

PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

EXPLANATORY NOTES

THE ACT

Section 23: Economy, Efficiency and Effectiveness Examinations

General Purpose

118. This section sets out the powers of the Auditor General for Scotland to initiate and carry out examinations of economy, efficiency and effectiveness (commonly known as value for money or vfm studies). It defines those bodies that may be subject to vfm examination and explains who may carry out a study. It implements the requirements in section 70(2)(c) and (d) of the Scotland Act 1998.

Subsection (1)

119. This subsection allows that the Auditor General may initiate examinations into the economy, efficiency and effectiveness of the use of resources of bodies and office-holders mentioned in subsection (2) below.

Subsection (2)

120. This defines those bodies and office-holders that fall within the powers set out at subsection (1) above. They are:

- (a) any body or office-holder whose accounts are audited by the Auditor General or sent to him or her for auditing;
- (b) any other body or office-holder, or body or office-holder of a class, specified by the Scottish Ministers by order made by statutory instrument. By virtue of section 27(3), such a statutory instrument is subject to annulment in pursuance of a resolution of the Parliament and;
- (c) any other body or office holder not covered by the above criteria which agrees to such an examination being carried out.

Subsection (3)

121. This ensures that any order made under subsection (2) may only specify those bodies or office-holders that the Scottish Ministers reasonably believe have either obtained more than a quarter of their income from public funds in any one financial year, or have received more than £500,000 from public funds in the financial year. If the Scottish Ministers are to specify a class of body or office-holder, the Scottish Ministers must reasonably believe that at least half of the bodies or office-holders in that class, in any one financial year, have obtained more than a quarter of their income or have received more than £500,000 from public funds.

Subsection (4)

122. This subsection ensures that the Auditor General for Scotland may only initiate a vfm study on a body or office holder if he/she reasonably believes that in the period in question, the body or office-holder received more than a quarter of its income, or more than £500,000 from public funds. Any vfm study should endeavour to consider only those activities of the body or office holder that involve the use of public funds.

Subsection (5)

123. This defines that for the purposes of subsections (3) and (4), income is to be regarded as being from public funds if it is paid out by any body or office holder mentioned in subsection (2)(a) or by any body or office-holder specified by the Scottish Ministers under subsection (2)(b), that received more than half its income from public funds in the financial year concerned. This definition excludes capital receipts and disregards money received from the sale of property, the supply of goods or services and various other benefits.

Subsection (6)

124. This ensures that, when the Auditor General plans a programme of vfm studies, he/she must take into account any proposals made by the Parliament.

Subsection (7)

125. This subsection requires the Auditor General to consult the Water Industry Commissioner for Scotland before initiating any vfm examination into any of the three new water and sewerage authorities.

Subsection (8)

126. This subsection makes it clear that the Auditor General for Scotland is to decide personally whether to initiate a vfm study and who is to undertake any vfm studies that he/she initiates.

Subsection (9)

127. This allows the person carrying out a vfm study (“the examiner”) to consider the appropriateness of any criteria used by the body under examination to assess its use of resources. The examiner may not, however, question the merits of any policy objectives.

Subsection (10)

128. This ensures that the examiner (if not the Auditor General) reports the results to the Auditor General. The Auditor General may in turn report the results of any examination to the Parliament.