



HM Revenue
& Customs

Annual Report and Accounts 2015-16

Parliamentary accountability

Parliamentary accountability

Consolidated Statement of Parliamentary Supply

In summary...

Parliament sets the budget for HMRC. The Consolidated Statement of Parliamentary Supply shows that we delivered within that budget. We successfully managed our budget within all of the Treasury and parliamentary controls, despite the volatility of tax credits entitlements which are challenging to estimate. During the year we reacted efficiently to budgetary pressures, most notably agreeing with HM Treasury a switch from resource to capital budgets to enable increased investment in our transformation.

The Government Financial Reporting Manual (FRM) requires HM Revenue and Customs to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

In 2015-16 we successfully delivered all of our business activities within our control totals.

The Supply Estimate is a request to Parliament to fund our expenditure. A full breakdown of the lines of the Estimate which form the voted and non-voted totals below are shown in SoPS note 1.

Parliament also controls our expenditure by further categorising it between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). DEL spending is tightly controlled by HM Treasury and firm multi-year plans are required whereas AME spending is demand led, more volatile and is not included in DEL controls.

Figures in the areas highlighted are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. The Consolidated Statement of Parliamentary Supply and its related notes have been subject to external audit.

Figure 57: Summary of resource and capital outturn

		Estimate			Outturn			2015-16 £m	2014-15 £m	
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted variance: saving	Total outturn	
SoPS note										
Departmental Expenditure Limit										
	– Resource	1.1	3,311.0	297.0	3,608.0	3,247.6	328.5	3,576.1	63.4	3,464.1
	– Capital	1.2	234.5	-	234.5	227.8	-	227.8	6.7	231.7
Annually Managed Expenditure										
	– Resource	1.1	12,080.0	32,458.0	44,538.0	11,844.9	31,348.9	43,193.8	235.1	42,931.3
	– Capital	1.2	0.3	-	0.3	-	-	-	0.3	-
Total budget			15,625.8	32,755.0	48,380.8	15,320.3	31,677.4	46,997.7	305.5	46,627.1
Non-budget										
	– Resource	1.1	9,852.0	-	9,852.0	9,852.0	-	9,852.0	-	4,720.0
	– Capital	1.2	-	-	-	-	-	-	-	-
Total			25,477.8	32,755.0	58,232.8	25,172.3	31,677.4	56,849.7	305.5	51,347.1
Of which:										
	Total resource	1.1	25,243.0	32,755.0	57,998.0	24,944.5	31,677.4	56,621.9	298.5	51,115.4
	Total capital	1.2	234.8	-	234.8	227.8	-	227.8	7.0	231.7
Total			25,477.8	32,755.0	58,232.8	25,172.3	31,677.4	56,849.7	305.5	51,347.1

		SoPS note	Estimate	Outturn	2015-16 £m	2014-15 £m
					Voted variance: saving	Outturn
Net cash requirement		3	25,071.0	24,918.2	152.8	19,718.1
Administration costs			855.2	791.9	63.3	797.0



Explanations of material variances between the Estimate and outturn are provided in SoPS note 1 on **page 143**.

A reconciliation of total resource outturn to the Statement of Comprehensive Net Expenditure is provided in SoPS note 2 on **page 144**.

SoPS 1. Net outturn

We are required to ensure that our expenditure remains within the voted limits set by Parliament. This note provides details of how we performed against each line of the Estimate.

Voted expenditure includes the costs of running the department as well as payments to individuals for social benefits, payments in lieu of tax relief and certain rates payments made by the Valuation Office Agency. As RCDTS Ltd do not hold a budget of their own, their expenditure and income is reported against Line A HMRC Administration. The department also makes payments to external parties that are not subject to the vote system. This non-voted expenditure mainly relates to personal tax credits, other reliefs including certain corporation tax credits and our costs in respect of the National Insurance Fund. This year, as in 2014-15, the department has been required to make non-budget payments to top-up the National Insurance Fund.

Our income and expenditure is further analysed between administration and programme as required by HM Treasury. Administration costs relate to the costs of running the department, for example human resources, finance, estates management. Programme costs relate to the costs incurred in the delivery of frontline services such as the parts of the department that interact directly with our external customers.

The following tables record our actual outturn expenditure for DEL and AME, voted and non-voted, against the limits set by Parliament for each line of the Estimate. Table 1.1 provides analysis of resource expenditure and Table 1.2 of capital expenditure.

