

SPCB Supported Bodies Landscape Review Committee
Thursday, 13 March 2025
6th Meeting, 2025 (Session 6)



SPICe briefing: Evidence session six

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Today's meeting

The Committee is continuing its evidence sessions as part of the SPCB supported bodies landscape review. In this session, evidence will be taken from:

- Stephen Boyle, Auditor General for Scotland, Audit Scotland

The purpose of this session is to gain a comprehensive understanding of Audit Scotland's role in relation to SPCB supported bodies. This includes examining the types of audits undertaken, their associated costs, and how these audits support effective scrutiny.

The Committee has previously heard from:

30 January: The Commissioner for Ethical Standards in Public Life in Scotland and the Standards Commission for Scotland

6 February: The Scottish Public Services Ombudsman.

20 February: The Scottish Information Commissioner and the Scottish Biometrics Commissioner

27 February: The Scottish Human Rights Commissioner and the Children and Young People's Commissioner Scotland

Introduction

The SPCB Supported Body Landscape Review Committee has been established in response to a recommendation in the Finance and Public Administration Committee's (FPAC) report on [Scotland's Commissioner Landscape: A Strategic Approach](#). The FPAC called for a review of the SPCB supported bodies, drawing on the evidence and conclusions set out in its report, and that the review should be carried out by a dedicated Parliamentary committee.

As agreed by motion S6M-15753, this Committee's remit is:

To consider, review and report on the SPCB supported bodies landscape in accordance with the Parliament's resolution of 31 October 2024 and develop a clear strategic framework to underpin and provide coherence and structure to the SPCB supported bodies landscape by the end of June 2025, including:

- (a) creating effective accountability and scrutiny mechanisms,
- (b) formalising strengthened criteria for creating new supported bodies; and
- (c) identifying and addressing any barriers to sharing services and offices.

To inform its inquiry the Committee is holding several evidence sessions with relevant experts including academics and SPCB supported bodies.

Additional background information can be found in the [SPICe briefing](#) from the meeting held on 30 January.

Background

Audit Scotland is a statutory body set up in April 2000 under the [Public Finance and Accountability \(Scotland\) Act 2000 \('2000 Act'\)](#).

In Scotland, the system of public audit is led by the Auditor General for Scotland, Accounts Commissioner, and Audit Scotland. This structure allows for the system of public audit in Scotland to be "independent" and "objective" as stated in [Audit Scotland's Transparency Report 2023/24](#). Additionally, Audit Scotland works with professional regulators, audit and accountancy bodies and private-sector audit firms.

Audit Scotland's budget is drawn from two main sources: fees charged to audited bodies, and funding which is top sliced from the Scottish Consolidated Fund.

In [2023/24 the funding breakdown](#) was:

- £23.4 million audit fees and other income
- £15.2 million Scottish Consolidated Fund

The Scottish Commission for Public Audit (SCPA) is responsible for examining and reporting to Parliament on these proposals to support its wider scrutiny of the overall Scottish Budget. The SCPA was established under the 2000 Act and is composed of five MSPs but is not a parliamentary committee. It usually meets formally twice a year to consider and report on Audit Scotland's budget bid and to consider its annual report, as well as holding informal meetings in-year. Its next informal discussion will take place in June and is expected to focus on the future five-year auditing cycle¹.

The Auditor General and Audit Scotland give evidence on their reports and briefings to the Public Audit Committee regularly (almost weekly) and thereafter to other committees based on subject area. Their reports also have prominence in the Chamber, with questions regularly being asked of the First Minister and Scottish Minister on their findings.

Audits

Audit Scotland's work is primarily focused around financial and performance audits of public bodies and the management of public services, policies and major projects. Audit Services Group within Audit Scotland [conducts the audits of around 120 public sector bodies](#) in Scotland.

[The Auditor General and Accounts Commission appoint](#) Audit Scotland staff in the Audit Services Group to undertake most of the annual audits of public bodies across Scotland. They appoint private firms to carry out the remaining annual audits.

