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## Scottish Commission for Public Audit

# Legacy Report



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# Committee Membership



**Colin Beattie**  
Scottish National Party



**Bill Bowman**  
Scottish Conservative  
and Unionist Party



**Alison Johnstone**  
Scottish Green Party



**Rona Mackay**  
Scottish National Party



**Jenny Marra**  
Scottish Labour

# Introduction

1. This legacy report sets out key lessons from the work of the Session 5 Scottish Commission for Public Audit (SCPA) to assist its successor commission with delivery of its responsibilities in relation to the work of Audit Scotland.
2. Session 5 has seen a number of significant impacts on the work on the SCPA and on Audit Scotland, in particular the impact of Covid-19 and the further devolution of powers. These impacts will endure into Session 6.

# Impact of Covid-19

3. In its 2021/22 Budget submission Audit Scotland highlights the “increasingly uncertain and volatile world that we and the bodies we audit are now operating in and that we anticipate will continue for several years to come.”<sup>1</sup> Covid-19 has impacted on Audit Scotland’s productivity and has resulted in an increase in its contingency budget in 2021/22 to:
    - meet the additional complexity and financial risk exposure experienced by the public bodies it audits;
    - provide scrutiny of the delivery of value for money of the additional £8 billion made available by the Scottish Government in 2020/21 to respond to Covid-19; and
    - deliver revised audit deadlines and to accommodate remote working as necessary.
  4. As a result, Audit Scotland’s Budget proposal for 2021/22 includes an increased management contingency of £2.4 million (up from £300,000 in 2020/21) to respond to the additional volatility and change arising from the pandemic. Audit Scotland has committed to return what funding is not needed from that contingency through budget revisions during the coming year.
  5. It is also anticipated that the impact of Covid-19 could impact on Audit Scotland budget assumptions beyond 2021/22. As we note in our *Report on Audit Scotland’s budget proposal for 2021/22*<sup>2</sup>, Audit Scotland were optimistic that vaccination will allow the route to recovery of the timeline of its audit work, and to address the fee income lag. They estimate that there will probably be a period of between 18 months and two years to recover and revert to the pre-pandemic Audit work programme timescales.
6. **We welcome Audit Scotland’s confirmation that it will update our successor Commission on any expenditure from the management contingency of £2.4 million on a quarterly basis from 1 April 2021.**
7. In addition, due to the Covid-19 pandemic, Audit Scotland exercised its option to extend its audit appointments contract by one year in order to provide some certainty and continuity for public bodies and auditors. As a result, the last audit year for the current contract is now 2021/22 with these audits being completed in the 2022/23 financial year. A procurement exercise is not currently planned for 2021.
  8. The SCPA is responsible for appointing the auditors to Audit Scotland. Alexander Sloan was appointed by the SCPA in October 2016 for an initial period of 4 years. Given the impact of Covid-19 the Commission agreed to take up the option to extend the contract of Alexander Sloan by one year. Re-tendering of this contract will therefore require take place later in 2021.
  9. At the SCPA meeting on 15 January 2021 there was discussion of how the

Covid-19 pandemic has impacted on the way Audit Scotland undertakes its work with its staff now working from home. Whilst there are longer term leases in place for Audit Scotland's offices in Glasgow, Edinburgh and Inverness, Audit Scotland will in due course be considering how these changes to working practices might impact on its future property estate and property strategy.

10. **We welcome Audit Scotland's confirmation that it will update the Session 6 SCPA on what changes are proposed to Audit Scotland's property strategy, once its considerations are complete.**
11. **The SCPA also recommends that its successor Commission follows up with Audit Scotland on progress with its procurement exercise for auditors.**
12. **The SCPA also notes that its successor Commission will require appoint auditors to Audit Scotland early in Session 6.**

# Review of the Audit Scotland Board and the SCPA

13. In June 2018, the SCPA agreed to undertake an informal review to seek assurance that the composition, resources and the time commitment of the members of the Audit Scotland Board are sufficient to meet future challenges, the further devolution of powers, additional oversight arising from the UK exiting the EU and to also ensure that the SCPA's oversight role remains effective.
14. On 28 June 2019, the SCPA published its findings in its [Report on its Review of the Audit Scotland Board and the Scottish Commission for Public Audit](#) . As the review report notes, SCPA members agreed that the current scrutiny arrangements of the plans and performance of the Board are robust and effective. The SCPA, however, agreed that it should periodically review whether the time available for Audit Scotland Board members remains sufficient to enable each to fulfil their duties.
15. The SCPA is of the view that the midpoint in each session provides an opportune time to undertake such a review.
16. The SCPA also agreed to investigate what the process would be should it consider it necessary to appoint more than three non-executive members of the Board (as currently permitted under the Public Finance and Accountability (Scotland) Act 2000). In January 2020, the Commission considered an approach paper setting out a proposed process and agreed to include it within its Legacy Report (see Annexe A).



