



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 29 October 2020

Session 5



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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
23rd Meeting 2020, Session 5

CONVENER

Jenny Marra (North East Scotland) (Lab)
*Anas Sarwar (Glasgow) (Lab)

DEPUTY CONVENER

*Graham Simpson (Central Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Neil Bibby (West Scotland) (Lab)
Bill Bowman (North East Scotland) (Con)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Alex Neil (Airdrie and Shotts) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)
Antony Clark (Audit Scotland)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

The Mary Fairfax Somerville Room (CR2)

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

Thursday 29 October 2020

*[The Acting Convener opened the meeting at
10:00]*

**Decision on Taking Business in
Private**

The Acting Convener (Anas Sarwar): Good morning and welcome to the 23rd meeting in 2020 of the Public Audit and Post-legislative Scrutiny Committee. Before we begin, I remind members, witnesses and staff that social distancing measures are in place in committee rooms and across the Holyrood campus. In addition, a face covering must be worn when you are moving around, entering or exiting the committee room, although it can be removed once you are seated at the table in the committee room.

We have received apologies from Bill Bowman.

Agenda item 1 is a decision on taking business in private. Do any members object to the committee taking items 3 and 5 in private? If Neil Bibby, Colin Beattie or Willie Coffey, who are joining us remotely, object, please can they raise a hand?

As there is no indication of disagreement, that is agreed.

**Auditor General for Scotland
(Draft Work Programme)**

10:00

The Acting Convener: Agenda item 2 is consideration of the Auditor General for Scotland's draft work programme. I welcome to the meeting Stephen Boyle, Auditor General for Scotland, and Antony Clark, audit director at Audit Scotland. I invite the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Good morning. My paper today invites members' feedback on the draft proposals for my strategic audit priorities and longer-term work programme. The proposals focus on the key risks that we know that Covid-19 is already creating for public finances and public services. No one knows how long the pandemic will last or what further new issues and challenges it will throw up. The pace at which events are unfolding, and the need to respond quickly to emerging issues and risks, mean that I need to build flexibility into the programme. I will briefly set out my thinking on the themes that I intend to focus on in my planned work.

I have grouped the work programme into five key themes: equalities and outcomes; economic recovery and growth; policy priorities; innovation and transformation; and governance and accountability.

Equalities is a key theme. It was an important issue before the pandemic, but different groups in society have been disproportionately affected. I will look at how public bodies have responded to the many equality-related economic and social challenges.

Outcomes from public expenditure make a difference to people's lives. I believe that public audit has an important contribution to make in testing whether the Scottish Government's improvement ambitions in key areas such as education, employment and health and social care integration are actually making a difference.

Covid-19 will have a significant impact on the Scottish economy and public finances for many years to come. Some of its impact might be permanent. How well public money is used to rebuild the economy and repair the damage caused by Covid-19 will also be a key area of focus. I will work closely with my colleagues in the Accounts Commission, which audits council spending as part of that work. I have used the phrase "following the pandemic pound" to describe the work to track and report on Covid-19 spending.

The pandemic has highlighted the importance of many long-standing areas of interest to me and the committee, such as good governance, openness and transparency, financial controls and effective long-term planning. We will also factor into our work the elevated risk of fraud and the issues thrown up by the changes to governance arrangements that have been required during the pandemic.

Alongside my role in supporting effective accountability, I want to look forward and contribute to learning across the public sector when Scotland moves towards recovery and renewal. Progress has been made during the pandemic in areas such as digital service delivery and aspects of partnership working. We need to learn from that and think about the major transformation challenges that lie ahead for Scotland's public services. I am planning to look at topics such as digital transformation, collaborative leadership and workforce planning.

A further area of interest for me in my longer-term work programme will be the Scottish Government's progress in the context of Scotland's new financial powers. My audit work will continue to keep the overall position of the devolved public finances under review.

Today's material focuses primarily on my performance audit work, but it is worth briefly noting that a core part of my work is auditing the financial accounts of all non-local government public bodies in Scotland. Those audits inform my section 22 reports that support the committee in holding the Scottish Government and other public bodies to account. I will bring a number of those reports to the committee annually, and I am also considering how best to report progress to the committee on matters that were raised in previous section 22 reports.

Finally, I want to ensure that my longer-term work programme considers key risks and key areas of interest to the committee and the wider Parliament and that it focuses on those topics that will add greatest value in supporting effective parliamentary scrutiny. I will use the committee's feedback to refine my longer-term work programme, which I anticipate publishing in early 2021.

Antony Clark leads on the development of our longer-term programme, and we will be delighted to answer any of the committee's questions.

The Acting Convener: Thank you, Auditor General. I will kick off on the issue of the pandemic pound. You mentioned the tracking of the money. Does Audit Scotland have a live tracker in relation to the public pound and the outstanding moneys? If not, can it create one? If it does that, should the tracker be public?

Stephen Boyle: There are a number of strands to that. We prepared a briefing paper on which we engaged with the committee in August, which set out how much additional money had come to Scotland at that point; if memory serves me correctly, the figure was £5.6 billion. We have also created a public-facing part of our website—a Covid hub—that sets out our work and the scale of change in the Covid money that is coming. We can give a bit of focus to whether that vehicle is the best way to track that. That is clearly part of our work, and we signal in our papers that we will use a range of different mechanisms to shine a light on how much money is being spent and, in due course, the effectiveness of that spending.

