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## Public Audit Committee

# Annual Report of the Public Audit Committee 2023-24



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# Public Audit Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

- (a) any accounts laid before the Parliament;
- (b) any report laid before or made to the Parliament by the Auditor General for Scotland; and
- (c) any other document laid before the Parliament, or referred to it by the Parliamentary Bureau or by the Auditor General for Scotland, concerning financial control, accounting and auditing in relation to public expenditure.

2. No member of the Scottish Government or junior Scottish Minister may be a member of the Committee and no member who represents a political party which is represented in the Scottish Government may be convener of the Committee.



[publicaudit.committee@parliament.scot](mailto:publicaudit.committee@parliament.scot)



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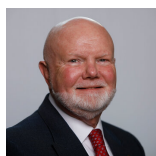
# Committee Membership



**Convener**  
**Richard Leonard**  
Scottish Labour



**Deputy Convener**  
**Jamie Greene**  
Scottish Conservative  
and Unionist Party



**Colin Beattie**  
Scottish National Party



**Graham Simpson**  
Scottish Conservative  
and Unionist Party



**Willie Coffey**  
Scottish National Party

# Introduction

1. This annual report covers the work of the Public Audit Committee (the Committee) between 13 May 2023 to 12 May 2024.
2. The Committee's work is focused on the scrutiny of reports produced by the Auditor General for Scotland (the Auditor General). The Auditor General is responsible for publicly reporting on the expenditure and performance of directorates of the Scottish Government and most other public spending bodies (with the exception of local authorities).
3. The total budget for the Scottish Government and its agencies in 2022/23 was approximately £50 billion<sup>i</sup>. The Committee, through its scrutiny of the Auditor General's reports, considers how this money is spent and the outcomes that have been achieved, holding to account those who are charged with spending public finances.
4. There have been four occasions where the membership of the Committee has changed during the reporting period—
  - Sharon Dowey MSP – 23 June 2021 to 8 February 2024
  - Jamie Green MSP – 8 February 2024 to present
  - Craig Hoy MSP – 23 June 2021 to 29 June 2023
  - Graham Simpson MSP – 29 June 2023 to present

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<sup>i</sup> From the Scottish Government's website

Public Audit Committee



Source: The Scottish Parliament

# Meetings

- 5. The Committee met thirty-four times in the Parliamentary year. These meetings were held in both public and in private. No meetings were held either completely in public or completely in private.



220

Number of people  
who gave evidence



## Committee work

6. The Committee scrutinised eighteen reports published by the Auditor General during the reporting period. Seven of these were “section 22 reports” which set out issues of concern or interest, highlighted in relation to the audit of accounts of individual public bodies.
7. A further seven reports considered by the Committee were “section 23 reports”, which examine the economy, efficiency and effectiveness of the public sector.
8. Three briefings published by the Auditor General were also considered by the Committee during the reporting period. These shorter reports pull together existing information to summarise key issues and future considerations across a range of topics.
9. The Committee also scrutinised the National Audit Office’s report on the administration of Scottish income tax 2022/23 and the Auditor General’s associated assurance report.
10. A full list of reports and briefings considered by the Committee during the reporting year is as follows:

### **Section 22 reports**

- The 2021/22 audit of Ferguson Marine Port Glasgow (Holdings) Limited
- The 2022/23 audit of NHS Forth Valley
- The 2022/23 audit of the Scottish Government Consolidated Accounts
- The 2022/23 audit of the Scottish Prison Service
- The 2021/22 audit of South Lanarkshire College
- The 2021/22 audit of Scottish Canals
- The 2022/23 audit of the Water Industry Commission in Scotland

### **Section 23 reports**

- New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802
- Adult mental health
- Criminal courts backlog
- Decarbonising heating in homes
- How the Scottish Government is set to deliver climate change goals: Governance and risk management arrangements for net zero targets and adaptation outcomes
- Early learning and childcare: Progress on delivery of the 1,140 hours

expansion

- NHS in Scotland 2023

### **Briefings**

- Investing in Scotland's infrastructure
- National Strategy for Economic Transformation
- Scotland's colleges 2023

### **Other**

- Comptroller and Auditor General (C&AG) National Audit Office report on the Administration of Scottish income tax 2022/23
- Auditor General for Scotland's assurance report on the C&AG's Administration of Scottish income tax 2022/23 report.

