



The Scottish Parliament  
Pàrlamaid na h-Alba

## **PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE**

### **AGENDA**

**8th Meeting, 2019 (Session 5)**

**Thursday 14 March 2019**

The Committee will meet at 9.00 am in the David Livingstone Room (CR6).

1. **Decision on taking business in private:** The Committee will decide whether to take item 3 in private.
2. **Section 22 report - The 2017/18 audit of Scottish Social Services Council:** The Committee will take evidence on the Auditor General for Scotland's report entitled "The 2017/18 audit of Scottish Social Services Council" from—

Lorraine Gray, Chief Executive, and Maree Allison, Director of Regulation, Scottish Social Services Council;

and then from—

Paul Johnston, Director-General, Education, Communities and Justice, Colin Cook, Director Digital, and Michael Chalmers, Director for Children and Families, Scottish Government;

and then from—

Caroline Gardner, Auditor General for Scotland;

Claire Sweeney, Audit Director, Performance and Best Value, Jillian Matthew, Senior Manager, and Gemma Diamond, Senior Manager, Audit Scotland.

3. **Section 22 report - The 2017/18 audit of Scottish Social Services Council:** The Committee will consider the evidence heard at agenda item 2 and take further evidence from—

Caroline Gardner, Auditor General for Scotland;

Claire Sweeney, Audit Director, Performance and Best Value, Jillian

**PAPLS/S5/19/8/A**

Matthew, Senior Manager, and Gemma Diamond, Senior Manager, Audit  
Scotland.

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The papers for this meeting are as follows—

**Agenda Item 2**

Note by the Clerk

PAPLS/S5/19/8/1

PRIVATE PAPER

PAPLS/S5/19/8/2 (P)

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

**8th Meeting, 2019 (Session 5), Thursday 14 March 2019**

**Section 22 report – The 2017/18 audit of Scottish Social Services Council  
Scotland: Governance and transparency**

1. At its meeting today, the Public Audit and Post-legislative Scrutiny Committee will take evidence on the Auditor General for Scotland’s report entitled “[The 2017/18 audit of Scottish Social Services Council: Governance and transparency](#)” from—
  - Lorraine Gray, Chief Executive and Maree Allison, Director of Regulation, Scottish Social Services Council;
  - Anna Fowlie, former Chief Executive, Scottish Social Services Council;
  
  - Paul Johnston, Director-General, Education, Communities and Justice, Colin Cook, Director Digital, and Michael Chalmers, Director for Children and Families, Scottish Government;
  
  - Caroline Gardner, Auditor General for Scotland;
  - Claire Sweeney, Audit Director, Performance and Best Value, Jillian Matthew, Senior Manager, and Gemma Diamond, Senior Manager, Audit Scotland.
2. The section 22 report also refers to the Scottish Social Services Council annual audit report 2017/18, which can be found [here](#).
3. At its [meeting on 7 February](#), the Committee took initial evidence from the Auditor General for Scotland.
4. The Committee has received written submissions from the Scottish Social Services Council and the former chief executive and these are attached at **Annexe A**. The Committee has also received correspondence from the Auditor General providing follow up information in respect of the evidence session on 7 February. This is attached at **Annexe B**.
5. In addition, the [Committee wrote to the Permanent Secretary](#) seeking information about the action that the Scottish Government was taking in relation to ICT public sector projects in general. A response to the letter is attached at **Annexe C**.

**Clerks to the Committee  
11 March 2019**

# SSSC Submission

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## 1. Background

The Scottish Social Services Council (SSSC) has the statutory purpose of protecting and enhancing the safety and welfare of those who use or are eligible to use social services through the registration and regulation of the social service workforce.

There are currently 127,000 social service workers registered with the SSSC. There are a further 35,000 in the sector due to register with us by 2021. We have processed 63,000 applications for registration this financial year. As well as maintaining a register of the social service workforce we investigate approximately 2300 concerns about the fitness to practise of registered workers every year and, where necessary, refer and present nearly 400 cases to independent panels to take action which may include removing a worker's entry from our register if they present a serious risk to users of services. The SSSC employs 267 staff at its office in Dundee.

The Care Inspectorate (CI) has a statutory general duty of furthering improvement in quality of social services through the scrutiny of the 14,000 care services in Scotland. It employs 541 staff over 14 offices throughout Scotland.

Both organisations were established through the Regulation of Care (Scotland) Act 2001 to advance public protection within social services. However they are, and continue to be, separate organisations with different statutory functions and strategic aims.