The Acting Convener: I looked at the briefing paper; given how fast everything is moving and how quickly Covid-related spending commitments are being made on business support and so on, the figure that you mentioned is already out of date. Do you have a more up-to-date figure for what moneys are outstanding? How often should that be updated? It is no longer credible to wait months for that figure—it needs to be updated on a much more regular basis.

Stephen Boyle: You are right—the rate of change is incredibly fast moving as regards the moneys that are coming to Scotland, whether through Barnett consequential as a consequence of United Kingdom Government spending decisions that flow through to Scotland or as a result of the Scottish Government's own commitments. That pace requires regular reporting and updating; we have a role to play in that and the Scottish Government does, too, to ensure that there is openness and transparency in the scale of the money that is being provided. That is an issue that we can take away.

You are right—in August, we reported the £5.6 billion figure, which would have covered the period up to the end of July, but the figure has grown since then. It matters that the scale of the money that is coming to the country is clear and that people can track and follow that. We will take that issue away and think about how best—

The Acting Convener: Do you have a number? Do you know what it is?

Stephen Boyle: I am cautious about saying what the latest number is; I think that it is certainly more than £7 billion, but I would probably need to come back to you on that.

The Acting Convener: I was looking at that in relation to the new restrictions and the level of business support, and the most recent public figure that I could find was out of date, which is why I do not want to quote it publicly in terms of any interactions. The most recent public figure was that there was around £630 million of unspent

money. I do not claim that that is what the figure is now, but from the point of view of accountability and transparency, I should be able to know how much money is still not spent so that I can challenge or support what the Government might want to do, or say what I might want the Government to do. Therefore, it is important that we have that figure.

Stephen Boyle: We agree; we think that there is a real need for openness and transparency. In the paper that we produced in August, we sought to collate all the money that had come to the country. I remember that, in that conversation, we sought to explain some of that unspent money, particularly given that many elements of the spending were demand led and dependent on uptake from businesses and other groups. In addition, some of the money is spread over more than one financial year. The purpose of that paper was to bring additional openness and transparency to the issue.

The Acting Convener: In principle, are you happy to engage with the Government to set up a live tracker?

Stephen Boyle: Indeed; it is really important that we have a conversation with Government so that there is on-going transparency on how much money has come and how much has been spent.

The Acting Convener: That is great. Graham Simpson has a supplementary question on that point.

Graham Simpson (Central Scotland) (Con): It is good that you would consider a live tracker but, as regards reporting, how regularly could you do that? Could you do it on a monthly basis or every two months? The situation is so fast moving.

Stephen Boyle: It is fast moving. We would probably want to take that question away and have a proper think about the mechanisms that we or the Government could use to describe the money that has come through. We would also want to capture the frequency in the same conversation.

The overarching point, which remains important, is that there is a real need for openness and transparency. We have some sympathy when it comes to the pace and elements of the predictability of the money, but we need to tease out all those issues before we can be definitive on how frequently we could provide that information.

The Acting Convener: Willie Coffey, who is joining us remotely, also has a supplementary question.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): As Stephen Boyle has just said, it is probably for the Government to track whether money that has been allocated or earmarked has

been spent or otherwise, but it is for Audit Scotland to examine that. However, I am not sure that it is within Audit Scotland's gift to set up a tracker mechanism to do that; it is probably a matter on which we should press the Government.

Stephen Boyle: I accept Mr Coffey's point. In an ideal scenario, the Government would set out such information. In fact, as well as publishing a live tracker, in due course the Scottish Government will set out such spending through an annual report and accounts, which will be subject to audit. There is therefore a clear role for audit alongside the Government's own financial reporting.

In the briefing paper in August, and in our thinking about additional mechanisms since then, we wanted to capture the volatility and the pace of change involved in the entirely new circumstances that we are in and to support openness and transparency and, indeed, parliamentary and public understanding of the scale of the money that has been spent. We have not yet expressed judgments on how well it has been spent, but that will feature in our work in due course.

The Acting Convener: I completely accept that, fundamentally, that is the job of the Government. In normal circumstances, an annual report of an underspend is fine, but we are not living in such circumstances. The scale and speed of what is happening—and of how we are responding to it—require there to be more audit and more transparency, not less. The central point that I am trying to make is that working on transparency and on the audit of the money is partly Audit Scotland's role. However, I accept that it is for the Government to lead on transparency, as we would hope that it would do. If you could take that point away and come back to us, Auditor General, that would be great.

I want to turn to your work on inequalities, which I completely support. The two biggest issues to have dominated the year 2020 have been inequalities—in particular, race disparity, which has been highlighted by the Black Lives Matter campaign and movement—and the pandemic. I am keen to see what work will happen on race disparity alongside the other work on inequalities that comes under Audit Scotland's function.

At previous meetings of the committee, you have said that you would go away, look at inequalities and race disparity and come back to us, having considered your statutory role. To be honest, when it comes to those matters, I think that you need to go beyond your statutory role. I am keen to hear what further work will be done on the particular form of race disparity that exists in our public sector. It is to be hoped that that will make that sector lead by example and that its

approach will then be adopted by the private and third sectors.

Stephen Boyle: You are quite right to set out the context of the impact of the Covid pandemic on inequalities—in particular, how its implications have been felt by our black, Asian and minority ethnic communities.

