



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
EH99 1SP

By email only

Email:

publicaudit.committee@parliament.scot

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Dear Cabinet Secretary,

Replacement EU funds – future audit and accountability arrangements

The Public Audit Committee notes that the UK Government has committed to providing replacement funding for European Union programmes such as the European Regional Development Fund and the European Social Fund, following the UK's departure from the European Union. The Committee understands that this includes UK Government-led funding programmes such as the Shared Prosperity Fund, Community Renewal Fund and the Levelling-up Fund.

As you would expect, the Public Audit Committee has a keen interest in understanding the future audit and accountability arrangements that will be put in place for these replacement funds in Scotland. Indeed, we explored the responsibilities for auditing replacement funds with the Auditor General for Scotland at our meetings on [2 September 2021](#) and again on [27 January 2022](#). At both meetings, the Auditor General indicated that there was a lack of clarity around responsibilities for replacement funds, but that this was being actively discussed.

We therefore sought to raise the issue with the Permanent Secretary to the Scottish Government at our meeting on [24 February 2022](#). At this meeting, Mr Marks explained that it was his “ambition...to develop a “co-design/co-delivery model that enables [the Scottish Government] to ensure that the shared prosperity fund

investments and the levelling up agenda in Scotland align with our existing programmes”. He went on to say if this approach can be achieved, there would be an oversight role for the Public Audit Committee “with regard to how the Scottish Government is engaging with that model”.

The Committee notes that the issue of audit responsibilities for replacement EU funds was raised directly with the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations during the Finance and Public Administration Committee’s evidence session on Replacing European Union Structural Funds on [24 February 2022](#). During the meeting, he indicated that he would be “open” to Audit Scotland having a formal role in looking at how effectively these funds are spent.

We also note that during this evidence session, Mr Gove stated that “It is explicitly the case that, for the UK shared prosperity fund, we want to ensure that there is intensive dialogue between us and the Scottish Government and its ministers on the basis on which the money should be distributed.”

The Committee welcomes the willingness by Mr Gove to engage on this issue, as well as the prospect of a Parliamentary oversight role for the replacement funding, as outlined by the Permanent Secretary. However, we remain concerned that there still appears to be insufficient clarity as to how this will work in practice. We also recognise that the way in which the public audit landscape is structured in Scotland raises some questions about how our scrutiny role could work in practice.

As you will be aware, Audit Scotland supports the Auditor General for Scotland (AGS) and the Accounts Commission with the services they need. The AGS secures the audit of the Scottish Government and other public bodies in Scotland (including colleges, police and fire services and the NHS), except councils, which is the responsibility of the Accounts Commission. The Committee appreciates that the Accounts Commission’s role in auditing local authorities means that the replacement funds will be audited. However, given the Commission is, unlike the AGS, not required to report to the Scottish Parliament, it is unclear how our Committee would be able to fulfil its important scrutiny role in relation to this funding.

We therefore seek the Scottish Government’s views on—

- **what dialogue has taken place between the UK and Scottish Governments on this matter; and**
- **what role the Scottish Government considers the Auditor General for Scotland and the Public Audit Committee should play in the oversight and scrutiny of the replacement funding.**

You may wish to note that we have also written to Mr Gove to seek clarification on when the new accountability regime for the replacement funds, including the Levelling Up Fund, which is already operational, will be put in place by the UK Government. We have also written to establish the UK Government's views on the two bullet points referenced above.

Recognising the Finance and Public Administration Committee's ongoing interest in this area, copies of our correspondence will also be drawn to its attention for information.

The Committee kindly requests a response to this correspondence by **Friday 29 April 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 MSP
Convener