SoPS 1.1 Analysis of net resource outturn by section

Figure 58: Analysis of net resource outturn by section

Estimate	2015-16										2014-15
	Spending in Departmental Expenditure Limit					Spending in Annually Managed Expenditure					Total
	Administration		Outturn		Programme Income	Outturn		Net Total	Variance: saving/(excess)	Total outturn	
Gross	Income	Net	Gross	Income		Net	Net Total				
Net Total											
A HMRC administration	843.5	(126.5)	717.0	2,591.0	(88.8)	2,502.2	3,219.2	57.0	3,106.6		
B VOA administration	–	–	–	206.4	(207.8)	(1.4)	(1.4)	1.4	(2.4)		
C Utilised provisions	34.8	13.6	13.6	16.2	–	16.2	29.8	5.0	31.0		
Total voted	857.1	(126.5)	730.6	2,813.6	(296.6)	2,517.0	3,247.6	63.4	3,135.2		
Non-voted:											
D National Insurance Fund	61.2	–	61.2	267.3	–	267.3	328.5	(31.5)	328.9		
Total non-voted	61.2	–	61.2	267.3	–	267.3	328.5	(31.5)	328.9		
Total spending in Departmental Expenditure Limit	918.3	(126.5)	791.8	3,080.9	(296.6)	2,784.3	3,576.1	31.9	3,464.1		
Spending in Annually Managed Expenditure											
Voted:											
E Social benefits and grants	–	–	–	11,700.9	–	11,700.9	11,700.9	202.2	11,602.0		
F Providing payments in lieu of tax relief to certain bodies	–	–	–	75.4	–	75.4	75.4	30.4	99.7		
G HMRC administration	–	–	–	28.5	–	28.5	28.5	1.5	70.6		
H VOA – payments of rates to local authorities on behalf of certain bodies	–	–	–	70.8	(3.8)	67.0	67.0	7.2	65.9		
I VOA administration	–	–	–	2.9	–	2.9	2.9	(0.9)	1.0		
J Utilised provisions	–	–	–	(29.8)	–	(29.8)	(29.8)	(5.3)	(31.1)		
Payments to add capacity	–	–	–	–	–	–	–	–	2.7		
Total voted	–	–	–	11,848.7	(3.8)	11,844.9	11,844.9	235.1	11,810.8		
Non-voted:											
K Personal tax credits	–	–	–	28,450.2	–	28,450.2	28,450.2	1,003.4	29,123.2		
L Other reliefs and allowances	–	–	–	2,898.7	–	2,898.7	2,898.7	105.7	1,997.3		
Total non-voted	–	–	–	31,348.9	–	31,348.9	31,348.9	1,109.1	31,120.5		
Total spending in Annually Managed Expenditure	–	–	–	43,197.6	(3.8)	43,193.8	43,193.8	1,344.2	42,931.3		
Non-budget spending											
Voted:											
M Payments to National Insurance Fund	–	–	–	9,852.0	–	9,852.0	9,852.0	–	4,720.0		
Total non-budget spending	–	–	–	9,852.0	–	9,852.0	9,852.0	–	4,720.0		
Total voted	857.1	(126.5)	730.6	24,514.3	(300.4)	24,213.9	24,944.5	298.5	19,666.0		
Total non-voted	61.2	–	61.2	31,616.2	–	31,616.2	31,677.4	1,077.6	31,449.4		
Total spending	918.3	(126.5)	791.8	56,130.5	(300.4)	55,830.1	56,621.9	1,376.1	51,115.4		

