

Permanent Secretary

John-Paul Marks



E: permanentsecretary@gov.scot

Richard Leonard
Convener, Public Audit Committee

By email: publicaudit.committee@parliament.scot

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Dear Convener,

I look forward to seeing you and your Committee on 18 January 2024 to discuss the Scottish Government's 2022-23 Accounts.

In advance, I thought it might be helpful if I set out some detail on the latest position with regards the Scottish Public Sector Accounts and, in particular, how we intend to take a revised proposal forward with Audit Scotland this year.

We can cover this further of course at the Committee, and I would also be very happy to meet you separately if helpful as we try and get this onto a feasible track which delivers value. Like you, I want to improve transparency, accountability and value for money, preferably using data that is more current, to help inform near-term decision-making.

As you are already aware, we agreed with Audit Scotland to take forward a two phase approach. Firstly, to produce additional accounts information at the level of the Scottish Budget: this builds on the scope of the Consolidated Accounts and complements the separate annual Final Outturn report to Parliament by bringing together the Scottish Government bodies, the non-Ministerial bodies and bodies directly funded by the Scottish Budget, and by bringing in the borrowing to date via the Scottish Consolidated Fund. We have produced this information for the last two years now and shared this with Audit Scotland. We believe that this information is meaningful given it consolidates the financial information for all bodies for which Ministers are statutorily responsible in the Scottish Budget (listed at Annex A). Audit Scotland are still considering this information, and we stand ready to discuss how it could be made publicly available, and subject to further scrutiny by your Committee as you wish. We intend to produce the same information in respect of financial year 2022-23 once all the relevant annual accounts have been finalised, and the final outturn position settled. So this is a good start and I hope we will agree to publish this in future.

Phase 2 of the Scottish Public Sector Accounts was a significant next step and undertaking, and would have added all public bodies and incorporated financial information of all Scottish Local Authorities. The feasibility of this element of the consolidation relied on the availability of reporting from the UK Whole of Government Accounts process (UK WGA) in respect of the Scottish public bodies and Local Authorities who contribute to it. Although the annual accounts of these Public Bodies and Councils are all laid and published, full accounting information is not held centrally by the Scottish Government to produce that consolidated view. We agreed this approach with Audit Scotland, and as indicated in our session last year, hoped to build on the UK WGA process to avoid placing additional reporting burdens on the Public Bodies and Councils, but we have been unable to progress phase 2 due to a set of limitations beyond our control.

The UK WGA programme continues to face delays therefore the data is not available for us to draw down on. The UK Government expects the 2021-22 Whole of Government Accounts to be published in March 2024 and is currently collecting information for the 2022-23 WGA to be published in November 2024. However, in addition to the delays in financial reporting and audit, as WGA is not a statutory duty for bodies in Scotland, given the pressures of recovering services following the pandemic, WGA returns have fallen considerably, meaning that the completeness of the delayed information is also a concern. This delayed reporting is a UK-wide issue, posing considerable risk to the recovery plan timelines and to the audit opinion on accounts produced. There is ongoing dialogue with public audit agencies across the UK on plans to address this and we will continue to engage positively with Audit Scotland on ways in which timelines could be advanced across the sector in Scotland.

Also, as Audit Scotland mentioned at Committee, HM Treasury is also raising the threshold for inclusion which will impact on the number of Scottish Bodies included in UK WGA.

For these reasons it has become clear that it is not feasible to complete the Scottish Public Sector Accounts in a form which would add value as originally intended, given incomplete information which is not timely. For the Scottish Government to develop Scotland specific processes and host its own system to replicate UK WGA it would come at a significant cost and place a significant additional burden on bodies. I am also concerned by the cost and value of the out of date data, adding limited value to current scrutiny, decision-making and the running of Government, given data already available through accountability, budget and Spending Review processes.

As such my officials and Audit Scotland have agreed to try and develop further financial information that would aid transparency, whether that be in relation to budgets or accounts. A revised proposal has been developed and shared with Audit Scotland that seeks to identify both a feasible and proportionate approach to producing additional Scottish Public Sector financial information. This builds on discussions with Audit Scotland through the year and will be considered in more detail with Audit Scotland as part of a wider planning workshop taking place today. In summary, the proposal seeks to produce a periodic snapshot of Scotland's public sector assets and liabilities, information that, while already publicly available through individual accounts, is not currently presented in a consolidated view. Such information could improve a strategic view of the public sector in Scotland; and that might help improve transparency and scrutiny of decision making.

We will test this proposal carefully with Audit Scotland and I would plan to write again to you later this year setting out the agreed way forward. It is important that both government and Audit Scotland provide the Committee with assurances that this is the most sensible way to proceed, for your scrutiny and consideration.

Both the stage 2 product and the processes we will need to put in place to collect relevant data could change over time and that will be part of the discussion with Audit Scotland. We will also continue to liaise with UK WGA processes and to explore when and where that route could support what we want to do.

I hope this letter is helpful in providing the latest, full picture on this issue; and I hope we can make some progress on a process which could improve our strategic view of the public sector in Scotland and contribute to our shared commitments around transparency, accountability and value for money.

I look forward to any questions you may have in the meantime when we meet next week, and I would be happy to meet separately too if helpful to go through the detail with you further, as I appreciate this is an important matter.

Best wishes,

JP Marks

Permanent Secretary to the Scottish Government

Public Bodies funded directly by the Scottish Budget

Scottish Government Consolidated Accounts

Finance and Economy Portfolio

Executive Agencies: [Scottish Public Pensions Agency](#), [Accountant in Bankruptcy](#)

Health and Social Care Portfolio

Other Consolidated Bodies: [The NHS Bodies in Scotland](#), [Mental Welfare Commission](#)

Education and Skills Portfolio

Executive Agencies: [Disclosure Scotland](#), [Education Scotland](#), [Student Awards Agency Scotland](#)

Justice and Veterans Portfolio

Executive Agency: [Scottish Prison Service](#)

Social Justice, Housing and Local Government Portfolio

Executive Agency: [Social Security Scotland](#)

Net Zero, Environment and Transport Portfolio

Executive Agencies: [Transport Scotland](#), [Scottish Forestry](#)

Rural Affairs and Islands Portfolio

Constitution, External Affairs and Culture Portfolio

Deputy First Minister and Covid Recovery

Other Consolidated: The Crown Office and Procurator Fiscal Service

Bodies: ([Crown Office & Procurator Fiscal Service](#))

Non Ministerial bodies

Environmental Standards Scotland

Food Standards Scotland

National Records of Scotland

NHS Pension Schemes

Teachers Pension Scheme

Office of the Scottish Charity Regulator

Registers of Scotland

Revenue Scotland

Scottish Courts and Tribunal Service

Scottish Fiscal Commission

Scottish Housing Regulator

Directly Funded bodies outwith the Scottish Administration

Scottish Parliament Corporate Body

Audit Scotland

Notes:

1. Other public bodies (such as executive NDPBs) are funded by the Scottish Budget and are self-accounting.
2. The latest annual Outturn report to Parliament is 2021-22. ([Final Outturn Report for the Scottish Budget 2021-22](#))
3. The separate annual accounts of the Scottish Consolidated Fund would also be included in a “stage 1 report”, as would the borrowing to date by Scottish Ministers.