

LETTER FROM THE SCOTTISH GOVERNMENT TO THE PUBLIC AUDIT COMMITTEE, DATED 2 JUNE 2015

UPDATE ON DEVELOPING FINANCIAL REPORTING

Thank you for your letter of 9 April 2015 following the evidence session of the Public Audit Committee on the Auditor General's *Update on developing financial reporting*. I apologise for the delayed response.

The Scottish Government is committed to the highest standards of financial reporting and I support that as Principal Accountable Officer. Alyson Stafford, DG Finance, has lead responsibility for the accounts themselves and for our fiscal responsibility programme. Alyson is therefore well-placed to support your on going engagement on these issues.

Annual Scrutiny of the Scottish Government's Accounts

It is of course for the Committee to decide when and how it considers the Scottish Government's consolidated accounts. The 2014-15 accounts are scheduled to be laid and published by the end of September 2015. In considering the scheduling and format of the proposed session, it would be helpful if the Committee could let us know in advance of their possible lines of enquiry as, this will assist us in bringing the appropriate officials to the table.

Your letter addresses the question of how evidence on the consolidated accounts can best inform the budget scrutiny process. DG Finance colleagues would be very happy to support your further consideration of this. At present, the accounts are available on the Scottish Government website for review by the SPICe Financial Scrutiny Unit and others and the draft Budget documents also include outturn information for previous financial years.

Annual scrutiny of the effectiveness and efficiency of resources

I note the Committee's intention and it would be useful for there to be further discussion about what this would cover as there is a wide range of performance information available:

- the "Annual Report" section of accounts contains a "[Strategic Report](#)" with narrative on financial performance, a link to the National Performance Framework and reporting on payment policy and performance, and a range of "[public interest reporting](#)" covering employment, staff relations, diversity and equal opportunities, including attendance management and sickness absence, as well as some information on sustainability and environmental reporting with links to separately published material.
- The Committee will be aware of the National Performance Framework which demonstrate performance in delivering outcome; a wide range of supporting performance information is linked to this including, for example, the detailed [NHS targets](#)
- There is also a wide range of separately published information (this list is not exhaustive):
 - [Sustainability reporting](#)

- [Public Service Reform \(Scotland Act\) 2010](#) reporting which includes information on remuneration and expenditure, a statement about steps taken to increase sustainable growth and a statement of steps taken to improve efficiency, effectiveness and economy in the exercise of Scottish Government functions;
- Information on [public sector procurement in Scotland](#)
- Relevant bodies provide the equivalent information in their own accounts, on the Scottish Government website or their own dedicated websites.
- As well as the Auditor General, other regulatory bodies report on Scottish Government activity, for example HM Inspectorate of Constabulary and HM Inspectorate of Prisons.

The Strategic Board of the Scottish Government also considers a range of internal performance measures, derived from our Business Strategy.

Update on Developing Financial Reporting

As the Auditor General set out in her update paper, the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy has asked officials to develop proposals to improve and enhance financial reporting. This work is progressing within the programme to implement the Scotland Act 2012, with initial steps reflected in the financial information produced for the financial year 2015-16. I can confirm that this includes consideration of consolidated public accounts.

In order to ensure that additional reporting adds value it would be useful to engage directly with the Committee on this topic. Aileen Wright and the Committee Clerk have had an initial discussion about the form of that engagement, suggesting that this could involve informal sessions to share information and seek their views in advance of making recommendations to Ministers. I recommend this approach to you and would be happy for the Clerk to liaise with Aileen to make arrangements as suits the Committee.

The Committee may be aware that I demit office at the end of June 2015. My successor will of course be available to accept any subsequent invitation from the Committee.

SIR PETER HOUSDEN

PERMANENT SECRETARY

