

News release

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Auditor General reports on Scottish Government accounts

The Auditor General has welcomed steps taken by the Scottish Government to strengthen transparency of public finances, but says there's more work to do as new financial powers are introduced at a time of uncertainty created by the EU referendum result.

The Scottish Budget for 2015/16 reflected new tax and borrowing powers for the first time. With further powers flowing from the Scotland Act 2016, it's increasingly important that the Scottish Parliament and the public have comprehensive, transparent and timely information on how public money is used and what has been achieved.

In her report on the Scottish Government's consolidated accounts, the Auditor General notes that progress has been made to improve reporting of the Scottish Government's budget and spending decisions. Her independent audit opinion on the 2015/16 accounts is unqualified.

She has identified a number of areas for further improvement to support the Parliament's scrutiny of the draft budget and new powers. These include making it clearer what spending aims to achieve and how this contributes to the Scottish Government's overall purpose and outcomes.

The report highlights risks to the management and control of European funding which, for the foreseeable future, will continue to be an important income stream for the Scottish Government.

Other significant matters from the 2015/16 audit include:

- The continuing risks in the delivery of the Common Agricultural Policy Futures Programme, established to implement reforms and deliver financial support to farmers and rural businesses.
- The need to ensure that management of European Structural Funds, which provide financial assistance in areas such as transport links and business growth, comply fully with European Commission requirements. During 2015/16, three of the four programmes managed by the Scottish Government were suspended by the Commission. While the Scottish Government has taken action to have the suspensions lifted, the accounts show that it may not be able to recover an estimated £14 million in grant funding.

The Office for National Statistics' decision to classify the Aberdeen Western Peripheral Route as a public sector project and the Scottish Government's decision to adopt a similar treatment for three further projects reduced its capital spending power in 2015/16, though this was successfully managed within overall budget limits.

Caroline Gardner said: "The construction and management of the Scottish budget is becoming increasingly complex and the Scottish Government has established a strong base to address the substantial changes and uncertainty affecting public finances.

"While recent developments show the Scottish Government is heading in the right direction, there's much still to do to ensure that the Scottish Parliament, and the public, have the information they need to fully understand and scrutinise the implementation of the new powers, especially the new tax and spending choices."

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Notes to editors

1. This is the second 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 2015/16 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 accounts show that total net expenditure during the year was £33,308 million, £392 million less than budget. Exhibit 1 shows the resource budget was underspent by £357 million (1.1 per cent) and capital by £35 million (1.8 per cent).
4. Following the ONS decision to classify the Aberdeen Western Peripheral Route as a public sector project, the Scottish Government adopted a similar budget treatment for three further projects. This resulted in charges against budget of £109 million for 2014/15 and £283 million for 2015/16 which had to be managed within existing budgets. This was not anticipated in the initial Scottish budget for 2015/16. Consequently, initial spending plans had to be modified to accommodate £392 million of NPD expenditure within overall budget limits.
5. The initial budget for 2015/16 was based on forecasted revenues of £381 million from LBTT and £117 million from SLfT, a total of £498 million. The actual amounts raised during the year were £425 million and £147 million respectively, £74 million above the amount originally anticipated in January 2015. More detail is available in the report at paragraphs 23-25.
6. Further details on the difficulties surrounding the Common Agricultural Policy (CAP) Futures Programme are available in the Auditor General's report published in May 2016, [here](#).
7. Audit Scotland published a [briefing paper](#) on the key issues for Scotland's public finances flowing from the new financial powers earlier this week. Its [audit on Managing Scotland's new financial powers](#) will be published in spring 2017.
8. 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
 - Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.