Introduction

1. Audit Scotland is the independent public sector audit agency undertaking the external audit of the majority of public sector bodies in Scotland. We do this on behalf of the Auditor General for Scotland (for the NHS and central government) and the Accounts Commission (for local government).

2. Audit Scotland welcomes the opportunity to contribute to the Committee’s inquiry.

Overall comments

3. Audit Scotland, the Auditor General for Scotland and the Accounts Commission have all made written submissions and/or given oral evidence during the passage of numerous pieces of legislation since the Parliament was established. Our comments are founded in those experiences and from our audit work.

Financial memoranda

4. We have commented on a number of occasions on weaknesses in Financial Memoranda accompanying Bills. For example, as part of the Police reform performance audit we commented on the Financial Memorandum accompanying the Police and Fire Reform (Scotland) Bill. Comments were made in relation to the following three aspects:

   i. The financial memorandum was based on costs and savings published in the Outline Business Case for reform which were widely disputed. The outline business case was never updated to a full business case by the Scottish Government or the police.

   ii. The Scottish Government does not report against the costs and savings outlined in the financial memorandum, particularly between the costs and savings associated with restructuring to a single police service and those which would have occurred regardless of the structure chosen (i.e. through reforming police within the old regional system).

   iii. The Financial Memorandum did not consider the impact of general inflation, pay awards or pay increments.

5. We have also commented in other reports on the quality of financial information presented to Parliament during the scrutiny of legislation including in our report on National concessionary travel published in October 2010
where are key messages included the comment that “Parliament considered the proposals with only limited cost information available. Financial information covered only partial costs for the first two years of the scheme without any details of the long-term cost implications”. Similar points arose when we considered the implementation of free personal care in 2008 although we recognise that this was now some time ago.

**Legislative process – amendment stages**

6. During the passage of some Bills supplementary or amended Financial Memoranda are published which do not always get the same opportunity for consideration by either the main Committee or the Finance Committee for example the Children and Young People (Scotland) Bill.

7. Whilst recognising the difficulties in producing accurate estimates of the financial impact of legislation we believe that it is an essential part of the legislative process that the Parliament is able to consider well prepared Financial Memoranda that consider all aspects of the financial impact of the proposed legislation. We also consider that in most cases it would be beneficial if time were set aside for supplementary or amended Memoranda to be considered and reported on by the same Committee as the initial Memoranda.

8. Amendments are also introduced from time to time that impact on our work, for example audit responsibilities. We are not always informed of such amendments in advance and are therefore not always able to provide timely comment to assist parliament in its scrutiny of such amendments.

**Post legislative scrutiny**

9. The Parliament has considered many pieces of legislation intended to confer benefits set out in Policy Memoranda or Pre legislative consultations. We believe that Parliament should routinely follow up legislation with a review as to how well the legislation has met its intended purposes

10. Such reviews could highlight areas where legislation is working well as well as identify areas where further action, including additional legislation, might be necessary.

**Further information**

11. We hope that you find our comments helpful and should you require any further information please contact:

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**ASSISTANT AUDITOR GENERAL**  
**AUDIT SCOTLAND**  
**21 MARCH 2014**