Audits include:

- an annual audit plan
- an interim report
- an annual audit report
- any other reports specified in the audit plan.

All audit outputs are published online "unless there is good reason not to" and final versions are published after they have been considered by "relevant committees in audited bodies and after the laying of certain accounts in Parliament".

In 2023/24, Audit Scotland [audited 228 accounts](#).

Governance

Audit Scotland's governance includes:

- **Audit Scotland Board:** sets and monitors the organisation's strategic direction, approves the Audit Quality Framework.
- **The Audit Committee:** provides assurance on arrangements of monitoring and reporting, considers and recommend approval of reports to the board.

¹ [Audit Scotland Budget Proposal for 2025/26](#)

- **Remuneration and Human Resources Committee:** sets and reviews the main terms and conditions for Audit Scotland staff.
- **Quality and Ethics Committee:** promotes ethical standards through compliance with professional standards.

Theme One: Current Model

The current high-level framework for annual audits is set out in the [Code of Audit Practice \(2021\)](#) approved by the Auditor General and the Accounts Commission. It sets out the responsibilities, principles and scope, the integrated approach and the responsibilities and statutory duties of the auditors.

The written submission from the Auditor General for Scotland (AGS) explains:

“An annual audit report is published about each SPCB supported body. The audits of these bodies are carried out under the same auditing standards as any other public sector body, with a focus on governance and financial statements, particularly compliance with relevant regulations and standards.

The current SPCB supported bodies are all categorised as [‘less complex bodies’](#) and the scope of the wider audit work for these may focus on review of the Annual Governance Statement, the financial sustainability of the body and the services that they deliver over the medium to longer term. Annual audit reports may also offer high-level commentary on, for example, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.”

Additionally, when using an alternative approach for a less complex body auditors are required to consider whether there are any audit risks or particular risks to the entity or public interest matters which would make it inappropriate to consider it a less complex body.

In evidence, SPCB supported bodies highlighted several themes relating to current audit practice:

- Rosemary Agnew, Scottish Public Service Ombudsman (SPSO) suggested the fees for audits are disproportionate to the accounts and budgets.
- Nicola Killean, Children and Young People’s Commissioner Scotland stated that recommendations provided during the audit can be generic.
- David Hamilton, Scottish Information Commissioner shared that the work required from smaller organisations for an audit is disproportionate compared to audits on larger organisations.

Theme Two: Costs and fees

The Audit Scotland fee strategy is based on two key principles laid out in the [2025 Approach to Setting Audit Fees Report](#):

1. “Audit fees should be set with the objective of recovering the full cost of audit work in each sector.
2. The cost of the audit should not depend on the identity or location of the auditor.”

Fees are set for all local government audit work and the costs of annual audit work in the NHS, central government, Scottish Water and further education colleges.

Their other work does not attract fees including:

- Annual audits of the central government that Audit Scotland cannot charge for
- Performance audits within central government, further education, NHS and Scottish Water
- Supporting Parliament including committees, the National Fraud Initiative and the costs of the Auditor General, Accounts Commission and Audit Scotland Board.

Audit Scotland sets the expected fee annually for each audit with the assumption that the body is well functioning. Auditors then agree the fee within these parameters and Audit Scotland invoices audited bodies for audit fees and pays auditors for their work.

Audit fees are reviewed and adjusted annually to reflect changes in salary costs for Audit Scotland staff and changes to the scope of audits due to changing professional standards to a change in bodies.

Additionally, a sectoral cap adjustment is the adjustment to apply an equal price movement to all bodies within each sector.

In some cases, the auditor and audited body may agree that a permanent reduction in audit cost is appropriate. If this occurs, Audit Scotland will consider the proposal taking account of any potential impact on audit quality.

The remaining components of the fee are adjusted based on changes to Audit Scotland's budget each year.

