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## News release

Embargoed until 00:01 hours, Tuesday 17 March 2015

### Fast changing environment for public finances strengthens need for further developments in financial reporting

**A substantially changed environment for public finances means that the case for financial transparency within a robust fiscal framework has never been stronger, Audit Scotland reports today.**

With new devolved taxes and borrowing powers coming into force from April 2015, and further financial devolution expected from the Smith Commission Agreement, Audit Scotland has published an update on the Scottish Government's actions to further develop its financial reporting.

The report notes that the Scottish Government has a good record of financial management, and has continued to improve and develop its financial reporting framework since Audit Scotland's last report on this area in July 2013.

As well as setting out the principles and examples of good financial reporting, the update report also highlights that consolidated accounts for the whole of the Scottish public sector would help provide an overall picture of its financial position to strengthen understanding and transparency.

Caroline Gardner, Auditor General for Scotland, said: "Scotland's public finances are on the cusp of significant change, at a time when services are facing considerable pressures from falling budgets and increasing demand.

"A transparent financial reporting framework to support these changes is more important than ever to safeguard public confidence and ensure accountability. This position was echoed by the Smith Commission in its recommendation that the Scottish Parliament should expand and strengthen independent financial scrutiny to support further devolution.

"It's encouraging that the Scottish Government has recognised the benefits of having a full picture of the public sector's financial position, and we welcome their efforts to build upon good practice to continue developing their financial reporting. The next step for the Scottish Government should be setting out details of how it proposes to improve and enhance its financial reporting."

Audit Scotland will continue to monitor the Scottish Government's progress and remains committed to helping develop a high quality fiscal framework which lays the foundations for sustainable public finances, and supports the Scottish Government to make policy decisions that are affordable in the long-term.

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#### Notes to editors

1. The powers in the Scotland Act 2012 are estimated to increase the revenues in which the Scottish Parliament and councils have a direct say from £4 billion to about £9 billion. From 2016,

approximately 21 per cent of devolved expenditure will be funded from amounts raised directly in Scotland from taxation. This includes amounts raised from Council Tax, Non Domestic Rates (NDR), from the Land and Buildings Transaction Tax and the Scottish Landfill Tax, and from the Scottish rate of income tax.

2. In 2014, the Scottish Government set up an independent body, the Scottish Fiscal Commission, to scrutinise and report on tax forecasts included in its draft budget for 2015/16. The Commission's reports are intended to provide the Scottish Parliament and taxpayers with independent assurance that the forecasts are soundly based and reasonable. The Commission published its report at the same time as the draft budget.

3. The Public Finance and Accountability (Scotland) Act 2000 gives Ministers the power to prepare consolidated accounts for any financial year for the "*Scottish Administration together with such bodies and office holders...as they may designate*".

4. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.