



The Scottish Parliament
Pàrlamaid na h-Alba

PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE

AGENDA

18th Meeting, 2017 (Session 5)

Thursday 29 June 2017

The Committee will meet at 8.45 am in the Adam Smith Room (CR5).

1. **Decision on taking business in private:** The Committee will decide whether to take items 5, 6 and 7 in private.

2. **Section 22 report - The 2015/16 audit of Edinburgh College:** The Committee will take evidence from—

Annette Bruton, Principal and Chief Executive, Alan Williamson, Chief Operating Officer, and Ian McKay, Chair, Edinburgh College.

3. **Common Agricultural Policy Futures programme: further update:** The Committee will take evidence from—

Caroline Gardner, Auditor General for Scotland;

Stephen Boyle, Assistant Director, Gemma Diamond, Senior Manager, and Morag Campsie, Audit Manager, Audit Scotland.

4. **Scotland's colleges 2017:** The Committee will take evidence from—

Caroline Gardner, Auditor General for Scotland;

Mark MacPherson, Senior Manager, and Stuart Nugent, Audit Manager, Audit Scotland.

5. **Section 22 report - The 2015/16 audit of Edinburgh College:** The Committee will consider the evidence heard at agenda item 2 and take further evidence from—

Caroline Gardner, Auditor General for Scotland;

Mark MacPherson, Senior Manager, and Dharshi Santhakumaran, Audit

Manager, Audit Scotland.

6. **Common Agricultural Policy Futures programme: Further update:** The Committee will consider the evidence heard at agenda item 3 and take further evidence from—

Caroline Gardner, Auditor General for Scotland;

Stephen Boyle, Assistant Director, Gemma Diamond, Senior Manager, and Morag Campsie, Audit Manager, Audit Scotland.

7. **Scotland's colleges 2017:** The Committee will consider the evidence heard at agenda item 4 and take further evidence from—

Caroline Gardner, Auditor General for Scotland;

Mark MacPherson, Senior Manager, and Stuart Nugent, Audit Manager, Audit Scotland.

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The papers for this meeting are as follows—

Agenda item 2

Written submission

PAPLS/S5/17/18/1

PRIVATE PAPER

PAPLS/S5/17/18/2
(P)

PRIVATE PAPER

PAPLS/S5/17/18/3
(P)

Agenda item 3

[Auditor General for Scotland Report](#)

PAPLS/S5/17/18/4

Written submission

PAPLS/S5/17/18/5

PRIVATE PAPER

PAPLS/S5/17/18/6
(P)

Agenda item 4

[Auditor General for Scotland Report](#)

PAPLS/S5/17/18/7

Written submission

PAPLS/S5/17/18/8

Public Audit and Post-legislative Scrutiny Committee

18th Meeting, 2017 (Session 5), Thursday 29 June 2017

The 2015/16 audit of Edinburgh College: written submissions

Introduction

1. The Auditor General for Scotland has published a further [Section 22 report](#) on Edinburgh College. This report provides an update on the last section 22 report, which was previously considered by this Committee¹.
2. The Committee last took evidence on the new audit at its meeting on [18 May 2017](#). Today, the Committee will take evidence from representatives of Edinburgh College.
3. Penny Gower, Edinburgh College EIS Branch Secretary, has provided a written submission, which is annexed below.

¹ <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/101316.aspx>

**Written submission from Penny Gower, Edinburgh College EIS Branch
Secretary**

I see that Edinburgh College is the subject of a PAC hearing Thursday week. A flavour of the likely testimony has just been given to staff by the Principal: 'we'll be able to show how in terms of stability and capacity we're in a very different place than we were two years ago. We've passed our activity target for the year so there's very welcome progress. We do still have significant financial challenges to overcome and we're sure to be questioned on Thursday about how we aim to do this. However, we can demonstrate how much we've moved on from the mistakes of the past and what we've been doing to correct our course.'

We are, of course, pleased that the credit target has been reached (even if it has been set 10% below where it should be by national standards). We would also wish to give credit where it is due in stabilising the situation.

However, the Committee members might wish to know that some of the methods used to achieve apparent progress, while perhaps less blatant than 'additionality' are still questionable.

Here are two examples. The background is that the computerised system for resulting students gives a choice of P - pass, F - fail, W - withdrawn.

1) Resulting EC units

We have already written to you about EC (Edinburgh College devised) units. Our survey showed that many of these units had no teaching materials, no class time provided and no final assessment, yet could attract funding.