## Working practices

17. The membership of the Audit Scotland Board changed during the course of Session 5 with the SCPA undertaking appointment of the non-executive members and also agreeing that the new Auditor General for Scotland, appointed for a 8 year term, should also be appointed as the Accountable Officer.
18. The SCPA agreed that the current approach of informal business planning meetings, held jointly with the Audit Scotland Board and senior staff of Audit Scotland, has enhanced the SCPA's understanding of Audit Scotland's strategic direction, its key challenges and its principal business risks.

19. **The SCPA recommends that its successor Commission continues to hold informal business planning meetings with the Audit Scotland Board during Session 6.**

# Annex A

## Appointing additional Non-executive members to the Audit Scotland Board

### Audit Scotland's Board

20. The Public Finance and Accountability (Scotland) Act 2000 provides that Audit Scotland is to comprise of:
  - the Chair of the Accounts Commission;
  - the Auditor General for Scotland; and
  - Three non-executive Board Members appointed by the SCPA.
21. In its *Report on the Review of the Audit Scotland Board and the Scottish Commission for Public Audit* the SCPA identified a range of ways that additional resources could be provided to the Audit Scotland Board. This included that the SCPA would periodically review whether the time available for Audit Scotland Board members remains sufficient to enable each to fulfil their duties.
22. Should such a periodical review (or a request from the Audit Scotland Board outwith that review) highlight that there is a sustained increase in workload then the SCPA may wish to initially explore with the Audit Scotland Board:
  - Its views as to how best to meet the sustained increase in workload;
  - The timescales and costs over which any additional resources may be required; and
  - Who might bear any costs of additional resources.
23. Should the outcome of this initial consideration indicate that increasing the number of non-executive members on the Board would best address those resource requirements, then as a first step it is suggested that the SCPA undertake a formal inquiry to help define the nature and impact of such a legislative change.
24. This could include a call for evidence on the proposals for change along with oral evidence sessions with stakeholders (such as Audit Scotland, other audit bodies, the SPCB and Scottish Government) concluding with a report setting out the SCPA's views and recommendations in relation to legislative change (or any other options that may emerge), indicative costs and any other relevant information.
25. The SCPA would need to identify a potential legislative vehicle to enable any increase in the number of non-executive members. Options could include:
  - seeking an amendment to a relevant Scottish Government Bill;
  - seeking agreement from a Parliamentary Committee for it to introduce a Committee Bill (as the SCPA is not a Committee of the Parliament it cannot

introduce a Bill in its own right); or

- one of the SCPA members could seek to introduce a Member's Bill.
26. The Commission could then publish a report on the terms of any legislative change. It would be prudent to then seek responses to the SCPA report recommendations from relevant stakeholders along with exploring whether any of the above approaches are available.
  27. The SCPA may therefore wish to engage with the Standards, Procedures and Public Appointments Committee along with the Scottish Government at an early stage to explore options including legislative change.
  28. The SCPA would then require to follow the relevant Parliamentary procedure in order to introduce legislation.

- [1] Scottish Commission for Public Audit. (2021, January 21). Audit Scotland Budget Submission 2021/22. Retrieved from [https://www.parliament.scot/ScottishCommissionforPublicAudit/SCPA\\_Jan\\_21\\_Public\\_Papers.pdf](https://www.parliament.scot/ScottishCommissionforPublicAudit/SCPA_Jan_21_Public_Papers.pdf)
- [2] Scottish Commission for Public Audit. (2021, February 19). Audit Scotland Budget Proposal for 2021/22. Retrieved from <https://sp-bpr-en-prod-cdnep.azureedge.net/published/SCPA/2021/2/19/a2ede968-23cd-4473-bc8d-b9c39a8f1031/SCPA052021R1.pdf>