We are still thinking carefully about how we fit into any particular race disparity audit process—whether we should lead such work or whether that should be done by another organisation. We are also conscious that the Scottish Government itself has an option to play a role by undertaking its own race disparity audit. We will have a further conversation with it to explore whether it will decide to do so.

We are therefore already thinking about the impact of the pandemic on BAME communities, and also how its wider impacts have touched other communities. In our paper, we also mention its impact on younger people—for example, through loss of education. We are therefore considering the issue in the round, and race disparity is part of that equation. However, we have not yet settled on whether we, the Government or indeed the equalities and human rights bodies are best placed to carry out that work.

The Acting Convener: The only point that I would challenge there is that this is one of those issues on which we could spend all our time trying to find out whose job it is to carry out the work, but no one actually takes the lead and does it. To be honest, that is what has happened for years and years. I am keen to see organisations—the Scottish Government, Audit Scotland and any other institution—show some leadership. I would like to see anything that your organisation can do on that.

10:15

Audit Scotland can lead and be a trendsetter and set a gold standard, and I would like to see it do that—as well as the Scottish Government; I am having the same conversation with it. This is not a party-political thing; it is a fairness thing. I do not want there to be just conversations and discussions, or talk of “Let us see who will do what.” Show some leadership and just do it, please.

Stephen Boyle: I entirely recognise the importance of the issue, and I reassure you on that point. Ultimately, it needs to be done. My point is that it needs to be decided whether Audit Scotland is the best organisation to do that work. If we do not see any action on that, there is absolutely a space for Audit Scotland to come into if that is where we get to—

The Acting Convener: When is the deadline for seeing that action, before you think that Audit Scotland might need to step in?

Stephen Boyle: What we have set out in the paper is that, through the consultation process on the draft work programme, we will hear the views of the committee, the wider Scottish Parliament and others. Once we have corralled all that, we will come back with a published, final, longer-term work programme in early 2021. By that stage, we can be clear as to whether a race disparity audit by Audit Scotland is needed or whether clear progress elsewhere will be sufficient.

The Acting Convener: I look forward to seeing that work and to engaging in those conversations.

When do you envisage Audit Scotland starting to do some Covid-response audits? Working remotely is going to be a long-term situation for Audit Scotland. How will Audit Scotland be able to remotely audit performance? It is not just about the financial side. It is quite easy to remotely audit spreadsheets and numbers, but how do you remotely audit performance?

Stephen Boyle: I will ask Antony Clark to come in on how we are undertaking our performance audit work remotely. Antony leads a number of our teams that are currently doing that work, and he can say more about how that is going.

On some of the specifics of Covid-related reports that you will soon see, perhaps the first and maybe the most important will be our national health service overview report, which will come to the committee and be published in early 2021. That will look at many aspects of NHS preparedness and its response to Covid. The team is actively involved in that work and is engaging with NHS colleagues and the Scottish Government on it. By that point, we will begin to be clear in our judgments about how well the NHS has performed and how well prepared it was to deal with the pandemic.

We will also be reporting through the Scottish Government section 22 report on the consolidated accounts towards the end of the year, which will also set out aspects of the Government’s arrangements and how Covid has impacted on its performance in the round. Beyond that, in the paper, we touch on the fact that we are proposing to undertake an audit of personal protective equipment, the arrangements that were in place in Scotland and the cost of some of that expenditure over the year. In our paper today, we set out some specific pieces of work that we are already committed to. There are also other more thematic areas, and we are thinking about those and how we will develop them into outputs.

I ask Antony to say more about our performance audit activity and how that is working.

Antony Clark (Audit Scotland): I will give a couple of examples of the impact of Covid-19 on our performance audit work. We have a couple of pieces of work going on at the moment, which the Auditor General has already mentioned—the NHS overview report and work on education outcomes. It is taking longer to do that work than it would normally and we need to be thoughtful about the pressure that we are placing on people who are trying to deliver services during the pandemic. However, we are finding that we are able to do the work. People are keen to talk to us about their experience of what is happening around the pandemic, and they are happy to engage with us through interviews, focus groups and so on. We are able to get data electronically, and many reports are published and available, which gives us a good source of evidence for some of our performance analysis. Therefore, working remotely is having an impact, but it is not stopping us doing our work.

The Acting Convener: I turn to Colin Beattie, who joins us remotely.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Auditor General, I will explore a few of the points that you just raised. In our previous evidence sessions in March and June with your predecessor, the committee asked about the impact of Covid-19 on the annual accounts and audit process, given that many public authorities are focusing their resources on responding to the pandemic. That makes me anxious about section 22 reports. Have any section 22 reports been delayed? That would be a concern. Can you give us an update on how that is being managed?

Stephen Boyle: The short answer is that, yes, our work has been delayed, as Antony Clark mentioned. The reporting deadlines for public bodies were put back by a number of months this year. The NHS, which would typically have reported at the end of June, was moved back to September. Central Government has remained largely unchanged, because it had a statutory reporting deadline at the end of December, but with many different local arrangements in between. The deadline for local government bodies, which the Accounts Commission audits, has moved from September to the end of November. A range of arrangements are in place.

We are closely tracking and monitoring the pace of public reporting with public bodies and our auditors. I have previously used the phrase “a mixed picture” to describe how that reporting is progressing, but public bodies and our auditors are absolutely making progress. We hope that most public bodies will have completed and be able to report their audit work by the end of this calendar year. We think that that presents really

good progress, given the uncertainty and the fact that when they entered the pandemic, they did not expect to have to conduct remote accounts preparation or remote auditing.