On 15 June a curriculum manager sent out the following: 'The EC code for the Higher/ National 5/ Advanced Higher you taught needs to be resulted with a P. This does not indicate that the student passed the exam but that they were prepared for the exam.... I have resulted the EC codes for the SCP students and the NC6 and NC5 . Could you result all other EC units.'

So not only are the students credited with a pass when they have not actually passed anything, but some of the resulting is done by administrative means and does not even involve the lecturer.

2) Withdrawals

One area where Edinburgh College performed badly was in relation to recruitment and retention. You will be told this is a thing of the past, but as we pointed out previously, it has been made very difficult to withdraw students who are no longer in class from the register.

We are now being asked to result all our students before the summer vacation (as usual). However, a new system for withdrawals operates which gives responsibility to Curriculum Managers (who do not see or know the students) to decide on withdrawals. This means that very few are ever withdrawn. Now that resulting is about to take place we are instructed that we cannot mark these students as failed, but simply as withdrawn. In other words, they appeared to be on the course till the very end, and then to tidy everything up it falls to the lecturer to make it look as though they have only withdrawn once the course is over. (I can provide documentary evidence of this if required).

We wish to see Edinburgh College recover and perform the valuable educational function of the pre-merger colleges but this must be measured honestly and in terms of real benefit to the students rather than the degree to which finances can be shored up. We are concerned the latter still takes precedence too often.

Public Audit and Post-legislative Scrutiny Committee

18th Meeting, 2017 (Session 5), Thursday 29 June 2017

Common Agricultural Policy Futures Programme: Further update

Introduction

1. The Auditor General for Scotland has published a [further report](#) on the Common Agricultural Policy (CAP) Futures programme. This report provides an update from the [last report](#) in May 2016, which was considered at length by both this Committee and the Rural Economy and Connectivity Committee.
2. As a result of this Committee's scrutiny, the Scottish Government agreed to provide monthly progress reports on CAP payments. These monthly reports, along with all of the Committee's previous work on CAP Futures, can be read [here](#)¹.
3. The Rural Economy and Connectivity Committee is taking evidence from the Cabinet Secretary for the Rural Economy and Connectivity at its meeting on 28 June 2017. Its work to date on this topic can be read [here](#)². The REC Committee has questioned the Scottish Government on progress of 2015 and 2016 payments; the potential for EU penalties as a result of late payments; and the knock-on effects on other schemes, such as the Beef Efficiency Scheme (BES) and the Less Favoured Area Support Scheme (LFASS).
4. The Auditor General for Scotland has provided a short briefing paper, which is attached below as an annex.

¹ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/100245.aspx>

² <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/103408.aspx>

REPORT BY THE AUDITOR GENERAL FOR SCOTLAND
COMMON AGRICULTURAL POLICY FUTURES PROGRAMME: FURTHER
UPDATE

1. This report by the Auditor General on the Scottish Government's CAP Futures programme was published on 15 June 2017. It assesses the progress that the Scottish Government has made with delivering the programme up to April 2017. Part 1 of the report focuses on progress over the last year and on payments to farmers, and what risks remain. Part 2 considers leadership and governance including, the structures in place for planning and delivery, decision-making, review and scrutiny.
2. The key messages from the report are set out below:
 - The Scottish Government's Common Agricultural Policy (CAP) Futures programme started in 2012 and was a five-year business change and Information Technology (IT) programme to deliver CAP reform. We reported in May 2016 that the programme was having significant difficulties and made a number of recommendations to mitigate the risks that remained. The challenges were deep-rooted and the programme has had to resolve them while continuing to process and make payments over the past year. The difficulties encountered in previous years continue to have a significant impact on the processing of current applications and payments.
 - The programme closed on 31 March 2017 but parts of the IT system continue to be developed by the Agriculture and Rural Economy (ARE) directorate. It expects to deliver a system that complies with CAP regulations within the £178 million budget. An independent technical assurance review highlights that the Scottish Government will need to incur additional costs to improve and stabilise the system. Two contracts with existing suppliers, worth a forecast £33 million, have been extended to further develop the rural payments system and maintain existing systems. A disaster recovery solution covering all IT systems has not yet been fully developed and tested.
 - The application process has improved. The rural payments system made payments for 2015 applications and is making payments for 2016 applications two months later than planned. The Scottish Government operated a number of loan schemes in 2016 to get money to farmers

quicker; this introduced more risk to the wider Scottish Government budget year-end position and put pressure on payment delivery timescales and staff

