

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE
PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

**THE 2002/2003 AUDIT OF THE SCOTTISH EXECUTIVE CORE DEPARTMENTS' RESOURCE
ACCOUNTS**

1. The Scottish Executive core departments' resource accounts incorporate the activities of the seven core departments supported by the Scottish Executive Administration. The accounts for the year ended 31 March 2003 are not qualified but I have prepared this report under Section 22(3) of the Public Finance and Accountability (Scotland) Act 2000 (the 2000 Act) to bring to Parliament's attention Ministerial Directions which were issued during the year to the Accountable Officers of two Scottish Executive departments.
2. Under Section 15(6) of the 2000 Act, the permanent secretary of the Scottish Executive, as the Principal Accountable Officer of the Scottish Administration, is responsible for determining the functions of Accountable Officers. The Memoranda from the Principal Accountable Officer to Accountable Officers of the Scottish Administration and other public bodies, issued in April 2002, makes clear that a key function of Accountable Officers is to seek best value from the use of public resources by making proper arrangements to pursue continuous improvement having regard to economy, efficiency and effectiveness, and in a manner which encourages the observance of equal opportunities requirements. If Accountable Officers consider that they are required to take action which is inconsistent with the proper performance of their duties as Accountable Officers, the Memoranda require them to obtain written instruction from the relevant Minister or the Body concerned.

Relocation of Scottish Natural Heritage

3. The Scottish Ministers issued a direction in March 2003 under Section 15(6) of the 2000 Act to the Accountable Officer and Head of the Scottish Executive Environment and Rural Affairs Department (SEERAD), as the Scottish Executive sponsor department of Scottish Natural Heritage (SNH), to take such actions as he considered SEERAD has to take to proceed with the relocation of SNH.
4. Under Section 11(1) of the Natural Heritage (Scotland) Act 1991, the Scottish Ministers may give Scottish Natural Heritage (SNH) directions of a general or specific character with regard to the discharge of its functions and it is the duty of SNH to comply with any such directions given.
5. In September 2003, the Scottish Ministers directed SNH to relocate its headquarters business discharged from its offices in Edinburgh to appropriate accommodation to be secured in Inverness in accordance with a project plan to be prepared by SNH. The direction required SNH to prepare the project plan and present it to the Scottish Ministers by 31 October 2003 for approval. In September 2003, after receipt of the Ministerial direction, the Chair of SNH wrote to its chief executive as the Accountable Officer for SNH directing him to implement the terms of the Ministerial direction.
6. The decision to relocate SNH has been taken by Ministers. Under the terms of the 2000 Act, I am not entitled to question the merits of policy objectives. The appointed auditor will, however, be expected to keep under review SNH's management of the relocation project as part of the annual audit. I will also keep under review SEERAD's involvement in the relocation of SNH.

Glasgow to Barra air service

7. During 2002/03, the Scottish Executive Development Department (SEDD) was responsible for the provision of three lifeline air service routes – Glasgow to Tiree, Glasgow to

Campbeltown and Glasgow to Barra. The services are provided under Public Service Obligations imposed under EC regulation 2408/92 to enable continued operation of essential air services. Loganair currently operates the three routes under contracts with the Scottish Executive. Responsibility for the lifeline air service routes was transferred to the Scottish Executive Enterprise, Transport and Lifelong Learning Department (SEETLLD) in May 2003.

8. In October 2001, the Scottish Ministers approved proposals for Caledonian MacBrayne to order two new vessels with which to create new ferry services. A larger vessel was to be ordered for the Sound of Harris service enabling the vessel on that route to be redeployed on a new service between Barra and Eriskay. Ferry users would then be able to access South Uist via the Eriskay Causeway. Caledonian MacBrayne's financial appraisal of the proposal, however, showed that a positive benefit would only result if the air service between Glasgow and Barra was discontinued, and if Barra Airport was closed. Caledonian MacBrayne began operating the new Barra to Eriskay ferry service in June 2003.
9. SEDD awarded the contracts for Loganair to operate the Tiree and Campbeltown air service routes in March 2003 covering the three-year period to March 2006. The contract for the Glasgow to Barra air service route was let in March 2003 covering the one-year period to March 2004 to allow time for a full review of the route to be undertaken by September 2003. SEDD intended initially to re-tender the Glasgow to Barra route to bring it in line with the other services, if the results of the review confirmed it was still required.
10. In March 2003, Ministers concluded that, due to the need to take into account the views of the local community, insufficient time was available to complete the review of the Glasgow to Barra air service by September 2003. The Scottish Ministers therefore decided to tender for the provision of the Glasgow to Barra air service to cover the two years from April 2004. The Accountable Officer and Head of SEDD asked for a Ministerial Direction to proceed with the tendering exercise in view of the proposed parallel running of the Glasgow to Barra air service and the Barra to Eriskay ferry service. The Scottish Ministers issued the Direction in March 2003.
11. The decision to continue the Glasgow to Barra air service has been taken by Ministers. Under the terms of the 2000 Act, I am not entitled to question the merits of policy objectives. I will, however, monitor SEETLLD's intended review of the service.



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