The audit fees for the current SPCB supported bodies for the 2023/24 audits range from £3,950 to £26,180 making up between 0.37% and 2.52% of their budgets. This is a significantly higher percentage than the SPCB audit fees which sit at 0.06% of their total budget.

Organisation	2023/24 Fee	2023/24 Budget	Fee as a percentage of budget
Scottish Public Services Ombudsman	£26,180	£7,117,000	0.37%
Scottish Information Commissioner	£23,870	£2,232,000	1.07%
Commissioner for Ethical Standards in Public Life in Scotland	£18,890	£1,606,000	1.18%
Children and Young People's Commissioner Scotland	£23,870	£1,591,000	1.50%
Scottish Human Rights Commission	£20,070	£1,378,000	1.46%
Scottish Biometrics Commissioner	£11,190	£444,000	2.52%
Standards Commission for Scotland	£3,950	£338,000	1.17%
Total: SPCB Supported Bodies	£128,020	£14,706,000	0.87%
Scottish Parliament Corporate Body	£81,200	£134,200,000	0.06%

During evidence, several SPCB supported bodies highlighted they felt that audits and their pricing could be better adapted to individual organisations.

Rosemary Agnew, SPSO, stated:

“A lot of money is being spent on audit, but to have one audit is maybe not the only way of looking at the matter. Another way would be the audit costing model. I note, to reflect on the Scottish Information Commissioner in particular, that it is a small organisation, so often the amount that is to be paid is disproportionate to the accounts and budgets. I would look at whether there could be a discussion with Audit Scotland about the auditing model.”

Theme Three: Alternative audit models

In evidence with SPCB supported bodies, several themes were discussed in relation to the current model of audit. These were considered alongside the issue of fees which are discussed in Theme Two.

Rosemary Agnew, SPSO, discussed the **layers of audit** present in the current model:

“Individually, we are audited, then the SPCB looks at what we are doing, then the Finance and Public Administration Committee looks at it, then the Parliament’s accounts are audited. A lot of money is being spent on audit.”

Disproportionality was also highlighted by officeholders. David Hamilton, Scottish Information Commissioner, described the audit process for his relatively small SPCB supported body, as “a never-ending cycle of constant audit for us, with preparation of reporting and so on. I have, probably, a full-time member of staff just reporting on all the different functions.”

He explained further that this is part due to the audit process being the same for the Scottish Information Commissioner as all public authorities despite the large size differential.

He summarised stating: “My plea is that we examine that and consider what an appropriate level of accountability would be, taking everything into consideration. It is an important function, but it has to be proportionate.”

Nicole Killean, The Children and Young People’s Commissioner Scotland, also discussed the **need for more specific recommendations** as currently some of the generic recommendations provided are not relevant to SPCB supported bodies.

“As the accountable officer and the head of the organisation, I am juggling the different levels of recommendations with the work that I can see could be developed. On the nature of the recommendations—I have spoken with some of the other officeholders about this—some of them are quite generic, so they are not completely tailored to the organisation. For example, we are all consistently asked to do a medium-term to long-term financial plan. We have a four-year plan, which includes a projected budget. We have a single source of funding, from the Scottish Parliament, and we cannot earn income, so I question the relevance of that type of recommendation, given that there is work involved to deliver such recommendations and that it must be done within a certain timeframe. Is there an opportunity to look at that as part of the review process?”

The SPSO, Rosemary Agnew highlighted the **potential for savings during audits** if the “rules between the office-holders were a bit different”. She expanded on this to suggest that all the accountable officers could go through one audit:

“I think that the question is about the model of how audit is done— whether there should be one audit of all of us and whether we look at the costs that we all pay for individual audit. I think that a single audit could not be achieved without legislative

change, but there is scope for looking at the amount of money that is spent on gaining assurance relative to budget size.”

David Hamilton, Scottish Information Commissioner, also presented a similar suggestion. He discussed exploring if **SPCB supported body audits could be part of the larger parliamentary audit** which he acknowledged would require legislation.

