



The Scottish Parliament
Pàrlamaid na h-Alba

Kate Forbes MSP
Cabinet Secretary for Finance and the
Economy

Public Audit Committee
Room T3.60
The Scottish Parliament
EDINBURGH
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By email only

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17 June 2022

Dear Kate,

Replacement EU funds – future audit and accountability arrangements

Thank you for your recent response to the Committee’s correspondence regarding the future audit and accountability arrangements for replacement EU funding.

The Committee notes that as the UK Shared Prosperity Fund (UKSPF) will be delivered directly to local authorities, rather than through the Scottish Government, you state that “there is no locus for this Fund within Scottish Government nor any accountability or authority on the part of Scottish Ministers in the governance of the Fund” and as such, “there is no obvious role for the Auditor General for Scotland”.

We further note that you consider there to be a role for the Public Audit Committee however, “in giving consideration to the Fund’s impact in Scotland: where it is being spent and how supported activity aligns with [the Scottish Government’s] National Performance Framework, National Strategy for Economic Transformation and other key priorities”.

As you will be aware, the Committee’s remit is to consider and report on the following—

- any accounts laid before the Parliament;

- any report laid before or made to the Parliament by the Auditor General for Scotland; and
- 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.

Based on this remit, it is therefore unclear how the Public Audit Committee would be able to scrutinise the UKSPF if there is “no obvious role” for the Auditor General for Scotland to audit this funding, as its work is predominantly focussed on the scrutiny of his reports. **The Committee welcomes your views specifically on this point.**

The Committee has received a response from the Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations on the issue of the future audit and accountability arrangements for EU funding. In his response, the Secretary for State explains that the Government Internal Audit Agency is the relevant audit authority in England but recognises “the Auditor General’s equivalent role in terms of the third line of defence in Scotland and will incorporate this into our processes accordingly”.

The Committee intends to write to the Secretary of State seeking further clarity in terms of how the Auditor General’s role will be incorporated into the UK Government’s processes.

The Secretary of State also refers in his response to the Monitoring, Evaluation and Benefit Realisation work currently ongoing, and the commitment the UK Government has to working with the Scottish Government and the Convention of Scottish Local Authorities where appropriate. We further note that the specific roles of each party are expected to be addressed in a technical note to be published in Summer 2022, a copy of which will be issued to the Auditor General for Scotland.

The Committee considers it imperative that the Auditor General for Scotland has a formal and clearly defined role in the future audit and accountability arrangements for replacement EU funding. We will continue to engage with the Auditor General on this issue and await with interest the publication of the technical note and what this may mean for his role, and our Committee, in scrutinising the impact of this funding in Scotland. You may wish to note that we intend to confirm the Committee’s position in writing to the UK Government.

The Committee kindly requests a response to this correspondence by **Friday 15 July 2022**. Should this deadline present any difficulties, I would be grateful if you could make the clerks aware as soon as possible.

Yours sincerely,

Richard Leonard

Richard Leonard MSP
Convener