SoPS 1.2 Analysis of net capital outturn by section

Figure 59: Analysis of net capital outturn by section

Estimate	2015-16 £m			2014-15 £m
	Outturn	Income	Net Total	
Spending in Departmental Expenditure Limit				
Voted:				
A HMRC administration	227.2	221.4	220.2	224.0
B VOA administration	7.3	7.6	7.6	7.7
C Utilised provisions	–	–	–	–
Total voted	234.5	229.0	227.8	231.7
Non-voted:				
D National Insurance Fund	–	–	–	–
Total non-voted	–	–	–	–
Total spending in Departmental Expenditure Limit	234.5	229.0	227.8	231.7
Spending in Annually Managed Expenditure				
Voted:				
E Social benefits and grants	0.3	–	–	–
F Providing payments in lieu of tax relief to certain bodies	–	–	–	–
G HMRC administration	–	–	–	–
H VOA – payments of rates to local authorities on behalf of certain bodies	–	–	–	–
I VOA administration	–	–	–	–
J Utilised provisions	–	–	–	–
Total voted	0.3	–	–	–
Non-voted:				
K Personal tax credits	–	–	–	–
L Other reliefs and allowances	–	–	–	–
Total non-voted	–	–	–	–
Total spending in Annually Managed Expenditure	0.3	–	–	0.3
Non-budget spending				
Voted:				
M Payments to National Insurance Fund	–	–	–	–
Total non-budget spending	–	–	–	–
Total voted	234.8	229.0	227.8	231.7
Total non-voted	–	–	–	–
Total spending	234.8	229.0	227.8	231.7

The total resource outturn for the year was £56,621.9 million, £1,376.1 million (2.4%) below the Estimate. The total capital outturn for the year was £227.8 million, £7.0 million (3.0%) below the Estimate. Explanations of material variances between the Estimate and outturn are provided below.

Resource Departmental Expenditure Limit (DEL)

C Utilised Provisions – outturn was £5.0 million (14.4%) less than the Estimate. Provisions are inherently unpredictable in terms of amount paid and the timing of settlements. HMRC have an established process in place to regularly review and monitor provisions. The underutilisation is driven by the unpredictable nature of, in particular, legal settlements against the department.

D National Insurance Fund – outturn was £31.5 million (10.6%) more than the Estimate. Expenditure allocated to National Insurance work is variable depending on the combination of work we do on a range of taxes and contributions, which can be customer driven. This variance is offset by the corresponding underspend in Line A HMRC Administration. All National Insurance spending is fully accounted for in the National Insurance Fund Accounts.

Resource Annually Managed Expenditure (AME)

F Providing payments in lieu of tax relief to certain bodies – outturn was £30.4 million (28.7%) less than the Estimate. This is due to a revised estimate for Government contributions to Personal Pensions being made after the budget was settled.

I VOA Administration – outturn was £0.9 million (45%) more than the Estimate. This relates to the changes in pension scheme liability relating to staff that transferred from DWP into VOA.

J Utilised Provisions – outturn was £5.3 million (15.1%) less than the Estimate. Provisions are inherently unpredictable in terms of amount paid and the timing of settlements. HMRC have an established process in place to regularly review and monitor provisions. The underutilisation is driven by the unpredictable nature of, in particular, legal settlements against the department.

K Personal Tax Credit – outturn was £1,003.4 million (3.4%) less than the Estimate. This is because payments are driven by entitlement and demand and therefore fluctuate throughout the year.

Capital Departmental Expenditure Limit (DEL)

B VOA Administration – outturn was £0.3 million (4.1%) more than the Estimate. This was a result of a specific investment decision that still ensured Total Voted Capital DEL remained within the Estimate.

SoPS 2. Reconciliation of outturn to net operating expenditure

This note reconciles the net resource outturn from SoPS note 1.1 to the net operating expenditure in the IFRS-based Statement of Comprehensive Net Expenditure (SoCNE). Reconciling items are treated differently between the Statement of Parliamentary Supply (SoPS) and the SoCNE and these are explained in further detail below.

Figure 60: Reconciliation of net resource outturn to net operating expenditure

	SoPS note	2015-16 £m Outturn	2014-15 £m Outturn
Total resource outturn in the Statement of Parliamentary Supply			
Departmental Expenditure Limit	1.1	3,576.1	3,464.1
Annually Managed Expenditure	1.1	43,193.8	42,931.3
Non-budget – additional payments to the National Insurance Fund	1.1	9,852.0	4,720.0
		56,621.9	51,115.4
Add: IFRS asset costs		7.4	3.0
		7.4	3.0
Less: Income payable to the Consolidated Fund		(1.9)	(2.2)
		(1.9)	(2.2)
Net operating expenditure in Consolidated Statement of Comprehensive Net Expenditure		56,627.4	51,116.2

Explanation of additions and deductions

IFRS asset costs

Property – the National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off Statement of Financial Position treatment. With the introduction of IFRS accounting, properties that the department sold to private sector contractors and subsequently leased back under a PFI contract were capitalised as finance leases under IFRIC 12.

IT – as described in note 1.8.3, IT non-current assets of our IT suppliers used in the delivery of the PPP contract have been capitalised as finance leases under IFRIC 12.