The written submission from the AGS addresses several of the suggestions and concerns raised in earlier evidence sessions explaining:

“We understand as part of the Committee’s considerations there has been discussion about whether there could be efficiencies in terms of the auditing of the bodies, for example by undertaking a single audit of all the bodies, through a merging of finance functions or by tightening the scope of the audit work.

Annual audits are of an organisation as an entity, its financial management, governance and compliance with statutory and regulatory requirements - the audits are not of individual functions. Although the audits of the SPCB supported bodies are relatively small, there is a minimum requirement for audit, regardless of the size of the body.

To undertake annual audit processes differently, for example to audit a group of SPCB supported bodies collectively, would require changes to primary legislation. It would also require detailed consideration of how to ensure clarity and transparency about responsibility and accountability for public finances within such an arrangement.”

Theme Four: Audit Scotland’s role in scrutiny

In the written submission from the AGS, he suggests that the Committee consider the [2007 Crerar review](#) on the independent review of regulation, audit, inspection and complaints handling of public services in Scotland when considering the role of scrutiny in relation to the SPCB supported bodies.

The AGS highlights that the 2007 Crerar review states “The unique role of external scrutiny is to provide independent assurance that services are well-managed, safe and fit-for-purpose, and that public money is being used properly. The five guiding principles for external scrutiny should be public focus, independence, proportionality, transparency and accountability. These should be adopted by Ministers, the Parliament and other stakeholders.”

Currently, the AGS contributes to the scrutiny of SPCB supported bodies through public reporting of annual audits.

The Biometrics Commissioner also highlighted the role audits could play in Parliamentary scrutiny. The Commissioner suggested that audits be used more heavily in Parliamentary Committee Scrutiny.

“I think that the right time to do that would be between November and March, after the annual report has been laid, because, obviously, if Audit Scotland picks up on any issues, that is an opportunity for the relevant committee to hold us to account.

Further, we are always happy to appear before committees such as this one or the Finance and Public Administration Committee.”

Section 22 Reports

The role and responsibilities of the Auditor General and Audit Scotland are set out in [The Public Finance and Accountability \(Scotland\) Act 2000](#). If matters arise during an audit that the AGS considered significant enough to bring to the attention of parliament, the AGS can then publish a report under [Section 22](#) of the Act. These reports are known as Section 22 reports.

The process for a Section 22 report is completed collaboratively between the auditor, the AGS and Audit Scotland.

- The auditor will highlight any significant issues arising during the audit to the public body and AGS
- The auditor submit the completed annual audit report to the AGS which will include comments on the significant issues.
- The AGS will work with the auditor and make a judgement on whether Audit Scotland should prepare a Section 22 report.
- The auditor and Audit Scotland draft the Section 22 report.
- The auditor checks with the public body that the content of the draft report is factually accurate
- the Auditor General signs off the final draft.
- The Scottish Government then arranges for the accounts and the final Section 22 report to be laid before the Scottish Parliament
- The Auditor General briefs the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee on the Section 22 report.
- The Committee may decide to take evidence from the relevant Accountable Officer

The issues in Section 22 reports are based on the issues raised in an audit and can therefore vary. However, the AGS will consider the [following factors as laid out in the Audit Scotland Section 22 reports leaflet](#):

- **“The auditor’s opinion on the accounts:** eg the auditor may have highlighted particular issues by qualifying their opinion on the financial statements or adding an ‘emphasis of matter’ paragraph
- **materiality:** ie the significance of the issue in terms of its value or its impact

- **relevance:** eg whether the issue is relevant elsewhere within the public body or across public bodies, whether the issue is of future relevance in that other bodies may have similar problems or take a similar course of action
- **timing:** eg how long it has been since the matter arose or whether the issue is a continuing concern
- **reporting,** eg whether the issue has been reported in public before
- **public interest:** ie the issue is of concern and benefit to the public, and reporting or updating serves the interests of the public.”

