



The Scottish Parliament
Pàrlamaid na h-Alba

Public Audit Committee

Stephen Boyle
Auditor General for Scotland

6 March 2026

Dear Stephen

Future Public Audit Model

Thank you for seeking the views of the Public Audit Committee on the current public audit model which is set out in the Code of Audit Practice (the Code).

General

As you are aware, one of the key aims and objectives of the Committee is to hold public-sector leaders to account on how public funds have been spent. We do this through our scrutiny of the reports prepared by you and Audit Scotland. In this respect we continue to support the aim of the current Code to deliver high quality wider scope audits that provide assurance both to the Committee and to the public that public money is being spent effectively.

We also note that the Code aims to provide audits that are impactful and timely. We welcome the changes in the types of outputs that you have produced this session which have allowed a timelier response to emerging issues that are of public interest. We would ask that this continues to be reflected in the Code, especially for matters where there is significant public interest.

Assurance for smaller bodies

We note the view expressed by some stakeholders that the costs associated with a full International Standards on Auditing (ISA) audit may be disproportionate for smaller bodies. While this may be the case, the experience of the Committee is that many of the section 22 reports it has considered in this session of Parliament have been on smaller public bodies¹ and often two successive section 22 reports have been necessary due to the issues that have been uncovered during the annual audit process.

¹ Bòrd na Gàidhlig, The Crofting Commission, Scottish Canals, Commissioner for Ethical Standards in Public Life, National Records of Scotland and the Water Industry Commission for Scotland

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In our recent report on the 2022/23 and 2023/24 audits of the Water Industry Commission for Scotland² (WICS), we highlighted the challenges that the organisation faced in rebuilding the trust and confidence of the public and its stakeholders as a result of the issues emerging from your audit work and our scrutiny. We believe that, while there is merit in exploring ways to reduce the financial burden of audit for small bodies, it is vital that any changes in the Code to make the cost of audit more proportionate must not increase the risk that such issues may be missed in the future.

As part of our scrutiny of WICS, we were concerned that the evidence we received showed that WICS had not been sufficiently focusing on ensuring that value for money was achieved in the use of public funds over several years. We [wrote to you in June 2024](#) to ask if there were any lessons learned from the WICS audit process that could be applied to the planning of future audits, while recognising the need for audits to be proportionate and tailored to the individual public body. In [your response to us in July 2024](#), you confirmed that you were—

“...considering whether there is a need for further audit guidance for areas of expenditure which are of public interest, such as expenses, that may not be routinely subject to detailed audit testing due to the low values involved.”

We trust that this will be also considered as part of your review of the Code.

Wider scope work

We understand that ISA audits are designed for the commercial sector and that the current Code requires audits on public bodies to follow ISA standards. We note that there is some support for continuing to have ISA standards applied to financial statements with alternative standards put in place for the wider scope areas of financial management; financial sustainability; vision, leadership and governance; and the use of resources to improve outcomes.

We welcome the work undertaken on these wider scope areas and believe that it supports our own aim of driving continuous improvement across the public sector. We further believe that scrutiny of the conduct and governance of the public sector is equally as important as scrutiny of financial statements, and that those who are accountable for the oversight and spending of public funds should be held to an equal, if not a higher standard.

We recognise that consideration of these wider scope areas requires additional audit procedures to be in place. Similar to the point we make above, any changes to the Code to incorporate an alternative standard for wider scope and Best Value audit work must not increase the risk that failures in these areas by public body accountable officers go undetected.

We also value the audit opinion provided by the auditor in the Annual Audit Reports that are published and would wish to see this retained for future audits. For many of the section 22 reports that we have considered this session, we have benefited from

² [The 2022/23 and 2023/24 audits of the Water Industry Commissioner for Scotland](#)

the detail of the wider scope work contained in the Annual Audit Report to inform our scrutiny.

Audit opinions

At its meeting on [8 October 2025](#), the Committee considered a Section 22 report which set out that the auditor had provided an unqualified opinion on the organisation's annual report and accounts, despite the organisation failing to comply with financial regulations. The Committee reflected that this could provide the public with a level of false reassurance on the outcome of the audit and asks that consideration be given to ways in which it could be made clearer that the audit opinion relates only to the organisation's financial statements and not wider scope audit work.

Communication of the public audit model

We agree with your assessment that a single Code allows a “coherent and comprehensive framework for public audit in Scotland to be set out for auditors and stakeholders in one document” and that “using the medium of a single code sends out a clear message that different parts of the public sector are held to the same standard of accountability within a consistent public audit regime”.

It is our view that a single combined Code continues to be the best approach.

Finally, we would add that it is crucial that any changes to the public audit model and Code should be considered carefully to ensure that they do not pose a risk to the safeguarding of public funds.

Yours sincerely,

A handwritten signature in black ink that reads "Richard Leonard". The signature is written in a cursive, slightly slanted style.

Richard Leonard MSP

Convener