



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

# Annual Accounts

2019-20



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Houses in Blaenau Gwent





## Chief Executive's foreword

Welcome to our Annual Accounts for 2019–20

I'm pleased to present our Annual Accounts for 2019–20, covering the first year of our **Corporate Plan (2019–22)** published last June (2019). I'm proud of the progress we've made this year in further embedding **Our Approach** – a Welsh way of doing tax – and delivering on our three-year strategic objectives set out in our Corporate Plan.

This work has helped us raise £297 million in tax revenue during 2019–20 from the two devolved Welsh taxes we collect and manage, Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT). This revenue directly funds vital Welsh public services, from our NHS to schools, in communities across Wales.

While we've seen successes overall this year, two external factors have impacted on our people and operations during the final quarter of the year. First, in February, our headquarters at Treforest were affected by the devastating floods which impacted our local community and many parts of Wales and the wider UK. And second, the coronavirus (COVID-19) pandemic that has brought unprecedented challenges to everyone in Wales.

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.



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Due to the commitment of our people and thanks to our fully cloud-based digital set-up, our services were largely unaffected by coronavirus. Our leadership team, Tîm Arwain, along with the strategic oversight of our Board has been critical during this time also. I've been impressed by the resilience of our young organisation and our ability to continue to offer a high standard of service.

I'd like to thank our people; Welsh Government colleagues and many others for their support, as well as taxpayers and agents for their patience and understanding during this time. My thanks also go to the Audit Wales team for working with us so effectively, and entirely remotely, to complete their audit this year.

As a non-ministerial department of the Welsh Government, some of our people have offered their specialist skills and expertise to support the wider Welsh Government response to coronavirus. As civil servants, this

is what we're here to do. This has, unfortunately, meant we haven't been able to do all the things we would normally do, to the usual Annual Report timetable. This is why we've decided to publish only our Annual Accounts this summer.

Following agreement from the Minister for Finance and Trefnydd, and consultation with other key stakeholders, we've departed from the Government's Financial Reporting Manual (FRm). We'll now publish our Annual Report in full in the autumn. We'll explain more about our performance against our strategic objectives and performance measures then and, for the first time, report on the progress we've made in developing our work on tax risk.



**Dyfed Alsop, Chief Executive  
and Accounting Officer**  
**3 July 2020**

# 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 02 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	

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# 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

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**Sean Bradley**  
Chief Legal and Policy Officer  
Left May 2020

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**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 Customer Relationship Management (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.**

	<b>2019–20 12 Months £000</b>	<b>2017–19 18 Months £000</b>
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 three-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 two 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 three-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 the 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

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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**



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# 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.

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## **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 six 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 lockdown 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.

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## The Board

The Board consists of five Ministerially appointed Non-Executive Members, the Chief Executive, two Executive Members designated by the Chief Executive, and a Staff Elected Member. Current Board membership and meeting attendance are listed on page 20.

The Board met formally six times in the year (April 2019, June 2019, September 2019, October 2019, December 2019 and February 2020) and there were, in addition, two 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

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## Board performance and effectiveness

The Chair's performance is assessed on a six-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 six-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.

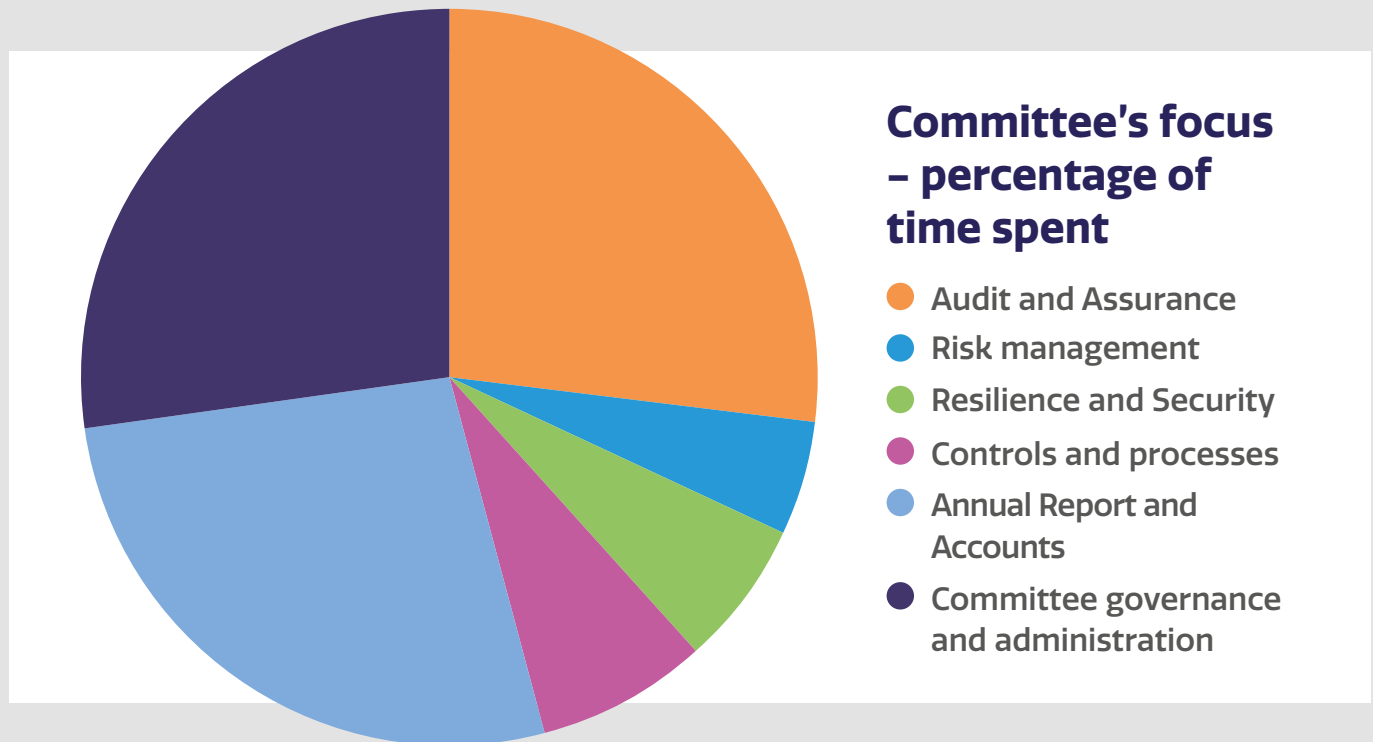
Membership comprises three Non-Executive Members. The Chief Executive, the Chief Finance Officer and an Internal Audit Services (IAS) representative attend meetings. The Welsh Government and Audit Wales also attend regularly. Martin Warren served as Chair of the Committee until his resignation as a Non-Executive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