The process for section 22 reporting is fairly well established. Once the audits are completed, there will be conversations, recommendations from auditors and consideration by my colleagues and me about which areas of public interest need to be brought to the committee. We are in that process at the moment and, once we are through it, we will be able to say publicly which bodies I intend to bring to the committee through section 22 reports. I am able to say that there will be some this year. We will start doing that over the next few weeks.

Colin Beattie: Audit Scotland is aware of historical issues in, for example, certain areas of the NHS. Are you prioritising those areas that might be perceived as weaker or more of a concern?

Stephen Boyle: As I alluded to in my opening remarks, we are very conscious that issues existed before the pandemic and, in recent weeks, the committee has considered the progress that some public bodies have made. For example, in the past month or so, you took evidence from NHS Highland, which had many long-standing issues, on the progress that it has made. In the same way, we are looking at other section 22 reports that we have brought to the committee. The options include preparing an updated section 22 report or finding an alternative way of reporting to the committee on the progress that bodies have made. All that is in our thoughts as we finalise the programme of statutory reporting.

Colin Beattie: Just like you, the committee is looking for reassurance that, where there have been on-going issues, there has been movement in the right direction.

Stephen Boyle: I am absolutely happy to provide the committee with reassurance that, where there is an appropriate reason to update the committee, through a section 22 or update report, we will do that and ensure that you are able to track progress—or otherwise—from public bodies on which you have previously had reports.

Colin Beattie: I will move on slightly. In previous meetings, we have discussed the audit reports that your predecessor was planning to publish, but which were put on hold because of the pandemic. Your work programme document refers to areas of audit work to which you are already committed. Can you update the committee on the approach that is being taken? Were some audit reports planned but not included in your work programme? I am guessing that that is inevitable.

Stephen Boyle: I will ask Antony Clark to provide some of the detail around the reports that we looked at carefully.

At the height of the pandemic in mid-March, we took the decision to pause our forward work programme—for good reason. My judgment was that the work to which we had committed might not be the best use of audit resource to deliver judgments on the circumstances that we are facing. Today, we are seeking to signal to you what our restarted proposals are. You are right that we are revisiting some aspects—the issue of education outcomes is a good example of that.

I ask Antony to say a wee bit more about how we are merging work that had been under way and incorporating Covid dynamics into it, and to say a bit more about how we have decided that now is not the best time to progress with some pieces of work.

Antony Clark: As the Auditor General said, some pieces of work were paused at the start of the pandemic—the most obvious one was the education outcomes audit. We are in the process of doing further work on education outcomes, looking at the impact of the pandemic on school education and the way in which the Scottish Government and local authorities worked together to provide education services during what was a difficult time. That report will probably be published next March.

When we reflected on the priorities in the programme, there were other pieces of work that felt less important. For example, there was an audit planned on waste management. Our view was that that topic probably was not the most important one for us to be focusing on, so it was taken out of the programme, to free up resources for us to focus on issues that felt more pressing and important in the context of the pandemic.

Other pieces of work, such as the work on skills planning and investment, are still in the programme, but we are taking time to think about what the impact of the pandemic is on the skills planning environment and the planning for jobs and renewal. The work will still happen, but a bit later on in the programme. That is reflected in the proposals that are in front of you today.

There are other smaller but nonetheless important pieces of work, such as a briefing paper on teacher workforce planning, that we have taken out of the programme to free up resources.

The more general point is that all the work that we are doing at the moment will have a Covid angle to it, if I may put it like that. The impact of the pandemic has been so widespread and all encompassing that it would be almost impossible for us to do any piece of work without having that at the front of our minds.

In many ways, the programme in front of you is an evolution of the work that we were planning to do before. In many areas, we have had to reposition the work and think about its focus in a different way as a consequence of the pandemic.

Colin Beattie: In considering how the work will be carried out, I would imagine that virtually all the staff in Audit Scotland, in the areas to be audited and in the accountancy firms that you have contracted to do various parts of the audits are working from home. With such multiple levels of remoteness, what reassurance can you give that we will get a robust response and a robust report out of that work?

Stephen Boyle: That is an important question. As Antony Clark mentioned, we are doing the work and engaging remotely with public bodies. You are right to say that our colleagues and the staff in audit firms are all working remotely and from home. However—this is an important point to make—I am absolutely clear that that does not, in my view, make any difference to the quality or the robustness of the outputs that we will produce.

One of the factors that we thought carefully about was the timetable. Work is taking longer, and we are making allowances for that. As we are becoming used to how to work in auditing remotely, we know that we need to build in a bit more time to make sure that we have the necessary evidence to produce the robust judgments that are required.

A key part of our arrangements is our quality framework, which extends across not just our financial audit activity but our performance audit activity. That remains unchanged. We are continuing to ensure that we have the necessary evidence to support the judgments that we are making.

We do some of that quality checking internally; we also have arrangements with the Institute of Chartered Accountants of Scotland to evaluate and test our work, to make sure that it is compliant with the international auditing standards that govern our work.

Essentially, that is where we are at. Work is being dealt with remotely, but the last thing that we will compromise on is the quality of our work.