The SSSC has evolved over time. In the first year of registering the workforce in 2003 we only had 55 staff, 531 social service workers on the register and held no hearings. As we were co-located in Dundee with a much larger organisation, we entered into several service level agreements (SLAs) to receive services from the CI. The agreements cover Strategic Leadership, Finance, Human Resources, Facilities and ICT. The ICT SLA is attached. It covers the basics of network, hardware, telephony, office software and support.

When registration commenced in 2003 we shared a digital system with our equivalent social service regulators in England, Wales and Northern Ireland. That system was decommissioned in 2012 and we moved to our Sequence system. The SLA has never covered support of our registration system "Sequence" or development work. This critical business system for management of our public protection function of registration of social service workers has never been a system shared with the CI.

When the SLA was drafted, it was never intended to cover the scope of the work that this digital programme initially set out to achieve and as the programme progressed, there were a number of challenges which meant that we had to take the difficult decision to end the ICT shared services arrangement to achieve our strategic priorities.

We have successfully implemented the following digital improvements over 17/18 and 18/19:

1. re-tendering the contract for our Microsoft Dynamics registration and fitness to practise system "Sequence" as the contract with the original supplier expired in September 2017, upgrading the system to the cloud
2. implementing a dedicated case management system to take over from Sequence in managing the fitness to practise work
3. replacing obsolete hardware and upgrading to Windows 10 and Office 365
4. developing our website and integrating it with our MySSSC customer portal as the contract with the original supplier expired in 2018
5. establishing an SSSC network and IT support team.

Having provided you with the above background information, we hope that the following will clearly set out our position in respect of the key criticisms of how this programme of work progressed.

## 2. Putting in place the right building blocks at the outset

### External Expertise

During the meeting of 7 February there were comments from the Auditor General that we failed to recognise that we did not have the specialist expertise in-house and needed to bring in external expertise,<sup>1</sup> and that we engaged with the Office of the Chief Information Officer at a late stage<sup>2</sup>

The contract with our supplier of Sequence ended in September 2017. In June 2016 we started planning the procurement of a new supplier.

- On 2 June 2016 we met with Scottish Government's Digital Transformation Services to discuss the project and then engaged them to support the process. They worked with us until February 2018.
- In November 2016 we opened dialogue with Scottish Government Procurement Shared Services. They supported the procurement process, including the evaluation of the tenderers. They wrote the document recommending the award of the contract to the supplier in May 2017. They supported us with several post-award procurement queries.
- On 19 September 2017 the Office of the Chief Information Officer (OCIO) contacted us. The Technical Architect from the Digital Transformation Service met with OCIO around 17 November 2017. I met with their Senior Engagement Manager on 2 February 2018. They reviewed our project documentation and agreed that we would inform them of any significant changes to the project. Our Digital Transformation Lead had a further discussion with them on 7 June 2018. A further meeting is being set up for 11 March 2019.
- On 11 October 2017 we brought in a Digital Transformation Lead with a proven track record in delivery of digital projects. He left at the end of his

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<sup>1</sup> Column 13 of Official Report of 7 February

<sup>2</sup> Column 3 of Official Report of 7 February

contract on 3 May 2018 and we brought in a replacement on 1 May 2018. He left at the end of his contract on 31 October 2018. His replacement started with us on 19 November 2018 and remains with us.

The expertise we brought in was highlighted to Audit Scotland.<sup>3</sup>

## **Business Case**

In 2017 Scottish Government Digital Transformation Service carried out a Current State Analysis and a Technical Architecture Survey<sup>4</sup>. The work was completed on 29 March 2017. The reports identified areas of risk and challenge that we required to address and they underpinned both our Digital Strategy which was approved by Council in June 2017<sup>5</sup> and the Statement of Requirements for the procurement of a new supplier for Sequence<sup>6</sup>.

The Statement of Requirements formed our business case at the start of the project. The intention was that the new supplier would upgrade Sequence and have it hosted in the cloud by the end of 2017. That was called Phase 1 in the Statement of Requirements. Phase 2 in the Statement of Requirements was developmental work to enhance the functionality and develop personalisation of content. Phase 2 would then, subject to budget, be planned and implemented in 18/19 after the upgrade and transfer to the cloud had taken place.

However, during the due diligence exercise the new supplier carried out after the contract was awarded to them in May 2017 they advised that, due to the then supplier being unable to locate software code, it was not possible to upgrade the system to the cloud without significant risk to the integrity of Sequence<sup>7</sup>. Sequence is a business-critical system we cannot function without. The supplier recommended re-building the system by designing a new system in the cloud and transferring the data into it. This would take longer and cost more. With the advice of the Technical Architect from the Digital Transformation Team, the Programme Board overseeing the project agreed to the re-build.

