

News release

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Auditor General reports on Scottish Government accounts

The Auditor General has found that the Scottish Government produced a sound financial report for 2016/17 and managed its budget effectively, but she has underlined the need for further improvements as new financial powers are introduced.

In her annual review of the Scottish Government's Consolidated Accounts, Caroline Gardner highlights the Scottish Government's good record of financial management and reporting. Her independent audit opinion on the 2016/17 accounts is unqualified.

The Scottish Government managed its overall 2016/17 budget of £33.96 billion well, reporting a small underspend of £85 million against this. For the second year, the Scottish budget included new tax and borrowing powers; £633 million was raised by the Land and Buildings Transactions Tax and Scottish Landfill Tax in 2016/17. This was £38 million less than forecast. The Scottish Government managed this shortfall through underspends in its overall budget.

Governance arrangements changed during the year and the Scottish Government is reviewing their effectiveness. Success depends on the culture and behaviours of those involved to ensure robust scrutiny, challenge and transparency.

The Auditor General has recommended a number of areas that the Scottish Government can improve, to help the Parliament and the public in their scrutiny of public finances. These include:

- publishing a consolidated account for the whole public sector to outline total assets, liabilities, borrowing and investments;
- introducing a medium-term financial strategy to outline high-level financial plans for the next five years; and
- finalising policies and principles for using the new borrowing and reserves powers.

Caroline Gardner, Auditor General, said: "The Scottish Government's consolidated accounts are a key component of its accountability to the Parliament and the public.

"The arrival of substantial new financial powers and potential changes arising from Brexit mean it is critical that it continues to strengthen its approach to public financial management and reporting. I hope my recommendations will support that vital work moving forward."

Other significant audit matters in today's report include:

- The financial impact and management of the continued risks associated with the Common Agricultural Policy Futures Programme, established to implement reforms and deliver financial aid to farmers and rural businesses.
- The outcomes following closure of the European Structural Funds 2007-13 programmes which provide financial assistance in areas such as transport links and business growth. The 2016/17 accounts show that the Scottish Government needs to repay £31 million to the European Commission representing grant payments received over and above expenditure declared to the EC. Project sponsors were also overpaid £16 million as a result of errors and subsequent application of penalties. It's unclear whether the Scottish Government will fully recover these debts.

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Notes to editors

1. This is the third year that the Auditor General has prepared a report on the Scottish Government Consolidated Accounts under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the Auditor General to bring to the Parliament and the public's attention matters of public interest related to the financial statements of public bodies.

2. The independent audit opinion on the 2016/17 Consolidated Accounts is unqualified. This means that they show a true and fair picture, follow accounting standards and that the income and expenditure for the year is lawful.

3. The Consolidated Accounts show that total net expenditure during 2016/17 was £33,870 million, reporting a small underspend of 0.25 per cent (£85 million) against its budget of £33,955 million. The resource budget was underspent by £28 million (0.1 per cent) and capital by £57 million (2.8 per cent).

4. The amount raised from Land and Buildings Transactions Tax and Scottish Landfill Tax in 2016/17 was £633 million, £38 million less than the forecast of £671 million included as part of the budget. As with any forecast, actual amounts are likely to differ from those predicted. The Scottish Government managed this shortfall through underspends in its overall budget. The 2016/17 budget also included £4,900 million from the Scottish Rate of Income Tax based on a forecast by the Office for Budget Responsibility. This amount was removed from the block grant and added back to reflect forecast tax income collected by HMRC from Scottish taxpayers.

5. Further details on the progress with the Common Agricultural Policy (CAP) Futures Programme are available in the Auditor General's latest report published in May 2017, [here](#).

6. Audit Scotland reported on Managing Scotland's new financial powers in March 2017. This and all previous reports are available [here](#).

7. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
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