These asset costs are outside the Estimate and budgeting considerations and therefore excluded from the SoPS.

Income payable to the Consolidated Fund

This represents income that is either in excess of limits included in the vote or is outside the scope of what is allowed to be retained. For these reasons, this income is excluded from the SoPS.

SoPS 3. Reconciliation of net resource outturn to net cash requirement

This note reconciles the net resource and capital outturn to the net cash requirement in the Statement of Parliamentary Supply, showing the adjustments for non cash items, movements in the Statement of Financial Position and other adjustments which include funding other than from the Consolidated Fund.

Figure 61: Reconciliation of net resource outturn to net cash requirement

	SoPS note	Estimate £m	Outturn £m	Outturn compared to Estimate: saving/(excess) £m
Resource outturn	1.1	57,998.0	56,621.9	1,376.1
Capital outturn	1.2	234.8	227.8	7.0
Accruals to cash adjustments:				
<i>Adjustments for Arms Length Bodies (ALBs):</i>				
Remove voted resource and capital			(0.3)	0.3
<i>Adjustments to remove non-cash items:</i>				
Depreciation and amortisation		(285.4)	(271.2)	14.2
New provisions and adjustments to existing provisions		(32.0)	(28.8)	(3.2)
Other non-cash items		(2.2)	(7.7)	5.5
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories		–	(0.3)	0.3
Increase/(decrease) in receivables		382.2	52.0	330.2
(Increase)/decrease in payables		(504.5)	(495.5)	(9.0)
Use of provisions		35.1	29.8	5.3
Removal of non-voted budget items				
Other adjustments ¹		(32,755.0)	(31,209.5)	(1,545.5)
Net cash requirement		25,071.0	24,918.2	152.8

¹ This primarily includes funding from the Trust Statement in respect of tax credits, funding from the National Insurance Fund in respect of costs of administering and collecting National Insurance contributions and adjustments for IFRS assets.

Net cash requirement calculation only applies to core department and agency.

Explanations of material variances between the Estimate and outturn are provided below.

Resource Outturn and Other Adjustments – varied from the Estimate largely due to expenditure on Personal Tax Credits being £1,003.4 million less than the Estimate. This is because payments are driven by entitlement and demand and therefore fluctuate throughout the year.

Receivables – varied by £330.2 million from the Estimate, largely due to a lower than expected increase in the level of personal tax credits debt.

SoPS 4. Income payable to the Consolidated Fund

SoPS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics). This consists of income types that government rules do not allow the department to keep for its own use.

Figure 62: Analysis of income payable to the Consolidated Fund

	Outturn 2015-16 £m		Outturn 2014-15 £m	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Income outside the ambit of the Estimate	1.9	<i>1.9</i>	2.2	<i>2.2</i>
Excess cash surrenderable to the Consolidated Fund	–	–	–	–
Total amount payable to the Consolidated Fund	1.9	<i>1.9</i>	2.2	<i>2.2</i>

SoPS 4.2 Consolidated Fund income

Consolidated Fund income shown in SoPS note 4.1 above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal.



Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement, see **page 160**.

Regularity of expenditure

HMRC understands and complies with the concept of regularity, which is fundamental to the right use of public funds*.

The term regularity is used to convey the idea of probity and ethics in the use of public funds – that is, delivering public sector values in the round and applying the seven principles of public life**.

Regularity specifically encompasses compliance with all relevant legislation, delegated authorities and the guidance set out in HM Treasury's Managing Public Money publication.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of the department's Principal Accounting Officer.

To discharge this responsibility the following controls have been put in place***.

- Detailed annual business planning and delegation of budgets to Directors General in line with the Single Departmental Plan and the purpose for which Parliament intends.
- Formal delegation of budgets by Directors General to the appropriate level, supported by qualified finance directors.
- Detailed monitoring of expenditure and monthly reporting to the Chief Executive, Chief Finance Officer, ExCom, and the Board, as well as HM Treasury.
- A professional finance community, with the task of guiding and supporting the right use of public funds and compliance with Cabinet Office controls guidance.
- Monthly publication of all spending of more than £25,000 as part of our commitment to transparency and open government.
- Close links with Treasury colleagues to ensure planned expenditure transactions do not set precedents that could cause repercussions elsewhere in the public sector.