10:30

Colin Beattie: I am pleased to hear that. From what you are saying, it seems that everything is taking longer, so you will be able to do fewer reports and other reports will be pushed into the future, and that will snowball a little if this situation goes on too long. Am I right in saying that that means that you have a choice of getting more resources to allow you to catch up or accepting

that some audits in months to come may or may not be able to be done?

Stephen Boyle: You are right to say that the work is taking longer to do. Fundamentally, I do not think that now is the time for public audit to shrink back. I think that public audit has an essential contribution to make. Already this morning we have talked about the scale of new money that is coming to Scotland and the challenges that public bodies and public services are facing. I think that public audit is essential in offering assurance to decision makers and the people of Scotland about how well that money is being spent.

It is not about us shrinking. We have to be mindful that public resource is scarce, but I think that public audit needs to be shaped appropriately to ensure that the breadth of our work is sufficient to address all the challenges that public services face.

Colin Beattie: The point that I was making was that the fact that audits are taking longer to do, because it is more complicated to do them remotely than it is if you are able to visit somewhere and talk to people face to face, and the fact that you have finite resources that are being tied up for longer on fewer audits mean that audits that might be done will either have to be pushed into the future—hopefully, you will catch up with them at some point—or fall by the wayside. Do you agree that that is the situation?

Stephen Boyle: I am not sure that we are able to be definitive about that yet. Audits are taking longer, but we are also learning as an organisation. We are now seven or eight months into working remotely. Our learning has improved and we now have arrangements in place across the organisation and with public bodies to facilitate the delivery of audit work—Antony Clark has mentioned a couple of examples of how well we are doing that. I do not necessarily know whether that means that we are in a steady state—in fact, I do not think that we are; I think that there are remaining opportunities for us to develop, learn and bring inefficiencies. I do not think that everything will continue to remain as it is, which would bring about a snowball effect. We will always prioritise pieces of our audit work. What we are looking to do today is to set out the range of factors that we are considering and to see where we think our priorities will be at the start of next year, and where our efforts can be best directed.

Graham Simpson: You said that audits remain important, and of course they do. However, Antony Clark said that there were delays to a couple of reports: those on waste management and teacher resource planning. It seems to me that both those areas are extremely important during the pandemic and have been affected by it.

The nature of waste will have been affected because there are fewer people working in offices—for example, the Scottish Parliament will be producing much less waste than it used to. There will be less commercial waste and probably more domestic waste and, for a period, there was an increase in fly-tipping. Similarly, teacher workforce planning is very important, because we know that the education sector has been affected by the pandemic. I urge you to consider the importance of those areas and to reconsider the decision to delay those reports.

Stephen Boyle: I am grateful for that feedback. You are right: everything is important in the circumstances that we are in. We thought that waste management and teacher workforce planning were important before the pandemic, hence featuring them on the programme; we still think that they are important. For us, at the moment, there is a finite level of resource and we are trying to accommodate and prioritise therein. We will certainly take that point away and think about how best we can accommodate those studies and about where and when we can best deliver on that.

Willie Coffey: I want to ask about three aspects of your work. First, there is the issue of continuing to push the public sector bodies to embrace and recognise management and development quality standards to promote continuous improvement—will you keep that agenda going? Will you keep the pot boiling, so that we can see more progress on that over the coming years?

Stephen Boyle: I am keen to start on that and then Antony Clark may want to say a wee bit more about that. The short answer is yes, we absolutely recognise that our role is two-fold in many respects. There is the assurance about how public money is being spent, but the other side of that is about supporting improvement across the public sector.

The committee will of course have considered many reports over the years where quality standards and improvement standards either have not been in existence or have not been applied as necessary. Many of those reports, as you will know, Mr Coffey, have been about digital projects.

We are keen to play our part in relation to that issue. We signal that in our paper today by speaking about supporting good practice and the implementation of effective, quality international standards; we see that as a key part of our work. We are just thinking about how best we can discharge that part of our responsibilities.

Antony Clark: Just to confirm what the Auditor General said, Mr Coffey, we deliberately put the section on innovation and transformation in the work programme because we think that it is

important that we grasp and share the learning that we identify through our audit work. We certainly think that we need to capture and report in our audit work the pivot to new models of service delivery that we see people making. The quality standards and the learning and development that flow from that will be very important, particularly in terms of how people can adapt in more agile ways while not compromising the quality of what they do.

To dwell on the innovation and transformation section for a moment, we also have workforce planning in that section, so I can reassure Mr Simpson that workforce planning is very much in our minds, and the teaching workforce is part of our thinking around that. In the audit work that we are doing on educational outcomes, we are keeping a weather eye on the pressures that we might see on the teaching workforce, so we are not ignoring that issue, just in case you were concerned about that.

Willie Coffey: Thanks for those answers. However, I am just wondering who presses our public bodies to embrace and recognise proper management standards. They usually come to our attention only when they have not been doing that, as a result of some work that Audit Scotland has carried out, and then we discover that there are no recognised management standards in place. Who should be pressing that agenda? If it is not Audit Scotland, who should be doing that to try to get that continuous improvement agenda right across the public sector?

Stephen Boyle: I will start, and I am sure that Antony Clark will want to contribute to this as well.

Ultimately, each individual accountable officer for public bodies is responsible for the effective running and proper budget management of their organisation. They are personally responsible for ensuring that their organisation is run properly. Layered on top of that, there are many other actors and roles that support effective running and prudent arrangements, quality standards and so forth.

