



The Scottish Parliament  
Pàrlamaid na h-Alba

Leslie Evans  
Permanent Secretary  
Scottish Government

By email only

**Public Audit and Post-legislative  
Scrutiny Committee**

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6 December 2016

Dear Permanent Secretary,

Thank you for recently providing evidence to the Public Audit and Post-Legislative Scrutiny Committee on the Scottish Government's Consolidated Accounts for 2015-16.

I appreciate that you have already responded to the clerk's request for further information on certain topics that arose at the meeting. However, I wanted to probe in more detail the specific issue of EU structural funds, particularly the statement in the Auditor General's report on the accounts that:

“... taking into account the way in which individual projects are funded, the Consolidated Accounts contain a provision of £14 million to reflect a permanent loss of grant to the Scottish Government which it cannot now recover.”

As the Committee understands it, the fundamental issue – in simple terms – is that the Scottish Government expected to receive structural funding from the European Commission and committed this funding to various projects within Scotland. However, there were problems or errors with some projects which meant, ultimately, that the Commission was no longer willing to provide the full level of funding. Problems of timing meant that the Scottish Government was unable to claim intended Commission funding – which may amount to £14 million – for alternative projects. This money may therefore be lost. As the Scottish Government has already committed funding that it will now no longer receive from the Commission, up to £14 million may have to be found from elsewhere.

Bearing this context in mind, we would be grateful if you could provide information on the following points—

1. The number of Scottish bodies that committed errors in respect of structural funds, the amount of the error, when the error was first uncovered and confirmation that the Scottish Government formally contacted each body in question with a view to addressing the error.
2. The Auditor General stated in oral evidence that the Scottish Government “is intentionally passing European funding through to what are often quite small community organisations, which spend the funding on important community-based projects involving people who are not used to complying with significant audit requirements”. Who was responsible for making the decisions that led to this situation and have you calculated how many people may have been involved in spending European funding who were not provided with the appropriate auditing training?
3. With reference to your remark that “some people are trying deliberately to use the money for unintended purposes”, how many people fall into this category and have they have faced any kind of disciplinary action?
4. Have any projects in Scotland had to be abandoned or downgraded as a result of the loss of structural funds?
5. Have any groups of people and/ or geographical areas suffered disproportionately?
6. In your oral evidence you noted that the Scottish Government may be able to claw back elements of the funding from the projects’ sponsors that were responsible for overseeing the programmes. If that is the case, have you assessed:
  - a. whether some project sponsors have a demonstrably poorer track record than others;
  - b. the likely impact on the bodies in question;
  - c. the sum of money that may be recoverable by this means?
7. Should the above option not be viable, is it feasible that the Scottish Government would cover the losses from other budgets? If so, has any analysis been carried out into where that money would be found and the opportunity cost?
8. Has there has been any impact on the 2014-2020 programmes as a result of the problems with the 2006-2013 programmes, in particular, the time available to the Scottish Government to spend the funds associated with the current programmes?
9. On a point of clarification, you stated that you would not know the final outturn of the programme or the reconciliation by Europe for sure until 2018. However, Audit Scotland’s oral evidence suggested that the position would be clear by Spring 2017.

As I am sure you will appreciate, the Committee's concern in asking these questions is that the people of Scotland could effectively suffer a loss of up to £14million of European money that could have funded important public services. It is vital that we have a full account of this issue particularly as our predecessor committee considered this matter last year in which time the situation appears to have worsened. Therefore, we also require a detailed explanation of how any lessons learned from this programme have informed the development and delivery of the 2014-2020 European Structural and Investment Fund programmes.

As I noted at the meeting, the then Auditor General's audit of the Scottish Government Consolidated Accounts for 2010/11 said that Scottish Government procedures at the time did not meet the standards required to ensure that the use of funds complied fully with EU legislation. The impression given is that there has been a long-term problem with the Scottish Government's ability to manage EU funding effectively and efficiently.

**I would be grateful if you could provide the requested information as soon as possible.**

Should you require any further information please do not hesitate to contact the clerks to the Committee on 0131 348 5390 or by email at [papls.committee@parliament.scot](mailto:papls.committee@parliament.scot)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jenny Marra', with a long horizontal line extending to the right.

**Jenny Marra**  
**Convener to the Public audit and Post-legislative Scrutiny Committee**