For details of Comptroller and Auditor General's qualified regularity opinion in respect of personal tax credits, see **page 157**.



* Full information about how HMRC manages public money can be found at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

** Full information about the seven principles of public life can be found at:
www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2

*** Full information about how HMRC manages public money with regularity can be found in para 1.5.3 at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

The table below provides details of the Main Estimate for HMRC spending and the Supplementary Estimate which provides the final estimate (budget) shown. It then shows the actual spend (outturn) against the final budget. These disclosures have been subject to external audit.

Figure 63: Public spending control (£m)¹

	Main Estimate	Supplementary Estimate (Adjustment)	Final Provision	2015-16 outturn
Resource DEL				
Voted				
HMRC administration	3,227	50	3,276	3,219
Departmental Unallocated Provision	35	-35	0	0
VOA administration	0	0	0	-1
Utilised provisions ²	166	-132	35	30
Non-voted				
National Insurance Fund	297	0	297	329
Total spending DEL	3,725	-117	3,608	3,576
Resource AME				
Voted				
Child Benefit ³	11,668	235	11,903	11,701
Providing payments in lieu of tax relief to certain bodies	105	1	106	75
HMRC administration	30	0	30	29
VOA – payments of rates to local authorities on behalf of certain bodies	74	0	74	67
VOA administration	0	2	2	3
Utilised provisions ²	-167	132	-35	-30
Non-voted				
Personal tax credits	29,454	0	29,454	28,450
Other relief and allowances ⁴	2,107	898	3,004	2,899
Total spending AME	43,271	1,267	44,538	43,194
Capital DEL				
HMRC administration	154	73	227	220
Departmental Unallocated Provision	1	-1	0	0
VOA administration	7	0	7	8
Total capital spending DEL	163	72	234	228
Capital AME				
Child Trust Fund	0	0	0	0
Total capital spending AME	0	0	0	0

1 These disclosures have been subject to external audit.

2 Utilised provisions changes followed discussions with HMT as the timing and value of provisions is inherently uncertain. The voted DEL reduction leads to a corresponding increase in AME.

3 Child Benefit increased because the latest ONS population growth rates were higher than previously estimated.

4 Other relief and allowances increase due to higher than forecast Research and Development relief claims from both large and small companies.

Description of departmental reporting cycle

Our Main Estimate for 2015-16, which seeks parliamentary approval for the resources necessary to support the functions and objectives of HMRC, was published in July 2015 as part of the Central Government Supply Estimates – Main Supply Estimates. This document was published later than in previous years due to the general election and the need to reflect the Chancellor's announcement on 4 June 2015 to reduce public debt.

We also applied for a Supplementary Estimate, which adjusts these resources and details of which are available in the Central Government Supply Estimates – Supplementary Estimates, published in February 2016. These documents are in the public domain and can be accessed from the government website at www.gov.uk.

Losses and special payments

These losses and special payments relate to the Resource Accounts and have previously been disclosed in the Resource Accounts section of the Financial Statements. These disclosures have been subject to external audit.



Full details of revenue losses are in the department's Trust Statement, see [pages 170-171](#).

Losses are made up of remissions and write-offs. Remission is the process used to identify and separate money owed to HMRC which we have decided not to pursue, for example, on the grounds of value for money. Write-offs is the term used to describe money owed to HMRC that is considered to be irrecoverable, for example, because there is no practical means for pursuing it.

Figure 64: Losses statement

	2015-16 Departmental group		2014-15 Departmental group	
	<i>cases</i>	<i>£m</i>	<i>cases</i>	<i>£m</i>
Personal tax credits remissions	1,583,637	75.0	1,853,328	120.5
Personal tax credits write-offs	40,798	43.6	47,584	50.0
Child Benefit irrecoverable overpayments	41,965	10.9	37,743	13.0
Others	4,300	0.4	5,119	0.4
Total	1,670,700	129.9	1,943,774	183.9

Details of cases more than £300,000

In 2015-16 there was £118.6 million remitted/written-off in respect of personal tax credit debt that was uncollectable. There were no targeted exercises conducted in 2015-16. In 2014-15 there was one targeted exercise which focused on money owed to HMRC which we had tried to collect through a collection campaign as well referring the debt to a Debt Collection Agency without success. This exercise resulted in £39.6 million being remitted/written-off.

In 2015-16 the department wrote-off £10.9 million of Child Benefit debt that was uncollectable.