11. The Committee took oral evidence from the Auditor General and Audit Scotland on all of these reports and briefings.

## **Adult mental health**

12. The Committee commenced its extended scrutiny of the joint Auditor General and Accounts Commission (AC) section 23 report, Adult mental health, on 28 September 2023, taking evidence from the Auditor General and the AC. The report concluded that accessing adult mental health services in Scotland remains slow and complicated for many people.
13. Following the evidence session with the Auditor General and the AC, the Committee held a series of roundtable evidence sessions to inform its scrutiny of the report. The Committee heard from mental health organisations and charities representing people experiencing or who are at risk of poor mental health. It also heard from stakeholders representing professions and organisations directly responsible for supporting people with their mental health before taking evidence from stakeholders representing public bodies who have a role in addressing some of the key recommendations in the Auditor General/AC report.
14. The Committee then took evidence from the Chief Executive of NHS Scotland and Director-General Health and Social Care, Scottish Government. The Committee published its report on 28 February 2024 and the Scottish Government responded on 24 April 2024. The Committee held a Parliamentary debate on its report on 22 May 2024.
15. The Convener also took part in a Parliament Podcast to discuss some of the key issues raised in the report alongside two witnesses who gave evidence to the Committee; Anne Rowan, the founder of Chris's House and Dr Pavan Srireddy, Vice Chair of the Royal College of Psychiatrists in Scotland. The podcast was recorded at Chris's House in Wishaw.

## Recording the adult mental health podcast at Chris's House, Wishaw



Source: The Scottish Parliament

## The 2022/23 audit of the Scottish Prison Service

16. The Committee took evidence from the Auditor General on the section 22 report on 1 February 2024, drawing on the work of the Session 5 Public Audit and Post-legislative Scrutiny Committee on the 2018/19 audit of the Scottish Prison Service (SPS).
17. The section 22 report highlighted issues relating to the Scottish Courts Custody Prisoner Escorting Services contract managed by SPS and awarded to GEOAmey PECS Ltd (GEOAmey). It also highlighted wider concerns about the projected increases in the prisoner population and the impact this will have on the ageing prison estate.
18. To inform its scrutiny, the Committee took evidence from HM Chief Inspector for Prisons in Scotland and GEOAmey before taking evidence from SPS and the Scottish Government. It also sought written evidence from justice partners and relevant trade unions to establish the impact of the issues raised in the section 22 report.
19. The Committee has agreed to draft a report on its scrutiny of the section 22 report which will be published in summer 2024.

## **The 2022/23 audit of the Water Industry Commission for Scotland**

20. The Auditor General's section 22 report stated that "the financial management and governance issues found at the Commission fall far short of what is expected of a public body".
21. The Committee took evidence on the report from the Auditor General on 8 February 2024, followed by the Scottish Government and the Water Industry Commission for Scotland on 21 March 2024. In scrutinising the report, the Committee sought to establish further details around expenditure that occurred during 2022/23 that required retrospective approval by the Scottish Government's sponsor team. This included approval of expenditure relating to an advanced management course at Harvard Business School in Boston, at a total cost of £77,350. The report also identified widespread issues with the reimbursement process for expenses.
22. Recognising the serious issues raised in the section 22 report and during oral evidence, the Committee has agreed to draft its own report on its scrutiny of this section 22 report.

## **The 2022/23 audit of NHS Forth Valley**

23. The section 22 report highlighted concerns raised by a range of review bodies including Healthcare Improvement Scotland, the National Planning and Performance Oversight Group and NHS Education for Scotland in relation to the governance, leadership and culture of NHS Forth Valley and the progress the board was making to tackle these issues. As a result, NHS Forth Valley has been escalated to Stage 4 of the NHS Scotland: support and intervention framework, which has brought direct formal oversight and co-ordinated engagement from the Scottish Government in the form of an Assurance Board.
24. The Committee took evidence from the Auditor General on the report on 25 January 2024, before taking evidence from NHS Forth Valley on 29 February 2024. The Committee has recently written to the Assurance Board to seek its views on the progress NHS Forth Valley is making in response to the concerns raised by the range of review bodies.

## **The 2022/23 audit of the Scottish Government Consolidated Accounts**

25. The annual section 22 report on the audit of the Scottish Government Consolidated Accounts stated that the Scottish Government responded quickly to the financial pressures of 2022/23 by initiating Emergency Budget Reviews, which enabled the Scottish Government to manage its expenditure in line with spending limits. However, it also reported that reform of the public sector is needed to deal with longer-term financial pressures.

26. The Committee took evidence from the Auditor General on 7 December 2023, followed by the Permanent Secretary to the Scottish Government on 18 January 2024.
27. The section 22 report provides details of the financial support the Scottish Government has made to private companies. As part of its scrutiny of the report, the Committee plans to hold an evidence session with the Scottish Government in late spring on the operation of its Strategic Commercial Assets Division, which is responsible for managing these investments.

