SCOTTISH GOVERNMENT RESPONSE TO THE PUBLIC AUDIT COMMITTEE’S 4TH REPORT, 2011 – THE GATHERING 2009

This annex provides the Scottish Government’s responses to the recommendations made and points raised by the Public Audit Committee in its recent report on The Gathering 2009 (in paragraphs 23, 31, 46-7, 85-7, 100-4, 119, 142 and 211 of the report). For ease of reference, the relevant text from the Committee’s report is repeated in bold, followed by the Scottish Government’s responses.

THE ROLE OF THE STEERING GROUP

23. Remit, role and reporting lines of public-private sector steering groups, should be considered carefully with a more balanced approach to advisory and decision-taking roles.

31. Committee notes the steps taken by EventScotland to improve financial scrutiny of any future events it supports and recommends that the Scottish Government undertakes a similar review, sharing lessons learned with other public sector bodies.

46. Scottish Government to provide best practice guidance on the governance arrangements and establishment of joint public-private sector steering groups charged with overseeing the delivery of projects or events. Such guidance should ensure that there is a clear understanding of the lines of accountability and the level of risk assumed by each member of the group.

47. This guidance should also set out the level and detail of financial information (including actual income and expenditure) that should be provided to such groups. Where possible the Committee recommends that the provision of such financial information should form the basis of key performance measures which must be met in order to release grant funding.

Scottish Government Response (to sections 23, 31 and 46-7):

Agreed. The Scottish Government shall arrange, in consultation with other interested parties, for the dissemination of relevant guidance.

THE SCOTTISH GOVERNMENT LOAN OF £180,000

85. Scottish Government should review its procedures for undertaking due diligence work should it consider providing loans to limited liability companies again.

86. As part of any due diligence work into a private company, Scottish Government should seek from its public sector partners any relevant financial information.

87. Whilst recognising that there was limited action the Scottish Government could take to protect public money provided as a loan, the Committee believes that all due diligence work should have been undertaken.

Scottish Government Response (to sections 85-87):
Agreed. The Committee’s recommendations shall be reflected in relevant Scottish Government guidance.

100. Committee believes that the Scottish Government should have proactively provided information on the loan to the steering group. In that regard the decision of the Scottish Government not to have a representative on the steering group may have contributed to the lack of communication about the loan between the Scottish Government and the steering group.

Scottish Government Response:

Agreed. While at no point did the Scottish Government instruct either EventScotland or the Directors of The Gathering 2009 Ltd not to tell the Steering Group of the loan, it did not proactively provide this information to the Steering Group. As the First Minister acknowledged in providing evidence to the Committee, in retrospect the Scottish Government should have insisted that EventScotland inform the Steering Group of the loan.

101. Committee also believes that, given this was the first time a loan had been provided by the Scottish Government directly to a private company under section 23 of the NH(S) Act, the Permanent Secretary should have also been told of the loan.

Scottish Government Response:

The Scottish Government will review its guidance covering the provision of loans and consider incorporating additional specific guidance aimed at ensuring the Accountable Officer is informed of any unusual and/or potentially sensitive loans.

102. Permanent Secretary to review the standard tests by which Scottish Government officials decide whether a transaction is novel or contentious and should be notified to the Permanent Secretary.

Scottish Government Response:

Agreed. We will review our working definitions of novel and contentious transactions and clarify in relevant guidance the need for all such transactions to be notified to the relevant Accountable Officer.

103. Committee would welcome a response from the Scottish Government on how it would propose to strengthen the communication between the Scottish Government and other public and private sector bodies when working together to deliver public sector events or policies.

104. Committee agrees with the Cabinet Secretary that the Scottish Government should reconsider its approach to joining steering groups, with other public and private sector organisations, in relation to the delivery of events of national significance. Committee would welcome clarification from the Scottish Government on how it intends to take this proposal forward.

Scottish Government Response (to sections 103 and 104):

These issues will be addressed in the context of the best practice guidance recommended by the Committee at paragraph 46 of its Report.
ATTEMPTS TO SAVE THE COMPANY

119. The Committee is concerned that no internal audit has ever been undertaken by the Scottish Government in relation to The Gathering 2009. The Committee believes that there should have been an internal investigation into the circumstances of the £180,000 loan. The Committee recommends that the Scottish Government reviews its processes for initiating and undertaking internal audits of projects which experience financial difficulties, are high risk or high value.

Scottish Government Response:

The overarching purpose of internal audit is to provide annual assurances to Accountable Officers on the effectiveness of the Scottish Government’s arrangements for risk, corporate governance and internal control. Part of the work involved in that involves carrying out a risk based programme of audit assignments. The audit plan is considered and approved by Accountable Officers and the Scottish Government Audit and Risk Committee and can accommodate urgent ad hoc reviews. The means by which appropriate consideration is given to commissioning internal audit reviews of projects of high value and risk that experience serious difficulties will be reviewed.

142. The Committee was extremely concerned that two senior officials had inconsistent interpretations of the same meeting and so was unable to reconcile these two interpretations. The Committee therefore recommends that the Scottish Government urgently improve its procedures for minuting the decisions and actions taken at meetings between the Scottish Government, other public sector parties and private companies.

Scottish Government Response:

Agreed. Cabinet and Corporate Business Secretariat will review current procedures and where necessary provide a new template and guidance.

SUBSEQUENT EVENTS

211. Scottish Government to consider how it might share such information [the valuation] with other public sector bodies should similar circumstances arise again.

Scottish Government Response:

Agreed. This matter shall be considered in a review of relevant guidance.