There were no individual cases of more than £300,000.

Special payments

These include compensation and ex-gratia payments in respect of personal injury, damage to property and those which result from the department's redress policy.

Figure 65: Special payments

	2015-16 Departmental group		2014-15 Departmental group	
	<i>cases</i>	£m	<i>cases</i>	£m
Payments and accruals	29,395	3.9	26,100	5.2



For further information on reporting requirements please see guidance in 'Managing Public Money' at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf

Included within special payments shown above are severance payments. These are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract. For 2015-16, the department made seven payments totalling £146,778 (2014-15: seven payments totalling £87,176) in respect of severance cases. The highest payment was £37,599 (2014-15: £33,276) and the lowest payment was £3,925 (2014-15: £2,000), the average payment was £20,968 (2014-15: £12,453).

Details of cases more than £300,000

£1.9 million – Compensation payments made under an HMRC undertaking to Court in respect of damages suffered. HMRC applied for and were granted a provisional liquidation order against a company by the High Court, which was then subsequently wound up. The Duty and VAT assessments on which the action was based were later withdrawn by HMRC and so the action found to be unjustified, with compensation then paid as a result. The payment was made with HM Treasury approval.

£0.6 million – Payments made to a liquidator under an HMRC indemnity for adverse costs. Proceedings were launched by the liquidators for the benefit of creditors in the liquidation, with HMRC being the principle creditor. The support provided to the liquidators was done so as part of HMRC's statutory responsibility to recover revenue for the UK where insolvency is a feature of the case. The payment made was made with HM Treasury approval.

Fees and charges

The fees and charges table lists the services HMRC provides to external and public sector customers, where the full cost to HMRC exceeds £1 million. In accordance with HM Treasury guidance on managing public money, it is HMRC's financial objective to recover the full cost of each service, unless otherwise stated. Disclosed in the table for each service is the income received by HMRC, the full cost incurred by HMRC, the amount of any surplus or deficit between the income received and the full cost and the corresponding figures for the prior year. Surpluses and deficits can arise for a number of reasons, including demand fluctuations or variations to HMRC costs during the year.

Figure 66: Analysis of income where full cost exceeds £1 million¹

	2015-16 £m			2014-15 £m		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
Fees and charges raised by the Valuation Office Agency (VOA)						
Non-Domestic Rates and Council Tax	169.5	169.3	0.2	150.9	150.4	0.5
Statutory Valuation Team	11.8	11.2	0.6	11.2	10.7	0.5
Property Services	15.1	15.3	(0.2)	16.0	15.7	0.3
Local Housing Allowance and Fair Rents	11.6	11.7	(0.1)	15.0	14.9	0.1
Fees and charges raised by the core department						
Civil Service Resourcing ²	63.0	62.0	1.0	42.2	42.0	0.2
UK Border Agency	20.2	20.2	–	19.9	19.9	–
Bank Charges via GBS	17.1	15.1	2.0	15.8	13.8	2.0
Single Tier Pension Reform	14.0	14.0	–	4.1	4.1	–
National Minimum Wage	12.1	11.9	0.2	8.8	8.8	–
Anti-Money Laundering Regime	9.7	8.8	0.9	8.7	8.2	0.5
Scotland Act Implementation ³	8.7	8.7	–	2.5	2.5	–
Collection of Student Loans	6.4	6.4	–	6.6	6.6	–
Accommodation recharges	4.6	4.8	(0.2)	4.5	4.5	–
DWP Welfare Reform Agenda	1.6	1.6	–	2.3	2.3	–
Services provided to VOA	1.7	1.7	–	3.3	3.2	0.1
Statutory Shared Parental Pay and Leave	0.5	0.5	–	1.1	1.2	(0.1)
Total	367.6	363.2	4.4	312.9	308.8	4.1

¹ These disclosures have been subject to external audit.

² Civil Service Resourcing (CSR), which HMRC hosts on behalf of the Civil Service, is the professional resourcing and talent management service for the Civil Service, administering a centralised process across the end-to-end scope of resourcing activities, including recruitment, redeployment and the Civil Service Fast Stream. CSR is expected to expand significantly over the course of the upcoming financial years as it takes on the responsibility for all fast stream recruitment.

