2016 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the ability of the Welsh Revenue Authority's Tax Statement to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.



## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Responsibilities for regularity**

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

## **Adrian Crompton**

Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
6 July 2020

The maintenance and integrity of the Welsh Revenue Authority's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# Tax Statement

## Statement of Revenue, Other Income and Expenditure

	Note	2019-20 £000	2018-19 £000
<b>Revenue</b>			
<b>Taxes and duties</b>			
Land Transaction Tax	2.1	260,281	227,846
Landfill Disposals Tax	2.2	36,926	44,433
<b>Total taxes and duties</b>		<b>297,207</b>	<b>272,279</b>
<b>Penalties and interest</b>			
Penalties	2.3	327	157
Interest	2.3	45	16
<b>Total penalties and interest</b>		<b>372</b>	<b>173</b>
<b>Total revenue</b>		<b>297,579</b>	<b>272,452</b>
<b>Expenditure</b>			
Interest paid	3.1	(42)	(13)
Revenue losses	3.2	(1)	(2)
<b>Total expenditure</b>		<b>(43)</b>	<b>(15)</b>
<b>Net revenue for the Welsh Consolidated Fund</b>		<b>297,536</b>	<b>272,437</b>

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The [notes that follow the Statement of Cash Flows](#) form part of this statement.

## Statement of Financial Position

	Note	2019-20 £000	2018-19 £000
<b>Current assets</b>			
Receivables	4.1	2,822	1,892
Accrued taxes receivable	4.1	40,435	14,479
Cash	5	2,836	5,459
<b>Total current assets</b>		<b>46,093</b>	<b>21,830</b>
<b>Current liabilities</b>			
Payables and on account balances	6	870	143
<b>Total current liabilities</b>		<b>870</b>	<b>143</b>
<b>Total net assets</b>		<b>45,223</b>	<b>21,687</b>
Represented by			
<b>Balance due to the Welsh Consolidated Fund</b>	<b>8</b>	<b>45,223</b>	<b>21,687</b>

Dyfed Alsop  
Chief Executive and Accounting Officer  
3 July 2020

## Statement of Cash Flows

	Note	2019-20 £000	2018-19 £000
Net cash flow from operating activities	A	271,377	256,209
Cash paid to the Consolidated Fund		(274,000)	(250,750)
<b>Increase/(decrease) in cash in this period</b>	<b>B</b>	<b>(2,623)</b>	<b>5,459</b>

## Notes to the Statement of Cash Flows

	2019-20 £000	2018-19 £000
<b>A: Reconciliation of new cash flow to movement in net funds</b>		
<b>Net revenue for the Welsh Consolidated Fund</b>	<b>297,536</b>	<b>272,437</b>
(Increase)/decrease in non-cash assets	(26,886)	(16,371)
Increase/(decrease) in liabilities	727	143
Increase/(decrease) in provisions for liabilities	0	0
<b>Net cash flow from operating activities</b>	<b>271,377</b>	<b>256,209</b>
	2019-20 £000	2018-19 £000
<b>B: Analysis of changes in net funds</b>		
Increase/(decrease) in cash in this period	(2,623)	5,459
Net funds at 1 April (opening bank balance)	5,459	0
<b>Net funds as at 31 March (closing bank balance)</b>	<b>2,836</b>	<b>5,459</b>

# Notes to the Tax statement

## 1. Statement of accounting policies

### 1.1 Basis of accounting

These accounts are prepared in accordance with:

- The accounts direction issued by Welsh Ministers, in accordance with section 30(1) of the Tax Collection and Management (Wales) Act 2016
- The 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury
- International Financial Reporting Standards (IFRS) adapted or interpreted for the public sector context
- The accounting policies detailed in subsequent notes

The WRA has considered the impact of standards and interpretations which have been issued but are not yet effective. It is not expected that these will have a material impact on the financial statements.

The income and any associated expenditure contained within these statements are those flow of funds which the WRA handles on behalf of the Welsh Consolidated Fund and where it is acting as agent rather than as principal.

The financial information contained in the statements and in the notes is rounded to the nearest £000.

### 1.2 Accounting convention

The Tax Statement has been prepared in accordance with historical cost convention. Taxes, including repayments, are accounted for on an accruals basis.

### 1.3 Revenue recognition

#### Taxation

Taxes are measured in accordance with IAS18. They are measured at the fair value of amounts received or receivable, net of repayments. Revenue is recognised when:

- A taxable event has occurred, the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to the Welsh Consolidated Fund

- A taxable event occurs when a liability arises to pay a tax

Any amendments, including higher rate refunds, are recognised up to 30 April in the following financial year where they relate to a previous financial year.

## **Penalties and interest**

Penalties and interest are measured in accordance with IAS18. They are measured at the fair value of amounts received or receivable.