This decision meant it was necessary to bring forward elements of Phase 2 work. Business cases in respect of phase 2 work on Sequence and the introduction of a case management system were approved:

- Re-build of Sequence<sup>8</sup>
- Case Management System<sup>9</sup>
- Integration of Website with mySSSC to provide personalised content<sup>10</sup>.

There was also a requirement to upgrade obsolete infrastructure and operating systems in order to successfully run the new systems. A business case was

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<sup>3</sup> Section B1 of Submission to Audit Scotland.

<sup>4</sup> Document 1 of documents sent to Audit Scotland on 5 December 2018

<sup>5</sup> Sent to Grant Thornton on 3 October 2018

<sup>6</sup> Document 8 of documents sent to Audit Scotland on 5 December 2018

<sup>7</sup> Document 11 of documents sent to Audit Scotland on 5 December 2018

<sup>8</sup> Document 13 of documents sent to Audit Scotland on 5 December 2018

<sup>9</sup> Document 16 of documents sent to Audit Scotland on 5 December 2018

<sup>10</sup> Document 23 of documents sent to Audit Scotland on 5 December 2018



submitted to Resources Committee on 6 December 2017 and they authorised this piece of work.<sup>11</sup>

It was not possible to have an all-encompassing business case at the outset because the intention was to carry out a simple upgrade of Sequence to ensure a new supplier was in place before the contract with existing supplier expired, before planning and developing a business case for Phase 2. The missing software changed our priorities. We responded in an agile way and at each point we have been clear about the need we were addressing at the time.

We had an overarching detailed programme plan and individual project plans. The over-arching programme plan was reviewed by the OCIO in February 2018.

### **Audit Scotland's Principles for a Digital Future**

Ms Brown gave evidence during the session on 7 February that we acknowledged the context of the report but there was a lack of clarity about how we applied the guidance to the project.<sup>12</sup>

We highlighted Audit Scotland's Principles for a Digital Future to Council Members at the Audit Committee meeting of 27 September 2017<sup>13</sup>.

We received specific advice on the Principles from Digital Transformation Service's Technical Architect in September 2017 and that advice was raised and minuted at the Programme Board meeting of 25 September 2017<sup>14</sup>

## **3. Value for money**

The set-up and development costs were funded as follows:

- £229K additional funding for procurement of Sequence carried forward from 16/17 as working capital
- 17/18 grant in aid of £1,126K for ICT development
- £756K in-year savings carried forward from 17/18 to 18/19 for ICT development
- 18/19 grant in aid of £953K for ICT development
- 18/19 in-year savings of £584K

Being total funding for development of £3,648K.

We also incurred system running costs of 724K during that period which were funded from 17/18 grant in aid for ICT running costs of £240K and 18/19 grant in aid running costs of £467K.

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<sup>11</sup> Documents 17 and 18 of documents sent to Audit Scotland on 5 December 2018

<sup>12</sup> Column 8 of Official Report of 7 February

<sup>13</sup> Minute provided to Grant Thornton in October 2018

<sup>14</sup> Minute provided to Audit Scotland in the "Decisions" bundle of documents emailed to them on 6 December 2018

All of the work was necessary, was competitively tendered mainly from Scottish Government frameworks, has been successfully delivered on-time and within available budget and is already delivering efficiencies along with a much-enhanced user-experience for staff and external stakeholders.

It has delivered:

- a functioning registration system without which we could not fulfil our core statutory purpose
- mitigation of one of the main risks identified by Scottish Government Digital Transformation Service, being the lack of a dedicated case management system for fitness to practise work
- a case management system that with out-of-the-box functionality we can evidence is delivering a reduction in future grant in aid requirements of £417,000 per annum
- a functioning website, that is integrated into our online portal
- replacement of obsolete hardware with equipment that is capable of running modern software
- replacement of old operating systems with modern systems,
- an IT network and Team that can support delivery of our statutory functions.

The Auditor General gave evidence that in terminating the shared service no consideration was given to overall value for money<sup>15</sup> The decision to terminate the shared service was made by Council in August 2018. The paper submitted to Council set out five options only two of which were viable: remaining within the shared service or establishing our own IT service. The costs of the two options were contained within the report. The financial implications for the CI were also raised. All Executive Management Team members, including the CI's Head of Shared Services (who is a senior member of both the CI and the SSSC with responsibility for finance), agreed that terminating the shared service and creating an SSSC IT service was the appropriate option.<sup>16</sup>

The base cost of the shared ICT service was £540K per annum. The base cost of our own service is £550K with an additional £84K for 19/20 in respect of telephony. This service includes a much-enhanced development capability. The separation has enabled us to proceed with a cloud infrastructure that meets our requirements, enabling us to fulfil our public protection role and meet the needs of our stakeholders as well as generate efficiencies.