## **NHS in Scotland 2023**

28. The annual section 23 report on the NHS in Scotland highlighted that growing demand, operational challenges and increasing costs have added to the financial pressures the NHS was already facing. It further stated that the NHS's longer-term affordability is at risk without reform.
29. During the evidence session with the Auditor General on 21 March 2024, the Committee heard that while the NHS has a range of strategies, plans and policies in place, it has no single overall vision of how health services will look in the future, and that this is hindering the ability of health boards to plan and deliver reform at the scale, pace and ambition that is required.
30. The Committee will take evidence from the Chief Executive of the NHS in Scotland on the section 23 report in June 2024.

## **Scotland's colleges 2023**

31. The briefing reported that risks to the financial sustainability of Scotland's college sector continues to increase, with rising staffing costs cited as being the colleges' biggest financial pressure.
32. The Committee took evidence from the Auditor General on 26 October 2023, followed by a roundtable evidence session on 30 November 2023 with a range of college, student and trade union representatives. The Committee then took evidence from the Scottish Government and the Scottish Funding Council (SFC). Following written information received from the Scottish Government and the SFC, the Committee agreed to close its scrutiny of the report on 25 April 2024 and in doing so, write to the Education, Children and Young People Committee to highlight key issues arising from its scrutiny including financial sustainability, rising staffing costs and the college estate that may be of relevance to its future work on colleges.

## **Decarbonising heat in homes**

33. The Decarbonising heat in homes report stated—

” “Reducing emissions from heating homes is a complex process and involves a range of stakeholders and partners. The Scottish Government is working to create the right conditions to enable households to make the changes needed but faces significant risks. Success hinges on many pillars including raising public awareness, providing appropriate advice and financial support to homeowners, securing public and private finance, and growing supply chain capacity”.

34. The report also highlighted that the Scottish Government spent almost two years building a team to deliver its Heat in Buildings Strategy, which prioritised the development of the regulatory framework needed to deliver the ambitions in the strategy. It further stated that while the Scottish Government has made good progress in establishing programme management arrangements and is getting ready to implement the regulations, it now needs a clear plan of the action it will take to support the large-scale change in how we heat our homes.
35. The Committee took evidence from the Auditor General on the report on 29 February 2024, and then from the Director-General Net Zero, Scottish Government on 28 March 2024.
36. Following these evidence sessions, the Committee agreed to write to the Local Government, Housing and Planning Committee and Net Zero, Energy and Transport Committee to highlight key issues arising from its scrutiny that may be of relevance to their future work, including scrutiny of the proposed Heat in Buildings Bill and the next Climate Change plan. Issues raised by the Committee in its correspondence included governance arrangements, public participation, and skilled workforce gaps.

## **How the Scottish Government is set up to deliver climate change goals: Governance and risk management arrangements for net zero targets and adaptation outcomes**

37. The Committee took evidence from the Auditor General on the section 23 report at its meeting on 18 May 2023. The Committee also took evidence on 29 June 2023 from the Scottish Government on its Major Capital Projects update, focusing on the programmes and projects falling under the “Enabling the transition to Net Zero emissions and environmental sustainability” theme of the Infrastructure Investment Plan. On 7 September 2023, the Committee took evidence from the Scottish Government’s Director-General Net Zero on issues arising from both evidence sessions.
38. At the time of the Committee’s scrutiny, the Net Zero, Energy and Transport (NZET) Committee was in the process of co-ordinating Parliamentary scrutiny of the Scottish Government’s draft Climate Change Plan (CCP) with other subject committees. The Committee therefore wrote to the NZET Committee setting out the key issues arising from the evidence sessions. While scrutiny of the CCP does not fall within the Public Audit Committee’s remit, it was able to contribute to that work

and support Parliamentary scrutiny of the CCP, though its scrutiny of the section 23 report and the Major Capital Projects update.

Stephen Boyle, the Auditor General for Scotland



Source: The Scottish Parliament

## Major Capital Projects

39. The Committee receives Major Capital Project updates from the Scottish Government every six months. During this session of Parliament, the Committee has taken a thematic approach to its scrutiny of these projects, using the themes set out in the Scottish Government's Infrastructure Investment Plan to focus its evidence sessions.
40. On 29 June 2023, the Committee took evidence from the Scottish Government on the theme of "Enabling the transition to net zero emissions and environmental sustainability". The theme explored the allocation of funds for investment in domestic energy and efficiency and heat decarbonisation, future transport fund, low carbon infrastructure transition programme, sustainable and active travel and forest and peatlands.
41. As referred to above, the Committee took further evidence from the Scottish Government's Director-General Net Zero on 7 September 2023. Key issues arising from these evidence sessions, were then highlighted to the NZET Committee to inform its forthcoming scrutiny of the draft CCP.