Revenue is recognised when:

- The penalty or interest charge is validly imposed and becomes receivable by the WRA

Recognised penalty revenue is reversed in the accounts when:

- A penalty is cancelled following correction of a tax return arising from a minor error by the taxpayer or agent
- A penalty is cancelled following review by the WRA
- On appeal or for other legal reasons, the penalty is cancelled

Where penalty or interest revenue recognised in a previous financial year is later deemed to be uncollectable for reasons other than shown above, this is recorded as an expense at the date it is deemed uncollectable.

The WRA does not recognise the tax gap in the Tax Statement. This is the difference between the amount of tax that should, in theory, be collected by the WRA (the theoretical liability), and what is collected. This theoretical tax liability represents the tax that would be paid if all taxpayers complied with both the letter of the law and the WRA's interpretation of the intention of the Senedd in setting law (referred to as the spirit of the law).

## **Deferrals**

A deferral occurs when a land transaction has several stages of purchase price setting and one or more of these stages are due in the future and conditional on an event occurring. The WRA does not recognise the tax revenue on these future payments until that event occurs and the additional purchase price is payable. An example of a deferral is where land is purchased with an additional amount being payable once planning permission is obtained; tax revenue is recognised on the additional payment at the point in time when the planning is granted.

## **Enquiries and tribunals**

In line with FReM, tax revenue and tax or penalty refunds arising from enquiry or tribunal cases are not recognised in the accounts until the decision or judgement is issued. Disclosures in the accounts relating to enquiry or tribunal cases are only made if they lead to a material financial impact.

### **1.4 Use of judgement**

In preparing these financial statements, management has made judgements that affect the application of the accounting policies and the reported amounts of revenue, assets, liability and expenses. Actual results may differ from these estimates and are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included as follows:

- The disclosure of contingent liability for refund of higher rate LTT in the accounts is based upon the modelling of the Office of Budgetary Responsibility and its judgements. It is Management's opinion that the WRA does not yet have adequate data available to it to model an accurate valuation of future refund liability
- Due to the impact of the coronavirus lockdown, postal paper returns and cheque receipts have not been processed since 22 March 2020. It is the judgement of Management that there is no material misstatement of the accounts as a result of not including estimates of these returns and cheques.

### **1.5 Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another.

IFRS7, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Owing to the nature of the WRA's activities, the only financial instruments within the accounts are financial assets in the form of receivables and financial liabilities in the form of payables. Due to this there is no exposure to significant liquidity, interest rate risk and foreign currency risk.

## 1.6 Taxpayer confidentiality

The WRA takes taxpayers' confidentiality seriously and will not disclose any taxpayer confidential details which are prohibited under Section 17 of the TCMA Act 2016 within the Financial Statements unless there is an over-riding legal requirement to do so.

Further accounting policies are explained under the relevant notes.

## 2. Revenue and Other Income

### 2.1 Land Transaction Tax

	2019-20 £000	2018-19 £000
Residential	163,403	155,428
Non-residential	96,878	72,418
<b>Total Land Transaction Tax</b>	<b>260,281</b>	<b>227,846</b>

The taxable event for LTT is the purchase of land or property. The following table sets out the allocation of residential tax charged between tax years based on date of sale of property.

#### 2.1a Residential Tax

	2019-20			2018-19 Total £000
	2019-20 £000	2018-19 £000	Total £000	
Main rates	72,303	(5,994)	66,309	77,736
Higher rates	96,626	468	97,094	77,692
<b>Total Residential</b>	<b>168,929</b>	<b>(5,526)</b>	<b>163,403</b>	<b>155,428</b>

Higher residential rates are payable on the purchase of an additional property in Wales. They may be repayable where the taxpayer's previous main residence is sold within 3 years of the purchase of the additional new property and where that new property becomes their main residence.



## 2.1b Higher rate refunds

	2019-20			2018-19 Total £000
	2019-20 £000	2018-19 £000	Total £000	
Higher rate refunds	5,829	5,425	11,254	5,828

The table above sets out the higher rates refunds paid to the taxpayer which reduce the higher residential tax declared in the current year.

## 2.1c Residential rates reclassified

	2019-20			2018-19 Total £000
	2019-20 £000	2018-19 £000	Total £000	
Main residential rates previously recorded as higher rates	3,923	2,925	6,848	3,386

The initial property purchases are now reclassified as main residential rates due to the taxpayers successfully claiming a refund.

## 2.2 Landfill Disposals Tax

	2019-20 £000	2018-19 £000
Landfill Disposals Tax	36,926	44,433
<b>Total Landfill Disposals Tax</b>	<b>36,926</b>	<b>44,433</b>

LDT is paid when waste is disposed of to landfill; it is charged by weight and type of waste.