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<sup>15</sup> Column 6 of Official Report of 7 February

<sup>16</sup> Report and Minute of Council Meeting of 7 August 2018, documents 45 and 38 of submission to Audit Scotland

## 4. Creating an SSSC network and terminating the SLA

In giving evidence to the meeting on 7 February, the Auditor General said that the SSSC bought a case management system without considering whether it was compatible with the network shared with the CI.<sup>17</sup> This is incorrect.

The proposed case management system was considered at the Programme Board meeting of 13 December 2018. The options for hosting of the preferred system on the CI network were specifically discussed and minuted. It was clarified by the Digital Transformation Lead that the system would work without issue if hosted on-premises. However, cloud hosting was the preference in line with Standard 18 of the Scottish Government's Digital First Standards. The decision was made by Programme Board, including the CI's Head of Shared Services, to purchase the system and explore technical solutions for cloud hosting, in the knowledge that on-premises hosting was a fall-back if necessary.<sup>18</sup>

The decision to create a separate SSSC network was made by Council in March 2018. The report that Council considered recommends the creation of a separate SSSC network infrastructure. Hosting of the case management system is only part of the rationale for that recommendation.<sup>19</sup> The report also contained known financial information related to creating a separate network. It highlighted that there would be financial implications for the CI and that these had not been identified or agreed. The Council made a risk-based decision taking into account the risks of not proceeding and based on advice from the CI Head of Shared Services that funding would be available in the SSSC's budget for hosting and maintenance, with the SLA requiring to be revised as things developed, and that a decision by the SSSC to create its own network would not prevent the CI from setting its own budget.<sup>20</sup>

The SLA had a simple termination clause within it which required three months' notice of intention to cancel the service.<sup>21</sup>

We do accept that the style of SLA which was adopted by the CI and SSSC a number of years ago is no longer fit for purpose. More detailed, contractual documents have been drafted and are being reviewed by the CI. A contract to carry out an independent audit of shared services arrangements was awarded to CIPFA and will be concluded in June 2019.

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<sup>17</sup> Column 10 of Official Report of 7 February

<sup>18</sup> Minute of Programme Board of 13 December 2018, document 35 of submission to Audit Scotland

<sup>19</sup> Report and Minute of Council Meeting of 27 March 2018, documents 39 and 36 of submission to Audit Scotland

<sup>20</sup> Report and Minute of Council of 27 March 2018, documents 39 and 36 of submission to Audit Scotland

<sup>21</sup> SLA – document 27 in the bundle of documents provided to Audit Scotland

## 5. The governance arrangements

The key decisions were made at the appropriate authority level. Council made the decision to establish an SSSC network and to end the shared ICT service. Resources Committee made the decisions to award the Sequence contract and to proceed with replacement of the obsolete hardware and operating systems. Decisions about the Sequence contract were made by the officers on the Programme Board under delegated authority.

### **Programme Board**

The Programme Board has a Terms of Reference.<sup>22</sup> The Accountable Officer is identified as the Chair of that Board which has responsibility for planning and overseeing the project. The Chief Executive chairmanship of the Programme Board reflects the seriousness with which this project, overseeing the operational delivery of critical business systems was viewed. The Chief Executive has a direct route to the Convener and the Council as a whole. Our view is it would be against the principles of the Scottish Government's On Board Guide for a Council Member to chair an operational programme board.

### **Reporting to Council**

We accept that specific stand-alone reports were not submitted to Council providing an overview of this work. Reporting to Council was through committee reports or within the Chief Executive's report. We implemented stand-alone reporting to Council in October 2018. Council Members maintain that they were informed, monitored and scrutinised this project appropriately.

### **Internal Audit**

Internal Audit carried out an audit of our digital strategy in March 2018. This was reported to Audit Committee on 30 May 2018. The audit identified an amber risk that the key risks to delivery were not being formally recorded and managed, the role of Digital Transformation Lead having been recently vacated, and the SSSC being a minority partner in a shared ICT service split 70:30 with the CI. Where two organisations have different technological environments and strategic directions, this ICT structure was identified as potentially impacting on the pace of strategic delivery. This risk had not been formally recorded and mitigated. Management accepted the recommendation that the new Digital Transformation Lead would work with Programme Board to identify the key risks and actions to mitigate against the risks.