The Scottish Government clearly has an important role. I have heard a lot recently about sponsorship arrangements, which I know that the committee is interested in. However, that is a key part of the Scottish Government supporting public bodies appropriately, particularly those smaller public bodies that may not have access to the same level of skills and expertise in-house. Elsewhere, there is a range of professional network groups and public institutions, all of which should be considered to ensure that public bodies are accessing the right level of standards and skills.

That is quite a wide and varied answer. Ultimately, the measure of how well public bodies are performing will be set out in their public reporting and their effectiveness will be seen in the experience that service users get from those bodies.

Antony Clark: I do not have much to add to those comments. I simply make the point that the Scottish Government and others have an important role to play. It is quite a crowded landscape, and no single body has overall responsibility.

A theme in the work programme under governance and accountability is collaborative leadership. I think that that is something that we will be looking to identify good practice in and share learning about in some of the areas that Mr Coffey is interested in.

Willie Coffey: Thank you for that—that is very helpful.

My second query is about the digital agenda. I am pleased that that appears in your programme of work, especially as it relates to inclusion and exclusion. Those aspects have possibly been made worse by Covid. There have been good examples of digital engagement but, of course, there are risks that Covid could lead to further divisions in access to digital technology.

Do you also intend to keep an eye on the IT developments that are coming on stream, so that we continue to focus on those?

In addition, Brexit has a digital side. I am hoping that you will include in the work programme what happens to the digital single market once we leave the transition period. That is a huge issue. Will you keep that on your radar when you are looking at the digital agenda across the board?

Stephen Boyle: I will cover all those questions. You are right that we are very interested in the digital inclusion and exclusion agenda—we signal that in the programme.

There is a range of strands to our work. For example, on the digital arrangements that were in place in our education system during the pandemic, we are considering the extent to which our young people were supported to access learning and the adequacy of those arrangements for the future.

We also reflect on the Convention of Scottish Local Authorities and the Scottish Government's recent jointly published digital strategy, and will be considering how well that is implemented. We are monitoring that, too.

IT developments across the public sector will always remain a key part of our interest. It is likely that, in addition to the work that local auditors will

be doing on the progress of those developments, we will look at how major capital IT projects are progressing.

Mr Coffey and other members will know that those projects have not always gone well. I appreciate that the committee has held a number of conversations with Government officials about their arrangements to support such projects. We are keen to see how the learning from those projects that have not gone well has been disseminated across public bodies, especially those smaller bodies that are perhaps tackling large-scale IT projects for the first time in many years. We will always keep a close eye on that.

On the digital EU exit arrangements, we are tracking that, too. On EU exit more widely, we are looking at the future arrangements for structural funds and the common agricultural policy and how those will be applied across the UK but particularly in Scotland.

The digital aspect of EU exit remains important to us, including the location of cloud storage and the universality of the general data protection regulation. We are keeping a close eye on that and thinking about how best to respond through our programme.

Willie Coffey: Good—that is helpful to hear. My final question is about wider public sector procurement contracts. Will you have time to look at that issue? There is possibly a post-Brexit element to that, too.

I have not noticed that we have audited that area for a wee while. In the past, some members have asked about Scottish Water, for example. Your programme of work has not covered it for a wee while. Perhaps the programme could include something broader on public sector procurement contracts, and the post-Brexit dimension to that. Do you have any plans to include that, or is there not the time to cover everything?

10:45

Stephen Boyle: You are right. As we have spoken about, it is always about prioritisation. Unfortunately, we will not be able to cover everything. That said, one of the key premises in preparing the programme is looking for some degree of flexibility. None of us knows what will happen, so we want it to be an agile programme that can respond to circumstances.

In a moment, Antony Clark might want to say a bit about procurement and the “Red flags” document that we have recently produced. I am aware of the committee’s interest in Scottish Water; for a large public body, in recent years, it has not often been in front of the committee, although my predecessor but one prepared a

report on it a number of years back. We are in close contact with all our auditors, including the auditors of Scottish Water. As we touched on in the conversation with Mr Beattie, we are awaiting the conclusion of a number of audits before we decide what further reporting might be necessary. Once we receive the final judgments of Scottish Water’s auditor, we can decide where to go with that next.

Antony Clark: When they are planning their audit programmes, each appointed auditor will always think about procurement, so it features as part of our audit universe—for want of a better phrase. It would be picked up—at least in part—by the annual audit process. However, today, I am hearing a very clear message from you—and I think that I have heard it from the committee before—about that being an important strategic issue of interest for you. The purpose of coming here today was to consult the committee on things that really matter, so we definitely want to go away and think about that before we come back with final proposals early next year.

Willie Coffey: That is very helpful; thank you.

Neil Bibby (West Scotland) (Lab): Good morning, Auditor General. As has been mentioned, two of the key themes of the work programme are supporting jobs and economic growth and tackling inequalities and the impact of Covid-19. I welcome that work to ensure that we are looking at the impact on both areas. I also welcome and support what the convener said about looking at the impact on BAME people of race inequalities and how they have been exacerbated throughout Covid.

