



The Scottish Parliament
Pàrlamaid na h-Alba

SCOTTISH COMMISSION FOR PUBLIC AUDIT

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By email only

Dear Mr Jeffcoat,

Thank you for giving evidence to the [Scottish Commission for Public Audit on 24 June 2024](#) in relation to your firm's Audit Report on Audit Scotland's Annual Report and Accounts for the year to 31 March 2024.

As you are aware from our questioning, the Commission is particularly disappointed that approval was not sought for £6.271 million of non-cash resource for right of use leases. The Public Finance and Accountability Scotland Act 2000 states at Section 11(9) that—

“Audit Scotland must, for each financial year, prepare proposals for its use of resources and expenditure and send the proposals to the Scottish Commission for Public Audit (constituted under section 12), which is to examine the proposals and report to the Parliament on them.”

In your evidence you stated that ‘The £6 million was an accounting adjustment on both sides of the balance sheet; the assets have a £6 million addition, and there will, in effect, be around a £6 million increase on liabilities. There is no cash outlay whatsoever in that respect.’ While the Commission accepts that there is no cash element to the amounts disclosed, we do expect that approval be sought for all resource cover in the same way as previously when requests to approve non-cash resource cover in relation to pension charges were made.

In the Annual Report and Accounts 2023/24 on page 28, Audit Scotland's resource outturn for 2023/24 includes a material disclosure for Right of Use Leases Capital budget. Further on page 29, Audit Scotland states that The Scottish Parliament directly funded the amount required to meet non-cash capital on leases. Given its materiality, the Commission would have expected your audit procedures to be designed in such a way as to perform tests of all significant sums disclosed, including seeking evidence that material budgets had been subject to approval.

In the evidence session you further stated that 'we look at the budget but we do not focus fully on the budget. That is actually slightly outwith the scope of the audit'.

The Commission remains unclear therefore as to how your audit approach covers all material disclosures, including budgets, and would be grateful for further information and explanations on the tests and measures you take to gather sufficient audit evidence over these significant sums.

Yours sincerely,

Colin Beattie MSP
Chair