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<sup>22</sup> Terms of Reference emailed to Audit Scotland on 6 December 2018

## **Risk Registers**

The Programme Board meeting of 20 July 2018 carried out a review of the risk register.<sup>23</sup> The risk registers did not focus on operational ICT technical risk. Over 60% of the risks were non-technical.<sup>24</sup>

## **Budget**

We accept that we did not produce a separate detailed budget. The budget was managed as part of the organisation's budget and reported on at every Programme Board, Executive Management Team meeting and at separate monthly digital budget monitoring meetings. The budget was reported to all Resources Committees and the following Council (with the exception of the Summer meeting where the focus is on the annual report and accounts). Every budget paper contained specific detail in respect of the digital project and the minutes of the resources committee reflected that there was specific discussion of this area.<sup>25</sup>

## **Shared Service**

We accept that the governance arrangements dealing with shared services were not as strong as they could be. We have drafted stronger SLAs which are with the CI for review and have appointed CIPFA to carry out an independent review of the governance arrangements of shared services.

There are areas we have highlighted where we could have improved our approach. However, it is unfortunate that this has been categorised as inadequate. This project was extensively planned and monitored by the executive management team.

## **6. Conclusion**

In conclusion while we accept that there are some areas that we could, with hindsight, have done better, we believe that this is a successful programme of work which was achieved through the hard work and dedication of SSSC staff.

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<sup>23</sup> Programme Board minute sent to Grant Thornton on 3 October 2018

<sup>24</sup> Risk registers emailed to Audit Scotland on 6 December 2018

<sup>25</sup> Budget reports emailed to Audit Scotland on 6 December 2018

## **Submission from Anna Fowlie, former chief executive of the Scottish Social Services Council**

Dear Committee Members

### **Section 22 report: SSSC digital project**

In advance of giving evidence in person on 14 March, I write to set out some clarification and correct some factual inaccuracies relating to the evidence session involving Joanne Brown of Grant Thornton, Caroline Gardner of Audit Scotland and Jillian Matthew of Audit Scotland at the Committee on 7 February 2019.

My former colleagues at the SSSC will no doubt provide more detailed information, so I will focus on what emerged in the evidence session. It is also important to note that the project was delivered on time and on budget, and is working well.

#### **1. Skills and Expertise**

The Committee took the view that as Accountable Officer, I had not recognised that we didn't have the skills within the SSSC to take forward this project. This was not challenged, was even supported, by the panel, despite the fact that the appendix to the Section 22 report states, albeit briefly, that we brought in Scottish Government's Digital Service and the Scottish Government's Procurement Shared Service.

At the very outset, we recognised the need to bring in specialist expertise and did so. We paid for SG Digital to provide technical expertise throughout the project and the SG procurement service to advise on the tendering and contracting process. They advised me and my colleagues throughout, and indeed we bought in expertise from the Scottish Government Digital Directorate to work with us in the office in Dundee. They also supported us to recruit someone externally with an excellent track record in digital transformation. That is what smaller public bodies are advised to do and it was invaluable.

#### **2. Governance**

Council Members, through both the Resources Committee and the Audit Committee, as well as the Council itself were well aware of the progress of the project and made the necessary decisions. The Programme Board, which I chaired as Accountable Officer, reported to the Resources Committee of the Council. The Committee's minutes were reported to Council.

This project began as a replacement for an existing IT system which had reached the end of its contract. Timescales were driven by that. A budget was set out from the start and modified as the project evolved. It is well-known that if you set out exactly what you want at the start of an IT project, it will be out of date by the time it is delivered. It is also well-known that many of the problems with systems happen because different parts are bought or developed in isolation, when in fact they should be looked at in the

round to ensure they all talk to each other - that is what “agile” development is about and there has to be room for flexibility.

This was not a “nice to do” modernisation, this was an essential replacement of the existing regulatory system whose contract had expired. The system holds over 100,000 registrants’ personal and sensitive information, providing a customer-friendly experience, and is an essential vehicle for the SSSC’s public protection role. It has to work and it has to be safe.

### **3. Shared Services**

Both the auditors and the Committee seem to have started from the assumption that shared services automatically bring value for money, and that the SSSC’s whole system was previously shared. In fact, only the network was a shared service. The system itself was standalone.

In her evidence, the Auditor General referred to the arrangements more than once as “complicated.” Unlike the SLAs relating to other (successful) shared services, the SLA for ICT was very complicated and had been under review by the Head of Shared Services (Head of Finance and ICT in the Care Inspectorate) for some considerable time when I left, despite me pressing for it to be done. That meant the SSSC was continuing to pay for a poor service.

When the shared services arrangements were previously reviewed by internal audit, they recommended more systematic governance of the SLAs. I welcomed that and tried to put it in place. The two chief executives met quarterly with the shared Director of Corporate Services and considered reports from the managers of the shared functions. The only reports that ever showed problems were regarding ICT. The Care Inspectorate recognised that the infrastructure and overall service were out of date and expensive and that customer service was poor. However, the Care Inspectorate stopped the oversight meetings because they felt it wasn’t the best use of time.