However, the key issue of regional inequalities relates to both economic growth and other inequalities. Covid has not affected all parts of Scotland in the same way, and my region has been particularly hard hit by Covid. Inverclyde has the highest Covid death rate in Scotland; it is also has the most deprived community in Scotland. West Dunbartonshire has the second-highest Covid death rate in Scotland—[Inaudible.]—employment rate in Scotland. I ask you, in your work on inequalities and on supporting jobs and economic growth, to look at regional inequality and the impact of Covid on regions.

Stephen Boyle: Thank you, Mr Bibby. You are right. We are happy to receive that feedback and capture it in the work that we are doing on inequalities and the economy and the skills-related angle to that. It is important that that level of analysis is there through our reporting and the public reporting of the public bodies in—for example, as you mentioned—Inverclyde and West Dunbartonshire, and that the Scottish Government is able to report. We are happy to capture that

feedback, and we will take it back as we prepare our programme.

Neil Bibby: Thank you, Auditor General. You might be aware that the Scottish Government used to have a cohesion target, which aimed to reduce the employment gap between regions in Scotland, but that was stopped at the end of 2017, after it showed that the employment gap was increasing. Therefore, I would also welcome it if you could look at the effectiveness of previous targets and initiatives to tackle regional inequality as well as other measures and actions that could be taken to address it.

Stephen Boyle: We will take that issue away and think about how best to do that.

It may be worth drawing to the committee's attention the fact that we signalled in our paper our interest in child poverty arrangements. We have talked about how equality is clearly not being felt because of the impact of the pandemic. We are thinking about progress against the Child Poverty (Scotland) Act 2017, towards the upcoming interim arrangements in 2023-24 and towards the end of the decade. There is a connection there.

We are conscious of all those points and the need to ensure that we catch them appropriately in our programme.

Neil Bibby: That is very helpful.

I also want to ask about care homes. The biggest failure during the pandemic has been the tragic situation in our care homes. I asked the former Auditor General about that before the summer, and she gave an assurance that Audit Scotland would look at that as part of the NHS overview and the health and social care report work. Given the public interest in the matter and the concerns of care workers and staff, can you give a reassurance that you will look in detail at the situation in care homes and the lessons that can be learned?

Stephen Boyle: Yes. A number of aspects of our programme touch on our care home arrangements in Scotland, and the NHS overview report work, which you mentioned, will involve thinking about parts of that. In our paper, we signalled that we are interested in the longer-term sustainability of the social care model. You are right in saying that my predecessor prepared a number of reports about the success or pace of health and social care integration. We will continue that theme, but we also plan to do a specific piece of work on the sustainability of the social care model. We have mentioned before that we are working with our colleagues in other UK audit agencies to shape and scope that work. Therefore, the issue is very much part of our thoughts.

Neil Bibby: Will you be looking at the human and financial costs of discharging elderly patients into care homes?

Stephen Boyle: Over the past few days, we have all heard about the significant impact of Covid in our care homes and the personal tragedies in individual families. We are thinking carefully about where we can best add value in that process. We have a range of work strands, which we have touched on. There is the NHS overview report, future work that we will do on health and social care integration, and work on the sustainability of social care in Scotland. On whether that work will specifically address your point about the human and financial costs of discharging into care homes, we need to think carefully about where we fit into that process and whether work should be done by us or by other organisations. We can take that question away and see where that issue best fits into our work.

The Acting Convener: I will now hand over to Alex Neil, who is also joining us remotely.

Alex Neil (Airdrie and Shotts) (SNP): Thank you, convener. I want to ask the Auditor General about an issue that we discussed with his predecessor: the extent to which recommendations in your reports are implemented properly and timeously. I know that Governments elsewhere in the UK have special units that measure and are responsible for ensuring that auditors' recommendations are implemented, but I do not think that such a unit exists in the Scottish Government yet, although there has been talk about it. Does that area require some attention?

Stephen Boyle: That is a very interesting point, Mr Neil. In my previous role, I was the auditor of the Scottish Government and I worked alongside the previous Auditor General. We were very keen to stress to the Scottish Government the need for an action tracker of recommendations in relation to local audit work and section 22 and section 23 reporting.

It is really important—it is part of the continuous loop of audit—that we check that recommendations are followed. I notice that it is a key area of interest of the committee to check with witnesses that public bodies have accepted recommendations. More often than not, recommendations are accepted and it is incumbent on public bodies to show evidence that they have implemented them. We still follow that through with our auditors locally. Whether that necessitates more structure around it in Government is a conversation for us to take away from today's meeting.

In the event that recommendations are not followed through by public bodies, we are not slow

to point that out to them and, if necessary, to bring it to the committee's attention.

Alex Neil: Are you satisfied that, although there is no formal structure for implementing your recommendations or ensuring that they are implemented across Government and its agencies, a high proportion of them are implemented?

Stephen Boyle: I do not have a proportion in mind. We continually test that with the auditors of public bodies through our conversations with them. It is a key part of auditors' work to follow through on the progress of the implementation of recommendations. If that is not happening, we are clear that there is a need to report it publicly.

I have an open mind at the moment as to whether that necessitates more structure than already exists. However, as I say, I am confident that, when the implementation of recommendations has not happened in public bodies, it has been reported publicly. If it happens again, we will ensure that it is reported again.

Alex Neil: I have a related question on sponsorship departments in the Government. Most recently with regard to the Gaelic board but also in the health service, in education and in a range of other services—the Scottish Police Authority is a classic example of this—the sponsoring department has not done what I or the rest of the committee would have expected it to do. What is the remit of sponsoring departments? I do not think that that has ever been spelled out or that there is a document anywhere that tells us what their role is. Is there a need to have a look at that and for you to do some work on how effective sponsoring departments are at, in particular, spotting problems and solving them before they become crises?

