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## **Net Zero, Energy and Transport Committee**

# **Net Zero, Energy and Transport Committee report on the Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2026 (draft)**



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## Net Zero, Energy and Transport Committee

Net Zero, Energy and Transport Committee report on the Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2026 (draft), 2nd Report, 2026 (Session 6)

# Net Zero, Energy and Transport Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Transport and the Cabinet Secretary for Climate Action and Energy, with the exception of matters relating to just transition; and on matters relating to land reform, natural resources and peatland, Scottish Land Commission, Crown Estate Scotland and Royal Botanic Garden within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands.



[netzero.committee@parliament.scot](mailto:netzero.committee@parliament.scot)



0131 348 6039

# Committee Membership



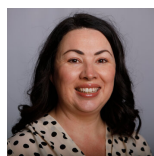
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Scottish Green Party



**Kevin Stewart**  
Scottish National Party

# Introduction

1. The [Companies Act 2006 \(Scottish public sector companies to be audited by the Auditor General for Scotland\) Order 2026](#) was laid before the Scottish Parliament by the Scottish Government on 14 November 2025. It is subject to the affirmative procedure, which means it cannot be made unless it has been approved by a resolution of the Parliament.
2. It is for the Net Zero, Energy and Transport Committee, as lead committee, to decide whether or not to recommend approval. On 4 December, the Cabinet Secretary for Transport lodged Motion [S6M-20027](#), proposing that the Committee recommend the draft Order be approved.

## About the instrument

3. Article 2 of the Order designates Caledonian Sleeper Limited and ScotRail Trains Limited (“the companies”), both of which have registered offices in Scotland, as bodies whose accounts are to be audited by the Auditor General for Scotland. Article 3 provides that the companies will consequently be exempt from the company accounts auditing requirements set out in Part 16 of the Companies Act 2006.
4. Section 475 of the 2006 Act requires a company’s annual accounts to be audited. Section 483 allows the Scottish Ministers to provide, by order, that a company’s accounts should be audited by the Auditor General for Scotland. This is in cases where (a) the company’s functions are public functions that relate to devolved matters only, or (b) if the company receives most or all of its funding from a public body already audited by the Auditor General for Scotland. The introductory text of the Order states that it is the second of these that applies in this case.
5. The [policy note](#) accompanying the Order states that:
  - ” “The audits of Caledonian Sleeper Ltd and ScotRail Trains Ltd assess the efficient and effective operation of Scotland’s Railway to support Scotland’s economy through connecting communities and businesses and contributing to tackle climate change. The recommended change should improve the scope and assurance of this assessment. It is anticipated that it will cost less for the audits of Caledonian Sleeper Ltd and ScotRail Trains Ltd to be undertaken by the Auditor General for Scotland than the current arrangement.”

## Consideration by the DPLR Committee

6. The Delegated Powers and Law Reform (DPLR) Committee is required to consider every instrument laid before the Parliament and decide whether to draw it to the attention of the Parliament on any of the “reporting grounds” set out in Rule 10.3 of the Parliament’s standing orders.
7. The DPLR Committee considered the instrument on 25 November and reported on it in its [86th Report, 2025](#). The DPLR Committee made no recommendations in relation to the instrument.

# Consideration by the Net Zero, Energy and Transport Committee

8. At its meeting on 9 December, the Net Zero, Energy and Transport Committee took evidence on the instrument from:

- Fiona Hyslop, Cabinet Secretary for Transport, Scottish Government
- Lee Shedden, Head of Rail Sponsorship & Regulation, Transport Scotland
- Ninian Christie, Lawyer, Scottish Government

9. The evidence taken at the meeting can be read in full in the Official Report, which is available here:

[Read the Official Report - 9 December 2025](#)

10. In her opening statement, the Cabinet Secretary explained that Scottish Rail Holdings Ltd oversees rail passenger services through its wholly owned subsidiaries, ScotRail Trains Ltd and Caledonian Sleeper Ltd, on behalf of the Scottish Ministers, who are the company's sole shareholder. She noted that Scottish Rail Holdings Ltd was established under the Companies Act 2006 and is classified by the Office for National Statistics as a central Government body.