³ The Scotland Act 2012 gives the Scottish Parliament the power to set a rate of income tax from 2016-17 onwards. This tax will be accounted for within HMRC's Trust Statement. HMRC has incurred costs in establishing systems to identify these costs which are included in the Resource Accounts. Implementation income covers recovery of charges from the Scottish Government in respect of additional costs incurred by HMRC, of £8.4 million for the Scottish Rate of Income Tax (SRIT), £0.2 million for Stamp Duty Land Tax and £0.1 million for Scotland Programme Office. The SRIT element of the income consists of £1.3 million staff costs, £5.4 million IT costs and £1.7 million other costs. The cumulative total of SRIT income since 2013-14 is £10.9 million.

Remote contingent liabilities

These are remotely possible obligations that arise from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within HMRC's control.

The department has no quantifiable remote contingent liabilities.

Managing Public Money requires that the full potential costs of indemnified contracts be reported to Parliament. These costs are reproduced in the table below.

Figure 67: Indemnities

	1 April 2015 £m	Increase in year £m	Liabilities crystallised in year £m	Obligation expired in year £m	31 March 2016 £m	Amount reported to Parliament by departmental minute £m
Indemnities	7.9	0.7	–	(5.0)	3.6	–

The department has not entered into any guarantee of costs arrangements, where likelihood of realisation is considered remote, issued any letters of comfort, nor entered into any unquantifiable contingent liabilities.

Jon Thompson
Accounting Officer
6 July 2016

The Trust Statement audit report of the Comptroller and Auditor General to the House of Commons

I have audited HM Revenue & Customs' (the Department's) Trust Statement for the year ended 31 March 2016 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Foreword and Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Department and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the HM Revenue & Customs Trust Statement gives a true and fair view of the state of affairs of the collection and settlement of taxes, duties, National Insurance Contributions, Student Loan recoveries, fines, penalties and related expenditures and disbursements administered by the Department as at 31 March 2016 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Performance and Accountability sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- 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; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

Further details arising from my examination can be found in my Report on the 2015-16 Accounts of HM Revenue & Customs, under Section 2 of the Exchequer and Audit Departments Act 1921, on page R1.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

12 July 2016

The Resource Accounts: Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of HM Revenue & Customs' Departmental Group for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and the Valuation Office Agency. The Departmental Group consists of the Department and one body (Revenue & Customs Digital Technology Services Limited) designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2015. The financial statements comprise: the Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Foreword and Principal Accounting Officer's Responsibilities to the Financial Statements, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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 certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

Note 4 to the Resource Accounts records personal tax credit expenditure of £28.5 billion in 2015-16. Where error and fraud result in over or underpayment of personal tax credits, the transactions do not conform with the primary legislation which specifies the entitlement criteria for personal tax credits and the method used to calculate the amount to be paid, and the expenditure is irregular. In forming my opinion I have considered the materiality of the level of over and under payments in personal tax credits expenditure, in line with the scope of my audit.

The Department estimates that in 2014-15, error and fraud resulted in overpayments of between £1,260 million and £1,480 million (4.4% to 5.2%) and underpayments of between £170 million and £220 million (0.6% to 0.8%) of personal tax credits expenditure. The Department's best estimate of the level of fraud and error in personal tax credits relate to the prior year due to the time taken to finalise awards. There is no evidence to demonstrate a lower estimate for overpayments and underpayments attributable to error and fraud in 2015-16, and so I have used the 2014-15 figures to inform my opinion, as the best estimate of the level of fraud and error in 2015-16 personal tax credits expenditure. I consider this level of error and fraud to be material to my opinion on the accounts.

I have therefore qualified my audit opinion on the regularity of personal tax credits expenditure because of:

- the estimated level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the estimated level of over and under payments in personal tax credits expenditure which do not conform with the relevant authorities.

Qualified opinion on regularity

In my opinion, except for the estimated level of error and fraud in personal tax credits expenditure, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the departmental group's affairs as at 31 March 2016 and of its net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance, Accountability, Remuneration and Staff Report and Parliamentary Accountability sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and Parliamentary Accountability Disclosures to be audited 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; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have prepared a Report on HM Revenue & Customs 2015-16 Accounts, under Section 2 of the Exchequer and Audit Departments Act 1921, on page R1. This includes, at paragraphs 4.5 to 4.7, further information on the qualification of my audit opinion on the regularity of personal tax credits expenditure.

Sir Amyas C E Morse
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157-197 Buckingham Palace Road
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12 July 2016