



The Scottish Parliament  
Pàrlamaid na h-Alba

Stephen Boyle  
Auditor General for Scotland

By e-mail only

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

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16 September 2020

Dear Auditor General,

### **Covid-19: Funding support for businesses**

As you know, at its [meeting on 27 August](#), the Public Audit and Post-legislative Scrutiny Committee took evidence from you and Audit Scotland colleagues on the report, [Covid-19: Implications for public finances in Scotland](#).

One of the areas of particular interest to the Committee was the financial support being provided to businesses as a result of the pandemic. The report indicates that the Scottish Government has allocated around £3.3 billion to support business measures, £1.2 billion of which is for the £10,000 small business support grant and the £25,000 grant for hospitality and leisure businesses. Significant sums are also being allocated to cover the costs of business rates relief (£875 million); 14 other grant and loan schemes (£824 million) and a “Return to work” package to support construction, low carbon projects, digitalisation and business support (£230 million). The report further identifies the funding support for businesses that has been provided by the UK Government.<sup>1</sup>

During the evidence session on 27 August, Members sought further information about the allocation of this funding, including the reasons behind the lower than expected take-up for some business grants (which has meant that around £54 million can be reallocated to other support funds); the proportion of businesses that are being supported and potential risks of fraud or error as public bodies become

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<sup>1</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing\\_200820\\_covid.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing_200820_covid.pdf)

stretched, and controls and governance are changing.<sup>2</sup> The Committee understands, however, that comprehensive information on the amounts paid out to third parties by public bodies is not yet available.<sup>3</sup>

Part 3 of the report indicates that the Auditor General, the Accounts Commission and Audit Scotland are currently reviewing their work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens.<sup>4</sup> The Committee considers that there is an important piece of work to be undertaken to examine the funding support provided to businesses as a result of the Covid-19 pandemic and, in particular, to establish in connection with each grant, loan or other scheme:

- the total amount of funding (a) allocated and (b) paid out; and a reconciliation of any difference;
- how many businesses each scheme supported;
- how decisions were made to allocate such funding, including the criteria applied;
- levels of fraud or error (a) estimated and (b) detected;
- governance procedures in place to ensure that, despite the need for expediency, there was robust internal control over the spend of significant sums of public funds;
- the outcomes of such funding; for example, what impact did the funding have on individual businesses' sustainability and how was this measured.

The Committee understands that the allocation of funding to support business falls within the responsibility of both central and local government and, as such, is writing to enquire whether the Auditor General and Accounts Commission are jointly or individually planning a future piece of audit work along the terms described above.

I look forward to hearing from you.

Yours sincerely,



**Anas Sarwar MSP**  
**Acting Convener**

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<sup>2</sup> [www.parliament.scot/parliamentarybusiness/report.aspx?r=12775&mode=pdf](https://www.parliament.scot/parliamentarybusiness/report.aspx?r=12775&mode=pdf)

<sup>3</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing\\_200820\\_covid.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing_200820_covid.pdf)

<sup>4</sup> [https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing\\_200820\\_covid.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2020/briefing_200820_covid.pdf)