Dear Graeme,

The Public Audit and Post-Legislative Scrutiny Committee has worked hard this session to build closer links with other committees and Audit Scotland, so that our collective scrutiny of the Scottish Government and public bodies can be improved. In this context, I am forwarding to committee conveners a copy of our response to the interim report of the budget process review group. In particular, I wanted to draw your attention to the following suggestion—

“… the Auditor General is responsible for determining the programme of performance audits. The Auditor General cannot be directed by the Parliament, but must take into account any proposals made by the Parliament. In order to make committees and Audit Scotland more integrated, the Audit Committee intends to write periodically to other committees to ask whether any major, recurring themes have arisen from their scrutiny. The Audit Committee will then highlight suggestions received to the Auditor General, in order to inform her future audits.”

In essence, the key point is that there is scope for greater linkages to be made between the work of committees and the Auditor General. I would therefore be grateful if you could submit to us any ideas, based on your scrutiny to date, that you believe would be worthy of the Auditor General’s consideration.

We will then write to the Auditor General with the collective view of committees, to help inform her planning for future performance audits. To fit in with Audit Scotland’s work cycles, the Committee would be grateful for your response by the end of September 2017.
We are aware that some committees and clerks have informal discussions with Audit Scotland and the Auditor General, and we have no desire to cut across this activity. Rather, our intention is to try to encourage committees to work in a more collegiate manner, to ensure that our combined scrutiny is as effective as possible.

Regards,

Jenny Marra MSP  
Convener of the Committee

Bruce Crawford MSP,  
Convener,  
Finance and Constitution Committee

Public Audit and Post-legislative Scrutiny Committee  
Room T 3.60  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

Direct Tel: (0131) 348 5390  
Email: papls.committee@parliament.scot

11 April 2017

Dear Bruce,

Thank you for providing a copy of the consultation document prepared by the budget process review group.

The Committee has discussed the document and welcomes its focus on developing effective links between the budget process and the audit function provided by Audit Scotland.

Our response focusses on the question: “In what ways can the work of Audit Scotland be used more effectively in supporting a more outcomes based approach to financial scrutiny within the Parliament?”

- No Public Audit Committee has previously taken part in the Parliament’s annual scrutiny of Scottish Government Draft Budgets. However, we welcome the report’s focus on issues such as: performance reporting;
linking spend to outcomes; value for money; longer-term financial planning; etc, as these are all core issues for Audit Scotland and this Committee. The Committee would be willing to contribute, in an appropriate manner, to the future scrutiny of draft budgets. For example, it may be feasible to highlight to the Finance Committee any key, recurring messages that have arisen from the Audit Committee’s scrutiny of Auditor General reports. This may help to inform subject committees’ scrutiny of future draft budgets by highlighting where previous spending has or has not had an impact;

- The consultation document focuses on Audit Scotland performance audits and states that “There may be opportunities for the subject committees to make more use of performance audits”. The Committee welcomes this recommendation – which has been a feature of this session in any case – but makes clear this entails committees working more closely together and ensuring that our scrutiny adds value. We also wish to restate the convention that this Committee always considers Auditor General reports before any other committee;

- The interim report focuses on Audit Scotland’s performance audits, which is legitimate, but we also highlight Audit Scotland’s annual audits of public bodies. These audits comment on bodies’ performance and consider issues such as: are services improving? Is governance effective? As it is increasingly common for subject committees to undertake in-depth scrutiny of public bodies within their remit, including from a financial perspective, annual audits could provide a useful starting point for such work. This issue is also relevant to the review group’s desire to encourage ongoing financial scrutiny;

- Audit Scotland reports help the Parliament and committees to undertake scrutiny of the Scottish Government and public bodies. There are few committees with cross-cutting remits. This creates a potential risk that major cross-cutting Scottish Government initiatives/policies are not fully scrutinised or are considered on a piecemeal basis by other committees. Therefore, there seems to be merit in asking whether Audit Scotland’s reports could take greater account of key, cross-cutting Scottish Government priorities such as preventative spending and the principles established in the Christie Commission report. These are key themes for future committee scrutiny, including financial scrutiny;

- The interim report discusses (paragraph 27 onwards) a potential ‘full year approach’ to budgetary scrutiny. There is mention of financial scrutiny of the Scottish Government’s accounts and a later reference to consolidated

1 These are not scrutinised by the Public Audit and Post-Legislative Scrutiny Committee unless they suggest an issue or problem with the body in question i.e. a section 22 report.
accounts for the whole of the Scottish public sector (paragraph 85). The Audit Committee has considered, for the past three years, Auditor General reports on the Scottish Government’s consolidated accounts. Such accounts could be seen as the culmination of the annual budget cycle. However, little connection has been made between the Audit Committee’s scrutiny of this document, and subject committees’ prior scrutiny of spending proposals. Therefore, the review group could consider how committees could be more joined up in their scrutiny of the budgetary ‘cycle’;

- In general, there may be opportunities for committees’ and Audit Scotland’s work programmes to be more closely integrated, with the aim of improving scrutiny – Audit Scotland and parliamentary committees are both concerned with scrutinising and reporting on the Scottish Government and public bodies, in order to try to improve public services;

- The report notes that the Auditor General is responsible for determining the programme of performance audits. The Auditor General cannot be directed by the Parliament, but must take into account any proposals made by the Parliament. In order to make committees and Audit Scotland more integrated, the Audit Committee intends to write periodically to other committees to ask whether any major, recurring themes have arisen from their scrutiny. The Audit Committee will then highlight suggestions received to the Auditor General, in order to inform her future audits;

- Audit Scotland reports on a particular topic sometimes raise concerns or make recommendations that may be relevant to the wider public sector. This raises the question of whether committees – in undertaking financial or bill scrutiny, for example – could ask the Scottish Government how it has taken account of any relevant messages from audits in developing its policy. The aim would be to try to identify and prevent any financial or governance issues arising at the outset, rather than deal with these retrospectively though a performance audit;

- The Scottish Parliament and its committees hold to account the Scottish Government, not individual local authorities. However, local authorities are responsible for spending a very sizeable proportion of the Scottish budget and have a crucial role to play in delivering key Scottish Government priorities such as closing the education attainment gap. It is therefore vital that committees understand how local authorities are performing collectively, so that they can better hold the Scottish Government to account. We are not clear, however, whether there is a coordinated and consistent approach across committees to undertaking such scrutiny. This may be an issue the review group could discuss further with Audit Scotland and the Accounts Commission.
Regards,

Jenny Marra MSP
Convener of the Committee