11. She stated that, in June 2022, an order made under section 483 of the 2006 Act required the accounts of Scottish Rail Holdings Ltd to be audited by the Auditor General for Scotland, thereby engaging the Public Finance and Accountability (Scotland) Act 2000. However, although the companies are subsidiaries and therefore part of Scottish Rail Holdings Ltd for the purposes of section 479A of the 2006 Act, the requirement for the Auditor General to audit individual subsidiary accounts was not extended at that time. She said this was "due to a lack of resource capacity on the part of the Auditor General at the time" but that the issue had "subsequently been addressed".

12. The Committee asked how much the previous audits had cost. The Cabinet Secretary said that the cost in 2023-24 was £515,000 and in 2024-25 was £490,000. She said having the audit carried out by the Auditor General "should be better for the taxpayer".

13. The Committee queried whether the Auditor General would get more funding to carry out audits of the companies. The Cabinet Secretary said the Auditor General would be "recompensed for the duties that are carried out on behalf of the public" but that the precise cost was not yet known because "the audit has not been done yet". An official from Transport Scotland said that there should be a "significant saving compared with the costs of the external auditor." The Cabinet Secretary said the expected cost would be £300,000 to £350,000 and that this would represent a saving of around £165,000.

14. On 22 December, the Committee then received a [follow-up letter from the Cabinet Secretary](#). Referring to the exchange there had been on costs and savings, she said that:

” "... my accompanying official and I were clear that these matters fall within the Auditor General’s remit and that we could not speak on his behalf. We also emphasised that the Auditor General had not provided or confirmed any figures and consistently caveated our responses accordingly.

To avoid any ambiguity, I wish to reaffirm my position and that of Transport Scotland: the amount of funding to be allocated to the Auditor General in the discharge of his duties regarding SRT and CSL [Caledonian Sleeper Limited and ScotRail Trains] has not been confirmed, as the Auditor General has yet to offer advice on the scope and costs of any audit. During the committee meeting I referred only to indicative savings and made clear that my response was caveated on this basis, given that auditors are yet to be appointed by the Auditor General and fees have not been discussed or agreed."

15. The Committee noted that Audit Scotland would be auditing the companies on the basis that most or all of their funding comes from a public body already audited by the Auditor General for Scotland. The Cabinet Secretary was asked to confirm that the companies met this criterion and also whether there was any prospect of this significantly changing, with increased income from passenger fares.

16. The Cabinet Secretary said that funding for ScotRail and Caledonian Sleeper was “more than £800 million”. A Transport Scotland official added that:

” "... most of the funding is provided by the Scottish Government, which covers just over 50 per cent of the normal operating costs. On top of that, we also provide funding for the fixed track access charges that ScotRail pays to Network Rail, with that additional figure being about £350 million."

The official advised that it would be difficult to envisage circumstances currently where public funding became less than 50% of the companies' income.

17. The Committee asked whether there were other companies in Scotland of a substantially public character that were privately audited. The Cabinet Secretary [responded in writing on 15 December](#), saying:

” “At present, the accounts of David MacBrayne Limited and its subsidiary CalMac Ferries Limited, which delivers the Clyde and Hebrides Ferry Services contract, are audited by private auditors. Similarly, the accounts of Caledonian Maritime Assets Limited and Highlands and Islands Airports Limited are also audited by private auditors.”

18. The response added that Transport Scotland has been progressing work to enable Scottish Ministers to make section 483 orders for these bodies, It said officials had been engaging with the companies and Audit Scotland to discuss the approach and timing. The response anticipated the orders being laid after the Scottish Parliament elections in May 2026.

## Conclusion

19. Following the conclusion of evidence taking, the Cabinet Secretary moved motion [S6M-20027](#) in her name -

That the Net Zero, Energy and Transport Committee recommends that the Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2026 [draft] be approved.

20. There being no further contributions from Members, the motion was agreed to without division.

### Recommendation

21. The Net Zero, Energy and Transport Committee recommends to the Parliament that the Environmental Regulation (Enforcement Measures) (Scotland) Amendment Order 2025 [draft] be approved.
22. The Committee asks the Scottish Government to note that the policy note accompanying the draft Order could have been more helpful in setting out basic and clearly relevant information, such as on costs or on why the Order is being made now.
23. The Committee also notes that the Cabinet Secretary has, since the evidence session and debate on the instrument, sought to provide further clarification on the estimates provided at that meeting about likely costs falling on the Auditor General if the Order becomes law, noting that these estimates were "indicative" and had not been confirmed with the Auditor General.