Stephen Boyle: We have thought about that issue repeatedly and have returned to it, typically on the back of situations in which sponsorship arrangements have not been as effective as we would have expected them to be. You are quite right in saying that the committee has considered numerous examples of such sponsorship arrangements. That question is probably one for us to take away, to think about where we can best add value on the effectiveness of sponsorship arrangements. I know that the Government takes the issue seriously and that, on the back of some of the committee's recent sessions, it is thinking about what further guidance and support it could provide to public bodies in that regard.

Alongside that, in conjunction with colleagues, I will think about where we best fit into testing the adequacy of sponsorship arrangements nationally, which we already test locally every year and report as necessary. We will take the question away and

think about where that could fit into our work programme.

Alex Neil: To the best of your knowledge, does documentation exist that spells out the role of sponsorship departments? As a minister for well over seven years, I never came across any such document, but one might have been created since then. Is there documentation on the role of sponsorship departments, their mission in life, their objectives and what they are expected to achieve?

Stephen Boyle: Antony Clark might want to come in on that in a moment. There are two examples of such documents. The Scottish public finance manual sets out aspects of the relationship between the sponsoring department and the public body. More importantly, the framework agreement that exists between each public body and the Scottish Government sets out roles and responsibilities, and it should cover how sponsoring is supposed to work between the two organisations. They will, of course, be different—

Alex Neil: So, for example, there is a framework agreement between the Gaelic board and the sponsoring department.

Stephen Boyle: I am, perhaps, not able to comment on whether there is a specific document or on how up to date it is. That is between the Scottish Government and the Gaelic board. However, my expectation—I think that it is also the expectation of the Scottish Government—is that there will be a framework agreement for every public body. It is important that those are up to date and that there is a shared understanding of how sponsoring is working between the sponsoring department and the public body.

11:00

Alex Neil: Would you be able to furnish the committee with a list of where there are or are not framework agreements in place, and, where they are in place, can you tell us how old they are and provide some sample copies of them?

Stephen Boyle: I will have a look at what we have in our organisation. However, I suspect that the Scottish Government would be better placed to provide the committee with that list. I would be surprised if it does not have information on which public bodies have framework agreements, when they were last reviewed and, importantly, when they are next due for review readily available to set out to you.

Alex Neil: That is a good suggestion. I would be interested in seeing the agreement between the Gaelic board and its sponsoring department.

Let us move on to a wider issue. The Scottish Police Authority is a very good example—as is the

enterprise network, potentially. That is because, as well as Scottish Enterprise, we now have Business Gateway—which is run through local authorities—Highlands and Islands Enterprise and South of Scotland Enterprise, not to mention a range of other organisations such as Scottish Development International. Both the police and enterprise functions are good examples of where we should, on occasion—instead of only considering the individual organisations—take a more systemic look at whether a function is operating as it should be.

Obviously, there is a standing issue that relates to the Scottish Police Authority and there is a suggestion that a systemic look at the whole police family should be done by the Scottish Government. I know that Stephen Boyle is familiar with that discussion. That is one example—the enterprise network is another—of why it would be worth while for you, as the Auditor General, to take a systemic approach and look at the police, education and enterprise families to see whether the system is performing, as opposed to only an individual organisation.

Stephen Boyle: Yes, you are right. I will ask Antony Clark to come in with some examples about where our thinking is in that space.

Justice is an example. In our report on community justice arrangements in Scotland, we captured the impact of Covid on courts. The Justice Committee has also produced its own report on the circumstances around that.

There are times when we will want to take a thematic look across a whole system, whether it be the justice, policing or enterprise system. Those are all very relevant and appropriate things for us to do with our time. Looking not only at one public body at a time but at the success of the implementation of justice, enterprise or skills policy across a range of bodies broadens our analysis and judgments.

We are very focused on the success of a policy in relation to its outcomes: we want to know whether it has delivered what it originally intended to deliver. Therefore, what you suggest is very much part of our thinking.

Antony Clark: Yes. Mr Neil, you might remember that we brought a report called “Supporting Scotland’s economic growth: The role of the Scottish Government and its economic development agencies” to the committee a couple of years ago. That report looked at the roles of HIE, Scottish Enterprise and the Scottish Government. In the past, we took an overarching, umbrella view, and that is certainly part of our thinking at the moment in relation to the work that we might do on supporting jobs, businesses and enterprise, as well as on the skills and jobs work.

As Stephen Boyle said, we have not finalised a programme yet. We will come back to you on that early next year, and we will want to reflect on your suggestions at that time.

There will be difficult choices to make, because sometimes there might be specific issues that are best approached on an individual-body basis while others are best approached regionally and nationally. We need to weigh up all of that in the round when we think about the overall shape of the programme.

Alex Neil: I will read that report when I am sunning myself in retirement, Antony. Thank you.

The Acting Convener: That is not the prettiest of sights to imagine as the meeting comes to a close, Mr Neil, but thank you anyway.

As there are no final supplementary questions, I thank the Auditor General and Antony Clark for their evidence this morning, and I close the public part of the meeting.

11:05

Meeting continued in private until 11:53.

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