The written submission from the AGS explains that there was a [Section 22 report](#) following the 2021/22 audit report on [the Commissioner for ethical standards in public life in Scotland](#) however “Section 22 reports on SPCB bodies are rare, with this being the only example in the past 10 years.”

Theme Five: Outcomes and reporting

The written submission from Audit Scotland discusses the role SPCB supported bodies play in achieving outcomes stating:

“In relation to the Committee’s consideration of outcomes, where new bodies are created, including any SPCB supported bodies, it is important that intended outcomes are considered both at point of creation and by the bodies themselves once operational. All public bodies should be clear about their role in planning, contributing to, measuring, and reporting outcomes.”

The written statement also highlights the importance of linking these outcomes to financial decisions and the evidence needed to appropriately report and measure:

“We would highlight to the Committee the AGS’ 2019 briefing [Planning for Outcomes](#) which sets out a range of factors in setting and measuring outcomes including for example, that in establishing outcome measures, a clear assessment of gaps in evidence is needed. It also sets out that financial reporting should show the link between financial decisions and outcomes and, scrutiny must consider how service and financial pressures affect outcomes.”

Previous evidence taken by the Committee also supports SPCB supported bodies having an improved connection between their outcomes and their budget. Rosemary Agnew, Scottish Public Service Ombudsman, stated:

“I am less certain about the challenge or scrutiny that we get in relation to the link between our performance and our budget. For example, coming back to the KPIs, I know that, for the year that we are just coming to the end of, the chances are that we will miss one of our KPIs. We know why that is, but in an accountable-officer type context, we need to be able to say what the reasons were in response to someone saying, “You were given this budget. You did not achieve this KPI. Why?” There are very good reasons—not defensive reasons, just very good reasons. Perhaps we could think differently about that side of it. Obviously, we have to submit our budget bids and contingency fund bids and explain why we need the money.”

**Kelly Eagle, Senior Researcher, SPICe Research
March 2025**

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Annexe A: Written submission from the Auditor General for Scotland

28 February 2025

SPCB Supported Bodies Landscape Review Committee

Background

1. This paper provides a written response to the SPCB Supported Bodies Landscape Review Committee by Audit Scotland, on behalf of the Auditor General for Scotland (AGS) in advance of giving evidence to the Committee, on the 13 March 2025.
2. In compiling this response, we have considered the Committee's remit, to review and develop a framework for SPCB supported bodies including:
 - defining how these bodies can be held to account and scrutinised
 - setting stronger criteria for creating new supported bodies
 - identifying how services and offices can be shared between these bodies

Holding to account and scrutiny

3. It would not be appropriate for the AGS to recommend specific approaches or arrangements for parliamentary scrutiny of the SPCB supported bodies. The Committee may wish to consider the recommendations of the 2007 Crerar review which amongst many relevant points, states 'The unique role of external scrutiny is to provide independent assurance that services are well-managed, safe and fit-for-purpose, and that public money is being used properly. The five guiding principles for external scrutiny should be public focus, independence, proportionality, transparency and accountability. These should be adopted by Ministers, the Parliament and other stakeholders'.
4. The AGS currently contributes to the scrutiny of these supported bodies through public reporting of annual audits. The core of the work for the AGS is the annual audit process that appointed auditors undertake on his behalf. The audits are of single bodies' finances and wider audit issues reflecting the legislative responsibilities of the AGS under the Scotland Act 1998 and the Public Finance and Accountability (Scotland) Act 2000.
5. An annual audit report is published about each SPCB supported body. The audits of these bodies are carried out under the same auditing standards as any other public sector body, with a focus on governance and financial statements, particularly compliance with relevant regulations and standards. The current SPSO supported bodies are all categorised as 'less complex bodies' and the scope of the wider audit work for these may focus on review of the Annual Governance Statement, the financial sustainability of the body and the services that it delivers over the medium to longer term. Annual audit reports may also

offer high-level commentary on, for example, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