Colleagues from the Scottish Government’s Digital Directorate identified the Care Inspectorate’s ICT infrastructure and support as the single biggest risk to the successful implementation of the SSSC’s digital transformation strategy.

The shared posts of Director of Corporate Services and Head of Shared Services (the latter responsible for ICT and finance in the Care Inspectorate) were employed 80% by the Care Inspectorate and 20% by the SSSC. That made accountability very cloudy. It brought a potential conflict of interest when monitoring the efficacy of the shared services. They are the primary, day-to-day contact for internal and external audit.

### **4. Value for Money**

As I said above, there seems to have been a belief that a shared service must provide better value for money than a standalone service. There is no evidence that that was the case with this ICT service.

When Internal Audit (Scott Moncrieff) did the audit of the shared services, I was very clear I wanted it to look at value for money because I wasn't convinced that's what we were getting. I had several conversations with the auditors about it, but they told me it wasn't possible and they could only look at the documentation. In relation to this project, when considering various options around the network, I asked several times for comparable information about the existing arrangement and was consistently told that wasn't possible or given partial information.

While I was at the SSSC, I was determined to show value for money and indeed asked Audit Scotland to do a best value review of the organisation. It seems I'm the only public body chief executive to have asked for a best value review. Unfortunately, Audit Scotland were not resourced to do that for bodies like the SSSC.

I wanted external reassurance that our regulatory processes were efficient, but my main area of concern was shared services because over 10% of our budget was going on corporate services, mainly paid to the Care Inspectorate. I asked the SG Public Bodies Unit and Scott Moncrieff for bench-marking information but no one was able to provide it.

The decision to build a separate network was based on advice from external experts that it would offer better quality, better value for money and remove the significant risks associated with being part of the an antiquated system. It's interesting that the Care Inspectorate now have a new ICT system; while I was there I was told they couldn't afford to pay for their share of any upgrade so wouldn't do it. At the Committee, the Auditor General said we should have waited for the Care Inspectorate; even if they had had a timescale for upgrading their system, we could not do that as our contract for the existing system had run out and couldn't be extended any further.

## **Conclusion**

This evidence session on 7 February gives a damaging and inaccurate impression of how I conducted my role an accountable officer while chief executive of the Scottish Social Services Council. No one spoke to me in the course of the audit or when the Section 22 report was being considered. It's entirely inaccurate to say I did not consider the public purse in making the decisions I did. The reverse is true. I have always had value for money, risk and a quality service uppermost in my mind.

Yours sincerely

**Anna Fowlie**



Jenny Marra MSP  
Convener  
Public Audit and Post-Legislative Scrutiny Committee  
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8 March 2019

Dear Convener

**The 2017/18 audit of Scottish Social Services Council**

Following the evidence session on 7 February 2019, it may be helpful to the Committee to clarify two specific points:

- The Scottish Social Services Council (SSSC) employed contractors with specialist ICT skills to oversee the ICT project from July 2017. As we highlight in our report, there were three different people employed over a period of 12 months. This was an operational role rather than providing strategic oversight. There was a gap at the more strategic level.
- On 7 February, Colin Beattie asked about engagement with the Scottish Government. In my response I noted that the council engaged with the office of the chief digital information officer (OCIO) at a late stage (OR, col 3). In addition, the SSSC engaged with the Scottish Government's procurement team early about the procurement of the ICT project and received support from them for procuring a supplier and new systems, including the case management system. The Scottish Government's digital team were represented on the SSSC's programme board, but only from September 2017 to January 2018. The auditor saw no evidence of the SSSC liaising with the OCIO or requesting further ICT support.

I hope the committee finds this information helpful.

Yours sincerely



**Caroline Gardner**  
Auditor General for Scotland

Permanent Secretary  
Leslie Evans



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08 March 2019

Dear Ms Marra,

Thank you for your letter of 5th March 2019, which asks for clarification on the actions that Scottish Government is taking to address governance issues in respect of public sector IT projects. I have sought to address each of the issues raised in your letter in the attached annex.

Please accept my apologies once again for being unable to attend the evidence session on Thursday 14th March 2019.

Paul Johnston, Director General Education Communities and Justice, Michael Chalmers, Director of Children and Families, and Colin Cook, Director Digital, will be attending the session and I am confident that they will be able to explore these issues with the Committee.

Yours sincerely

Leslie Evans

**Leslie Evans**  
**Permanent Secretary to the Scottish Government**

## **ANNEX A - PAPLS COMMITTEE MEETING 14 MARCH 2019 - INFORMATION REQUIRED IN ADVANCE OF MEETING**

**The need to ensure that the preparatory work undertaken on IT projects is thorough and detailed, including having a clear scope, budget and timescale for the programme and assessing and managing the anticipated risks**

The Technology Assurance Framework requires Central Government organisations (excluding Health) to register all IT and digital projects, irrespective of value, with the OCIO. The OCIO carries out an initial assessment, based on the information provided, to determine whether more in depth follow up is required.

