1. Audit Scotland is the public sector audit agency that undertakes the external audit of the majority of public sector bodies in Scotland. We do this on behalf of the Auditor General for Scotland (for the NHS and central government) and the Accounts Commission (for local government). We welcome the opportunity to provide written evidence to assist the Education and Culture Committee’s inquiry into spending decisions and outcomes of five agencies, as part of its budget scrutiny.

2. This submission relates to the Committee’s inquiries into the Scottish Funding Council (SFC), Skills Development Scotland (SDS) and Education Scotland. It highlights relevant issues raised in Audit Scotland reports, and planned audit work which will be of interest to the Committee. While we publish annual audit reports on Creative Scotland and the Scottish Qualifications Agency, we have not carried out other recent performance audit work that is specifically relevant to the Committee’s inquiries. We have focused this submission around the themes of the Committee’s inquiries where we have a closer audit interest.

Scottish Funding Council

3. We note that the Committee’s inquiry focuses on universities only. Audit Scotland will be carrying out an audit of higher education this year, and reporting in summer 2016. This will look at the public money going into higher education and the accountability arrangements for this money. It will also look at how the SFC allocates funding to universities and how it monitors outcomes. We would be happy to brief the Committee on our audit questions and background analysis before we publish the report, and to brief the Committee on our findings next year.

Skills Development Scotland

4. Audit Scotland published a report, on behalf of the Auditor General for Scotland, on modern apprenticeships in March 2014.¹ This report examined the role of SDS, and a number of the findings are relevant to the Committee’s inquiry. The report focussed on SDS’s role in administering modern apprenticeships. It did not look at other forms of support that SDS provides to help young people access employment opportunities.

5. The Committee asked for views on the measures that SDS has taken to use its resources more effectively. We reported that SDS was meeting demanding modern apprenticeship targets at the same time as reducing its costs. Apprenticeship targets have become more challenging and we found that there were greater costs associated with achieving the Scottish Government’s apprenticeship priorities. We recommended that SDS monitors funding for higher levels of apprenticeships and those in key sectors to assess whether this is affordable within current budget limits.

¹ Modern apprenticeships, Audit Scotland, March 2014.
6. We also reported that SDS had reduced its workforce and undertaken a number of improvement activities to help achieve £80 million efficiency savings. We highlighted that there was potential to improve value for money, for example by developing specific long-term objectives and reviewing the long-term benefits of apprenticeships. This would help to ensure that funding is directed to the apprenticeships that demonstrate most value for individuals, employers and the Scottish economy.

7. The Committee also asked for views on the effectiveness of SDS working in partnership to ensure a coordinated approach to learning, training and accessing employment for young people. Our report found that SDS works with a number of partners, including colleges and other training providers, Sector Skills Councils, employers and awarding bodies, to design and deliver modern apprenticeships. We reported that to help increase awareness and uptake, SDS was working with councils to develop new pathways into modern apprenticeships. SDS has since launched Foundation Apprenticeships which enable pupils in S4 to S6 to complete elements of a modern apprenticeship while at school. We also reported that SDS is represented on Local Employability Partnerships which are responsible for coordinating employability services in each council area. SDS administers the Employability Fund which Local Employability Partnerships use it to develop and deliver training that meets the needs of local people and local employers. This fund can be used to deliver The Certificate of Work Readiness, a specific award aimed at giving young people their first experience of the workplace.

8. The Committee asked about assessment of the impact of targeted measures to engage with young people not currently achieving positive destinations. We reported that SDS had made considerable effort to increase awareness and promote the benefits of apprenticeships, and that the number of employers taking on a new apprentice increased by 50 per cent between 2008/09 and 2012/13. To help increase apprenticeship participation, we recommended that SDS:
   - target specific employers to encourage them to take on apprentices
   - work with partners to promote the value of apprenticeships to young people, parents and teachers.

9. We will follow up these recommendations, and others in the report, in our impact report later in 2015/16. This will be published on our website.

Education Scotland

10. Audit Scotland published a report, on behalf of the Accounts Commission, on School Education in June 2014. We reviewed how councils deliver education but did not examine the role of Education Scotland. A number of the report’s findings are relevant to the Committee’s inquiry:
   - We found that councils reduced spending on school education by five per cent in real terms between 2010/11 and 2012/13. This was mainly achieved by employing fewer staff, primarily as a result of service efficiency reviews and restructurings that have

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2 School education, Audit Scotland, June 2014.
taken place within many council education departments. For example, there has been a reduction in the number of centrally employed education staff, such as Quality Improvement Officers whose numbers reduced by 22 per cent between 2010 and 2013. The report also identifies that councils’ education services are likely to face future budgetary pressures. Against this backdrop, there are potential issues for Education Scotland relating to how best it can support councils to raise attainment when there is less capacity at the centre within councils.

- The Committee has highlighted the promotion of high quality leadership as one of the themes in its inquiry. Our work on school education concluded that this was an important factor in raising attainment and applies to all central education departments, head teachers and individual teachers. Our fieldwork and analysis found that councils that had improved attainment levels the most over the 10 years between 2004 and 2013 had focused on areas such as developing leadership skills and improving teacher quality. However, the report also highlights that as education budgets have reduced, many councils have reduced continuing professional development (CPD) and other training budgets for teachers. The report recommends that councils ensure they fully consider the impact of budget reductions on the long-term impact on attainment and overall pupil learning.

11. Audit Scotland is considering doing further work on school education in the future, with the scope and timing of this still to be determined.

12. The Committee asked how effectively Education Scotland is addressing the principal risks listed in its annual accounts. We will be publishing the annual audit report for 2014/15 later this year, and we will send a copy to the Committee. The annual audit report for 2013/14 comments that the significant financial challenges will make maintaining or improving on the performance targets set by the Scottish Government even more challenging. The 2014/15 annual audit report will provide further comment on Education Scotland’s financial position and its performance.

13. Since 2010, Audit Scotland has worked closely with Education Scotland and the other scrutiny bodies to co-ordinate inspection work in local government. This includes working together in a local area network for each local authority area, and agreeing a local scrutiny plan.

14. The 2013/14 annual audit reports for the bodies are available on our website at the links below. We have attached the 2014/15 annual audit report for the Scottish Funding Council. We expect to have final copies of the 2014/15 annual audit reports for the other bodies by 30 November 2015.

- [Scottish Funding Council](#)
- [Skills Development Scotland](#)
- [Education Scotland](#)

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3 Education Scotland was established in July 2011. Prior to that, we worked with Her Majesty’s Inspectorate of Education.
15. We hope that you find our comments helpful. Should you require any further information please contact Fraser McKinlay, Director of Performance Audit and Best Value, Audit Scotland, 18 George Street, Edinburgh, EH2 2QU, e-mail fmckinlay@audit-scotland.gov.uk.