

News release

For immediate release

Reporting of government accounts should be 'more transparent'

The Scottish Government needs to be more transparent about the annual reporting of its accounts, including loans to private companies, says the Auditor General.

The 2017/18 consolidated accounts - which received an unqualified audit opinion - show that the overall budget was underspent by £339m, compared to £85m in 2016/17.

The resource budget was underspent by £287m and capital by £52 million, with the main underspends coming in the Education and Skills portfolio (£115m) and Rural Economy and Connectivity portfolio (£74m).

Caroline Gardner's report also notes the progress the government has made in improving its financial reporting by publishing its first medium-term financial strategy and Fiscal Framework Outturn Report.

But she says more improvements are needed to aid transparency.

A consolidated account covering the whole public sector needs to be published to support Parliamentary scrutiny and enable better decision making. The account should include key assets and liabilities such as capital borrowing and pensions.

Ms Gardner says the government also needs to develop a framework that clearly outlines its role in intervening financially in private companies.

During 2017/18, the Scottish Government provided loan facilities to two private companies - Ferguson Marine Engineering Ltd and Bi-Fab - to support their delivery of current contracts and future business prospects.

But the Auditor General says there is limited public information about the extent of the financial support to the firms. Her report also calls for:

- A more robust and transparent process for funding public bodies, including allocations to NHS boards and local authorities
- The performance report within the government's accounts to better link spending with outcomes
- Finalised policies for managing borrowing powers to improve capital budget management, avoid excess borrowing and limit interest costs.

Ms Gardner said: "The Scottish Government has taken some important steps to improving its financial reporting, but there are a number of areas it can improve on to help support the Parliament and public in their scrutiny of public finances.

"It should aim to publish a consolidated account for the whole public sector before the end of 2018.

"And it also needs to be more transparent about its overall approach to providing loans to private companies and develop a clear framework to guide its decision-making around how it invests public money."

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Notes to editor:

1. The independent audit opinion on the 2017/18 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.
 2. The Auditor General has prepared the report on the 2017/18 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.
 3. Section 22 reports are submitted to Scottish Ministers for laying in the Parliament along with the accounts of the relevant body. While there are statutory deadlines for these reports, the actual timing of publication is determined by when the report is laid in the Scottish Parliament by Scottish Ministers.
 4. The Scottish Government's Consolidated Accounts for 2017/18 show that the total net expenditure was £34,461m - £339m less than budget. The resource budget was underspent by £287m against a budget of £32,736m and capital by £52m against a budget of £2,064m.
 5. Taxpayers' equity - an accounting measurement of the amount of taxpayers' money applied that has continuing public benefit - has increased from £27.4bn to £32.6bn between 2014 and 2018. The government's total liabilities have grown from £5.9bn to £8.2bn - but this figure excludes key liabilities such as capital borrowing and public sector pensions.
 6. The report also notes that there has been slow progress in finalising the roles and responsibilities within the Scottish Exchequer directorate and recruitment is ongoing to fill key posts. This will make it harder for the Scottish Government to effectively manage the fiscal risks and opportunities that may arise in the interim period.
 7. It further notes that significant improvements are required in the Scottish Government's internal audit arrangements.
 8. Funding to NHS boards: The Scottish Government Health and Social Care Directorate's finance team reviewed the current funding allocations process in May 2018. A revised process is now in place and the Auditor General will review its implementation as part of the 2018/19 audit of the Scottish Government.
 9. The report notes that, by giving councils £34.5m of their 2018/19 allocation shortly before the end of the 2017/18 financial year, this makes it harder to compare funding levels between each year, reducing transparency around local government funding.
 10. 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.