Mandatory Business Justification Gates are conducted on major projects early in the project lifecycle to ensure the basis for starting the project is sound. The Gate identifies whether the project is addressing user needs, and has a robust outline business case.

**Awareness of and use by public sector bodies of existing guidance, good practice materials, tools and checklists that have been developed in relation to managing ICT projects**

The Scottish Government website provides a range of guidance, tools and checklists for projects.

The Scottish Public Finance Manual sets out guidance for all major investment projects. This includes the requirement to complete a risk potential assessment and advises that the Investment Decision Maker should issue a formal appointment letter to the Senior Responsible Owner setting out responsibilities.

The Technology Assurance Framework requirements are also outlined on the website and include the requirement for organisations to register their projects with the OCIO; links to the templates for Risk Potential Assessment forms and Integrated Assurance and Approval plans. It also includes guidance on the Digital First Service Standard which sets out the criteria to which new digital public services should adhere. The Standard represents a shift in approach towards an agile way of working which puts users at the heart of service design and which embodies an ethos of continuous improvement. Awareness of the Standard has grown since its introduction in 2017 with 25 individual services already assessed for compliance. While the new approach is bedding in, it is a medium to long term change agenda and requires organisations to develop new ways of working and digital skills.

**The difficulties experienced by the public sector in recruiting and retaining staff with the required technical IT skills**

Recruiting IT professional staff is difficult for both the public and private sector, as key skills are in scarce supply. The competition with the private sector creates an additional challenge for the public sector to attract staff given the limits on our ability to compete on pay and benefits.

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The Scottish Government has sought to improve its ability to attract and retain specialist staff through its commitment to strengthening the professional skills. It has recently replaced the old ICT profession with a new Digital, Data and Technology (DDaT) profession which is better able to reflect the range of skills required to develop and deliver services in the digital world. The new profession provides a comprehensive capability and career framework that standardises roles and skill requirements across organisations. It allows active engagement with staff in career planning and development with define career pathways. Heads of community across the DDaT sector have been appointed to champion talent and development for all component parts of the profession (e.g. technical, IT operations, user centred design).

The Scottish Government's commitment to developing staff is exemplified by the creation of the Scottish Digital Academy. This offers staff the opportunity to develop their skills and, in particular, increase their awareness and working knowledge of agile methodology and user centred service design.

We are also addressing the senior skills shortage by trialling a new Digital Fellowship Programme, under which senior experienced staff from the private sector are asked to work within The Scottish Government (for a period of time), to provide their expertise and knowledge to drive forward improvements and guidance in key areas. A decision on the extension of this scheme beyond the trial period will be made in April 2019.

**The need to ensure that smaller projects and smaller public bodies are also subject to a similar governance framework to that developed by the chief information officer.**

As described above, The Technology Assurance Framework requires Central Government organisations (excluding Health) to register all IT and digital projects, irrespective of value, with the OCIO. The OCIO carries out an initial assessment, based on the information provided, to determine whether more in depth follow up is required. This approach is considered to be both pragmatic and appropriate.

Over the last year, 200 new projects have been added to the project register. The majority of projects (153) have estimated whole life costs of under £1 million. If each of these projects had undergone a Business Justification Gate, the cost of independent assurance reviewers would be upwards of £1.3 million.

In order to administer this, the OCIO would require to increase in size by up to tenfold or, alternatively, more expensive contractual arrangements would need to be put in place. This would be a potential additional cost of up to £9 million. The additional cost would be greater still if each of these projects was required to undergo further assurance at subsequent points during the project lifecycle.

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## **Whether and the extent to which smaller bodies are able to access Scottish Government core expertise**

Digital expertise is available, on a shared service basis, through Scottish Government's digital directorate. Organisations can approach the directorate for the following services:

- Assessments of digital maturity
- Development and review of digital strategy
- Support for the development of business cases
- Technical Requirements Development and Procurement Support
- Technical Architecture Support
- User Research & Service Design – workshops, facilitated sessions
- Programme management

During 2018, a new Target Operating Model was developed within the Digital Transformation Division. This introduced a new prioritisation process designed to ensure that digital skills are focussed on digital transformation programmes that have the potential to make the most significant impact on the services and operating efficiency of the Scottish Government. At present, 23 organisations / projects are being supported in some way by the service.