## Administration of Scottish income tax 2022/23

42. During the Parliamentary year, the Committee continued its annual scrutiny of the Administration of Scottish income tax report published by the National Audit Office and the accompanying assurance report published by the Auditor General.
43. During evidence sessions with the Auditor General for Scotland and the Comptroller and Auditor General in February 2024, followed by the Scottish Government and HM Revenue and Customs (HMRC) in April 2024, the Committee explored a number of issues including the behavioural impacts associated with the divergence of tax policy in Scotland compared with the rest of the UK, the reasons for employers applying incorrect tax codes and how HMRC calculates Scottish income tax revenue estimates.
44. Through its scrutiny, the Committee has secured a joint commitment from the Scottish Government and HMRC to start publishing the minutes of the Scottish Income Tax Board. This is a positive step in improving the transparency of the governance arrangements for Scottish income tax.

## Accountable Officer Written Authority: Completion of vessel 802

45. On 16 May 2023, the Committee received notification of a Written Authority in relation to the completion of vessel 802 (now known as Glen Rosa) at Ferguson Marine Port Glasgow (FMPG) from the Director-General Economy, as the Accountable Officer for the Scottish Government's investment in FMPG.
46. Under Section 15(8) of the Public Finance and Accountability (Scotland) Act 2000 (the Act), an Accountable Officer can obtain Written Authority from Scottish Ministers if they consider that an action they are required to take is "inconsistent with the proper performance of the functions" <sup>1</sup> they carry out.
47. The Committee took evidence from both the Director-General Economy and the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, Scottish Government in relation to the Written Authority in June 2023, as part of its scrutiny of [New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802](#) and the [2021/22 audit of Ferguson Marine Port Glasgow \(Holdings\) Limited](#).
48. Through its scrutiny of new vessels for the Clyde and Hebrides, the Committee has secured the publication of all occasions where Written Authority has been sought since 1999 on the Scottish Government's website, to improve openness and transparency in this area.



## Post-legislative scrutiny

49. The Committee does not have the same powers as other Parliamentary committees in relation to carrying out post-legislative scrutiny and therefore did not undertake any work in this regard.

# Equality and engagement

50. The Committee continues to consider the importance of equalities in its work. For example, through its scrutiny of the Auditor General's report on Adult mental health, the Committee heard that mental health inequality is a long-standing problem and progress in addressing it has been slow. The Committee held a series of roundtable evidence sessions with a wide range of stakeholders including representatives from the Poverty Alliance, Young Scot and BEMIS to improve its understanding of the challenges some population groups face when accessing support for their mental health, which was reflected in the Committee's report, published in March 2024.
51. On 1 May 2024, the Convener, along with two witnesses who gave evidence to the Committee took part in a Parliament podcast to discuss some of the key issues raised in the Committee's report which was recorded at Chris's House in Wishaw. The Committee intends to hold a Parliamentary debate on its Adult mental health report in spring 2024.
52. The Committee has also considered equalities issues through its scrutiny of the 2022/23 audit of the Scottish Prison Service. During evidence, the Committee has heard issues relating to human rights regarding the prisoner transportation service, prison overcrowding and the condition of the public estate. The Committee intends to publish a report on its findings in summer 2024.
53. On 1 June 2023, the Committee provided feedback to the Auditor General on his work programme. In its correspondence, the Committee welcomed the commitment to continue to prioritise equalities and to reflect the lived experiences of people who use and rely on public services. In particular, the Committee welcomed planned work on digital exclusion and suggested that the impact of the Covid-19 pandemic is considered as part of this work. The Committee looks forward to scrutinising this report, once it has been published in late spring.
54. The Committee regularly posts on X (formerly known as Twitter) to share information on its work. The Committee also tweeted in both English and Gaelic to publicise its Parliamentary debate on its report, New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802 in June 2023. The Committee will continue to seek ways to promote its work through social media.
55. In September 2023, the Convener and Deputy Convener attended a UK Public Accounts Committee event, hosted by the UK Parliament's Public Accounts Committee. The event provided an opportunity to meet with other legislatures to discuss matters of common interest relating to the effective and efficient spending of public money.
56. On Thursday 23 November 2023, the Public Audit Committee hosted Members of the Public Accounts and Public Administration Committee from the Welsh Parliament (Senedd Cymru). The meeting provided an opportunity to discuss areas of shared interest in relation to public audit.

Public Audit Committee and Members of the Public Accounts and Public Administration Committee (Welsh Parliament)



Source: The Scottish Parliament

- [1] Public Finance and Accountability (Scotland) Act 2000. (2000). Retrieved from <https://www.legislation.gov.uk/asp/2000/1/section/15>