- There continues to be a risk that the Scottish Government will not deliver its aim to minimise financial penalties charged by the European Commission (EC) for not complying with regulations. The Scottish Government estimates it will incur penalties of around £5 million for missing payment deadlines in 2016. In addition, our audit of the 2015/16 European Agricultural Funds Accounts highlighted weaknesses in controls arising from deficiencies in the rural payments system and the manual workarounds which have been used to resolve problems with the system. This may result in additional financial penalties, subject to an assessment of the specific circumstance by the EC. The Scottish Government has not completed a detailed analysis of the risk of these penalties to help prioritise future investment in the system. There are a number of uncertainties, but our updated assessment suggests penalties of up to £60 million are possible. To date, the programme has not delivered value for money.
- There have been significant changes to leadership and to the directorate organisational structure since the summer of 2016. This brought renewed effort to stabilise the programme and respond to the risks. Management time is still being taken up by responding to short-term risks, but the changes the new management team are making are intended to improve longer-term strategic thinking and capacity. These changes are still being put in place and will need time to embed.
- Programme activity is moving into the directorate and some contractors will leave. Transferring knowledge from contractors to staff within the business is a significant challenge due to the short timescales and the immediate payment priorities. Management have identified a number of key roles and areas where they rely on contractors' knowledge, and need to prioritise knowledge transfer over other activity.
- The process to leave the EU started on 29 March 2017. It is too early to know exactly what this will mean for farmers, crofters and rural businesses. The UK Government has guaranteed to fully fund the EU element of agreed agriculture schemes up to 2020, even if this is beyond the UK's departure from the EU.

Public Audit and Post-legislative Scrutiny Committee

18th Meeting, 2017 (Session 5), Thursday 29 June 2017

Scotland's colleges 2017

Introduction

1. The Auditor General for Scotland has published a [report](#) entitled Scotland's colleges 2017. The AGS reports on Scotland's colleges on an annual basis, providing an overview of the sector and commenting on such matters as college finances and learning activity.
2. The Committee considered the previous report, [Scotland's colleges 2016](#), between October 2016 and February 2017. The Committee took evidence from the Scottish Government, Scottish Funding Council and the Cabinet Secretary for Education and Skills as part of its scrutiny. The Committee's work on this report can be read [here](#).
3. The Auditor General for Scotland has provided a short briefing paper, which is annexed below.

REPORT BY THE AUDITOR GENERAL FOR SCOTLAND
SCOTLAND'S COLLEGES 2017

1. The Auditor General's report on *Scotland's colleges 2017* was published on 22 June 2017.
2. Key messages from the report are:
 - The college sector has continued to exceed the national target for learning but delivered slightly less activity than in 2014-15. Two regions failed to meet their target resulting in a reduction in funding for one college. The Highlands and Islands region met its overall target but two colleges within the region failed to meet their targets. The Scottish Government currently prioritises full-time courses for younger learners, and changes in demography and in school leaver destinations will make it harder for the sector to continue to achieve the national target.
 - Student numbers decreased slightly in 2015-16 and FTE is at its lowest since 2006-07. Both full-time and part-time student numbers fell in 2015-16, with the latter decreasing at a greater rate. Most of the reductions in 2015-16 were in the 16-24 years old age group. Overall demand for college places is still not recorded at a national level, so it is not possible to say whether the decreases reflect a fall in demand.
 - Student attainment improved in 2015-16. The overall percentage of full-time further education students successfully completing their course increased in 2015-16 (from 64 to 65 per cent). Most full-time students continue to be satisfied with their college experience. At least 83 per cent of students who achieve a qualification go on to a positive destination, such as further study, training or employment.
 - The financial health of the college sector remains relatively stable but has deteriorated since 2014-15. The underlying deficit has increased to £8 million (representing one per cent of income) and colleges hold £11 million less cash than in 2014-15. Four colleges face particular challenges to their financial

sustainability. Staff costs remain the highest area of expenditure and have increased as a percentage of total spending. The number of people employed by colleges has increased by six per cent over the last two years.

- Total Scottish Government funding to the college sector will increase by five per cent between 2015/16 and 2017/18, though the bulk of this increase relates to a capital project at a single college. Funding for running costs will increase by one per cent, but colleges face a number of financial challenges. In particular, in June 2016, Colleges Scotland estimated that implementing national bargaining could cost around £80 million (not adjusting for inflation) over three years. The sector has still to develop longer-term financial planning in order to support financial decision-making that takes account of both immediate and future cost pressures.