## 2.3 Penalties and interest

	2019-20		2018-19	
	Penalty	Interest	Penalty	Interest

	£000	£000	£000	£000
Land Transaction Tax	327	45	156	16
Landfill Disposals Tax	0	0	1	0
<b>Total penalties and interest</b>	<b>327</b>	<b>45</b>	<b>157</b>	<b>16</b>

Penalties are charged on the late receipt of tax returns, late payments or for other reasons permitted under the TCMA (Wales) 2016.

Interest is charged on the late payment of tax returns or penalties.

### 3. Expenditure

#### 3.1 Interest paid

	2019-20 £000	2018-19 £000
Land Transaction Tax	(42)	(13)
Landfill Disposals Tax	0	0
<b>Total interest paid</b>	<b>(42)</b>	<b>(13)</b>

Interest is payable by the WRA on the repayment of any tax liabilities or penalties.

#### 3.2 Revenue losses

	2019-20 Debts written off £000	2018-19 Debts written off £000
Land Transaction Tax	(1)	(2)
Landfill Disposals Tax	0	0
<b>Total</b>	<b>(1)</b>	<b>(2)</b>

Revenue losses are debt write-offs where following all reasonable action being undertaken and following careful consideration, these amounts are deemed to be irrecoverable.

## 4. Receivables and accrued revenue receivable

### 4.1 Receivables due:

	2019-20		2018-19	
	Receivables £000	Accrued Revenue Receivable £000	Receivables £000	Accrued Revenue Receivable £000
Land Transaction Tax	2,822	32,246	1,892	5,883
Landfill Disposals Tax	0	8,189	0	8,596
<b>Total</b>	<b>2,822</b>	<b>40,435</b>	<b>1,892</b>	<b>14,479</b>

Receivables represent taxpayer liabilities where amounts owed by the taxpayer including financial penalties and interest have occurred in the reporting period, but the amounts have not been received by the balance sheet date.

Accrued revenue receivable represents amounts due in relation to tax returns where the tax liability has been established at the balance sheet date but not returned at the balance sheet date. A manual accrual is therefore made.

## 5. Cash

	2019-20 £000	2018-19 £000
Government Banking Service	2,836	5,459
<b>Balance at 31 March</b>	<b>2,836</b>	<b>5,459</b>

The WRA pays funds to the Welsh Consolidated Fund as instructed by the Welsh Government. The above balance represents funds received from taxes which were not requested prior to 31 March 2020.

## 6. Payables and On Account balances

	2019-20 £000	2018-19 £000
Land Transaction Tax	870	143
Landfill Disposals Tax	0	0

Payables and on account balances are amounts recorded as owed by the WRA and where payment has not yet been made. Returns can be amended up to 12 months from the filing date. In some circumstances this will result in a repayment. These balances relate to outstanding repayments of tax, penalties or interest, including higher rate refund claims, where the amounts have been established at the balance sheet date as owed.

## 7. Provisions for liabilities and contingent liabilities

Taxpayers who have paid higher rates on their residential transaction have the right to claim main residential rates on their new main residence, where their previous main residence is disposed of within 3 years of the purchase date of the replacement. The taxpayer is required to submit a claim in order to receive the refund.

This potential refund of higher rate tax is disclosed as a contingent liability for the Tax Statement due to the uncertainty of reclaims and their timings. For 2019-20, the estimated amount is £14.4 million as per the Office of Budgetary Responsibility (£9.9 million in 2018-19).

## 8. Balance due to the Welsh Consolidated Fund accounts

	2019-20 £000	2018-19 £000
<b>Balance on Welsh Consolidated Fund as at 1 April 2019</b>	<b>21,687</b>	<b>0</b>
Net revenue for the Welsh Consolidated Fund	297,536	272,437
Less amount paid to the Welsh Consolidated Fund	(274,000)	(250,750)
<b>Balance due to the Welsh Consolidated Fund 31 March 2020</b>	<b>45,223</b>	<b>21,687</b>

## 9. Events after the reporting period

There are no reportable events after the reporting period.

# **Glossary**

## **Amortisation**

The apportionment of the cost of an intangible asset over its useful life.

## **Depreciation**

The apportionment of the cost of a tangible non-current asset.

## **Financial Reporting Manual (FReM)**

HM Treasury technical accounting guide to the preparation of the financial statements.

## **International Financial Reporting Standards (IFRS)**

These are issued by the International Accounting Standards Board and Government financial statements use these as the basis of preparation for their accounts.

## **Non-current assets (also called fixed assets)**

An asset that is held by the organisation. These can be tangible assets with physical substance or intangible assets - an identifiable non-monetary asset without physical substance, for example licenses and software.

## **Payables**

Amounts due for payment to suppliers of goods and services at the end of the reporting period.

## **Receivables**

Amounts owing to the WRA at the end of the reporting period.

## **Taxpayers' equity**

The net assets of the organisation.

## **Welsh Consolidated Fund**

The fund used by the Senedd to hold sums voted by Parliament which are then allocated via a Budget Motion to provide public services in Wales.