### **The need to ensure that public bodies have the skills to identify when they need to recruit external IT expertise and where to recruit it from**

Scottish Government has recently implemented a new recruitment process across all DDaT roles both internally and externally to ensure consistency. This is closely aligned to industry-standard recruitment processes and will improve our ability to attract candidates and to assess them against the technical skills required for our roles. We will continue to develop the approach to ensure we are able to attract the right candidates for the right roles and provide the means for managers to assess candidates against the skills needed.

In addition, the digital directorate offers support for agencies wishing to recruit senior IT staff through, for example, participation in interview and assessment processes. Furthermore, the facility exists to second a member of staff from the digital directorate into a senior level role.

### **The reasons why public sector bodies are apparently still failing to recognise that IT projects are high risk in terms of governance and skills**

Leaders of all public sector bodies are expected to assess the risks associated with IT projects and programmes. Whilst some IT projects are relatively straightforward and low risk, the guidance exists to support the process of risk assessment and identify those projects with a high risk in terms of governance and skills.

In his letter to the Committee of 28<sup>th</sup> November, Director Digital noted that The Scottish Public Finance Manual (SPFM) was updated in late 2018 to incorporate a broader set of characteristics in the definition of a major investment project. This was intended to help organisations to consider areas of potential risk.

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The definition now describes major investment as usually involving the creation, acquisition, development or maintenance of an asset with a lifespan beyond the current financial year and specifically notes the following characteristics:

- has a total anticipated whole-life cost of £5 million+ inclusive of fees and VAT or is above your delegated authority limits or
- could create pressures leading to a potential overspending on portfolio budgets or
- would entail contractual commitments to significant levels of spending in future years for which plans have not been set or
- could set a potentially expensive precedent or
- will be challenging to deliver within existing resources and capability and/or
- represents a material level of expenditure and/or will have a material ongoing financial impact or
- is novel, and/ or contentious and / or complex or
- could impact on the delivery of a Programme for Government commitment or
- requires primary legislation

The amendments to the SPFM also introduced a formal appointment letter which should be issued by an Investment Decision Maker to a Senior Responsible Owner, setting out roles and responsibilities. This includes the requirement for a Risk Potential Assessment to be completed.

Prior to the introduction of the mandatory technology assurance arrangements two years ago, the level of proactive engagement with the OCIO was low and the currency of project information recorded with the OCIO was poor.

Over the last two years, the OCIO has implemented a process for requesting updates to the project register and the currency of information is considerably improved. The OCIO also has regular engagement with those organisations carrying out major projects or delivering new digital public services. This engagement is enabling the OCIO to have ongoing dialogue with projects about their risk and to gauge the need for mandatory assurance. It is also worth recording that a number of projects have approached the OCIO for voluntary assurance which reflects the improved awareness about risk and the benefits that independent assurance can bring.

Audit Scotland's publication of May 2017 *Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects*, highlighted governance and skills as a recurring issue. The assurance checklists used for major project reviews are aligned to the key principles for success outlined in the publication with both governance and skills specifically covered.

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## **The variety in support that public bodies are receiving from their respective Scottish Government sponsorship department in respect of IT projects.**

Sponsorship teams play a critical role in ensuring that Scottish Ministers' priorities are delivered. Sponsorship should always be considered a strategic activity with arrangements appropriately reflecting the strengths and risks associated with each specific body and the roles and responsibilities of Accountable Officers and Boards.

Scottish Government sponsored bodies undertaking major investment projects must adhere to the guidance in the SPFM. In addition they should ensure that their sponsor units are provided with copies of all relevant progress reports to Investment Decision Makers and Boards. Scottish Government sponsor units must:

- adopt a pro-active approach to ensuring the effective management of projects;
- monitor the progress of relevant projects by careful scrutiny of reports prepared by the SRO / Project Manager;
- intervene immediately if there is a perceived deviation from plans agreed under delegated authority arrangements or if there are any developments that could undermine the viability of the project; and
- in consultation with their Scottish Government Finance Business Partner (or equivalent), keep Portfolio Accountable Officers and Ministers informed as appropriate.

Also as part of the annual Certificate of Assurance exercise which is part of the SPFM, Sponsor teams are required to complete (retrospectively) the exercise to provide the Scottish Government with the required level of assurance that sponsor teams have effective relationships with sponsored bodies covering areas such as relations with Boards, strategic engagement, procurement, and national outcomes and assurance in relation to ICT projects. The link <https://www.gov.scot/publications/scottish-public-finance-manual/certificates-of-assurance/annex-2-internal-control-checklist/> at section 12.9 provides more detailed information.

The Scottish Government appreciate that the Committee's concern is that Audit Scotland reports highlight similar issues across the public sector – where issues relate to the lack of or application of Scottish Government central guidance, this will be followed up by improvements to that guidance with a view to strengthening processes for successful delivery of ICT projects

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