6. Where the AGS identifies there is an issue highlighted in the audit - for any public body within his remit - which he considers significant enough to bring it to Parliament's attention, he can also publish a report under s22 of the Public Finance and Accountability (Scotland) Act 2000. For example, the 2021/22 s22 audit report on [the Commissioner for ethical standards in public life in Scotland](#)). Section 22 reports on SPCB bodies are rare, with this being the only example in the past 10 years.
7. We understand as part of the Committee's considerations there has been discussion about whether there could be efficiencies in terms of the auditing of the bodies, for example by undertaking a single audit of all the bodies, through a merging of finance functions or by tightening the scope of the audit work. Annual audits are of an organisation as an entity, its financial management, governance and compliance with statutory and regulatory requirements - the audits are not of individual functions. Although the audits of the SPCB supported bodies are relatively small, there is a minimum requirement for audit, regardless of the size of the body.
8. To undertake annual audit processes differently, for example to audit a group of SPCB supported bodies collectively, would require changes to primary legislation. It would also require detailed consideration of how to ensure clarity and transparency about responsibility and accountability for public finances within such an arrangement.
9. In relation to the Committee's consideration of outcomes, where new bodies are created, including any SPCB supported bodies, it is important that intended outcomes are considered both at point of creation and by the bodies themselves once operational. All public bodies should be clear about their role in planning, contributing to, measuring, and reporting outcomes.
10. We would highlight to the Committee the AGS' 2019 briefing [Planning for Outcomes](#) which sets out a range of factors in setting and measuring outcomes including for example, that in establishing outcome measures, a clear assessment of gaps in evidence is needed. It also sets out that financial reporting should show the link between financial decisions and outcomes and, scrutiny must consider how service and financial pressures affect outcomes. In the AGS' 2021 blog: [Christie 10-years on, he emphasised the importance of driving a move to more meaningful outcome measures](#): 'Christie challenged us to make a shift towards prevention and deliver improved long-term outcomes for individuals and communities...Changing how we report and assess performance and how we help the Parliament and the public hold leaders to account won't, on its own, deliver the transformational change that Christie highlighted – but it would certainly help'.

Criteria for creating new supported bodies

11. It would not be appropriate for the AGS to comment on the specific rationale for establishing or changing the remit or powers of SPCB supported Commissioners, or to comment on the detail of criteria to make these decisions. These are for the Scottish Parliament and Scottish Government to determine.
12. Any such process should begin with detailed consideration of the need for a new body, its purpose and what gap in arrangements it would meet, the intended impact and outcomes and what the other options to achieve these objectives might be. The criteria should reflect how best to meet public need and balance this with value for money. Another important consideration is how a body will operate in practice, ensuring arrangements that will support good governance. This includes clear measurable and achievable goals; transparency and accountability; and good quality data to support this. In this regard, the AGS supports the use of a clear, transparent framework that includes well-defined criteria, that can be used to support a consistent approach and fully considered decisions about bodies.

Sharing services and offices

13. The AGS has long commented on the need for better cross-organisational working to find ways to work more efficiently and effectively. This includes sharing services, functions, and colocation, where this supports cost efficiency, improved collaborative working, learning and innovation. However, there can be challenges to overcome with these arrangements. For example:
 - Different funding streams can make collaborative planning around such arrangements difficult.
 - Different organisational cultures and priorities can bring friction to shared arrangements.
 - Data sharing, privacy and security can be a risk that needs careful management
14. The Committee may wish to consider the lessons learned from examples of where sharing services and colocation have been part of reform in the public sector. For example, in local government examples of shared services and colocation with other services, the reform of police and fire services and college mergers.
15. Instilling a culture of collaborative leadership to take forward collective aims and outcome objectives is not straightforward. Points of reorganisation and reform are an important opportunity to consider how the arrangements can be best aligned to support this. The detailed considerations of the Committee are a valuable opportunity to reinforce this with this sector of bodies but also contribute to the wider discussion and learning for wider reform and transformation.