Three meetings were held during the year: 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

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## **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 three 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
<b>No. of meetings held</b>	<b>6</b>	<b>3</b>	<b>2</b>
<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	<ul style="list-style-type: none"><li>• Continually reviewing organisation and roles and flexing accordingly</li><li>• Most recruitment completed – remainder planned for 2020-21</li><li>• Succession planning</li><li>• Knowledge management</li></ul>
Managing stakeholder expectations of service quality, including managing unexpected demand	<ul style="list-style-type: none"><li>• Approach to communications – visible and transparent</li><li>• Partnership working, engagement and use/giving of feedback</li><li>• Guidance kept under review</li></ul>
Non-adherence to the WRA's specific approach to tax collection	<ul style="list-style-type: none"><li>• Data and intelligence-led approach to risk assessment</li><li>• Approach aligned to Welsh Government tax policy</li></ul>
System failure	<ul style="list-style-type: none"><li>• Testing regime</li><li>• Business Continuity Plan covering IT and operations</li><li>• Security products</li></ul>
Threats to effective information management security	<ul style="list-style-type: none"><li>• Information Asset Register in place</li><li>• Clear governance structure, roles and responsibilities</li><li>• Staff training on cyber security and testing</li></ul>

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## 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	Two	-
Risk Management	Reasonable	Two	-
Approach to task risk	Reasonable	One	Two
Information Management	Reasonable	Three	-
Debt Management – time-to-pay	Substantial	One	-

\*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 on page 43 for the **Resource Accounts** and page 59 for the **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.

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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 six 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 two 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.



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## **Freedom of Information requests**

We received two 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.

## **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 recommendations

Further information about the work of the SSRB can be found on [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](#).

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 four sections: three 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.



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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 two 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 three 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

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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 two 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.

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## 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 two other changes of note to levels of pay in the WRA. First, because the WRA has now employed some staff for over two years, more staff are at the higher spine points in their pay grade than before (2019–20: 55% of staff on lower two 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 three 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 two 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	£000
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 (three) and fixed-term contracts (three).

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.

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## **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 four 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 four 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 three 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:

Pay band	2019-20	2018-19
SCS 2	1	1
SCS 1	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>	<b>2</b>	<b>1</b>	<b>0.2</b>



## 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

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- Providing staff training on completion of Equality Impact Assessments
  - 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 two 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 three 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 one year at time of reporting	8
Number that have existed between one and two years at time of reporting	2

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

Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	7
<b>Of which:</b>	
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 two 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, three trade unions are recognised by the WRA to represent employees.

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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.

Sixteen 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.

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## **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 twelve 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.

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## 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

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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**  
**6 July 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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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

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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

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## **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
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ICT Equipment	3 years
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Other Equipment	5 years
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### 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
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Licences and software	3 years
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## 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 on page 34.

### 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

	Licences £000	Software £000	Total £000
<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

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

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

## 5. Cash and Cash Equivalents

	2019-20 £000	2017-19 £000
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

	2019-20 £000	2017-19 £000
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.

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## **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.

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## **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 twelve 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.

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## 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.

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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**  
**6 July 2020**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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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 at pages 66 to 73 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>(2,623)</b>	<b>5,459</b>

## Notes to the Statement of Cash Flows

	2019-20 £000	2018-19 £000
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### A: Reconciliation of net cash flow to movement in net funds

<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
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### B: Analysis of changes in net funds

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

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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).

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## 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
	2019-20 £000	2018-19 £000	Total £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 three 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
	2019-20 £000	2018-19 £000	Total £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
	2019-20 £000	2018-19 £000	Total £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 £000	Interest £000	Penalty £000	Interest £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	Accrued Revenue Receivable	Receivables	Accrued Revenue Receivable
	£000	£000	£000	£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
<b>Total</b>	<b>870</b>	<b>143</b>

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 three 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.

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# 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.



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