



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 4 November 2021

Session 6



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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SECTION 22 REPORT: "THE 2020/21 AUDIT OF THE CROFTING COMMISSION"	2
SECTION 22 REPORT: "THE 2020/21 AUDIT OF NHS NATIONAL SERVICES SCOTLAND"; AND "PERSONAL PROTECTIVE EQUIPMENT"	26

PUBLIC AUDIT COMMITTEE

8th Meeting 2021, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Sharon Dowey (South Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Craig Hoy (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)

Carole Grant (Audit Scotland)

Graeme Greenhill (Audit Scotland)

Pat Kenny (Deloitte LLP)

Ashleigh Madjitey (Audit Scotland)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament Public Audit Committee

Thursday 4 November 2021

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): I welcome everybody to the Public Audit Committee's eighth meeting in this session of Parliament. I remind witnesses, staff and members to respect rules on social distancing and that, if they are moving around or entering or leaving the room, they should wear a face covering.

Agenda item 1 is a decision on whether to take business in private. Do members agree to take items 4, 5 and 6 in private.

Members indicated agreement.

Section 22 Report: "The 2020/21 audit of the Crofting Commission"

09:00

The Convener: The principal business of the first of our two evidence sessions this morning is consideration of a section 22 report that was published on 13 October. I am delighted to welcome our witnesses: Stephen Boyle is the Auditor General for Scotland, and joining us remotely are Graeme Greenhill, senior manager for performance audit and best value at Audit Scotland, and Pat Kenny from Deloitte LLP, who worked on the audit and assurance in reference to this audit of the Crofting Commission. I invite the Auditor General to make an opening statement before we proceed to our questions.

Stephen Boyle (Auditor General for Scotland): Good morning. I am presenting this report on "The 2020/21 audit of the Crofting Commission" under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

Crofting is a system of landholding that is unique to Scotland and an integral part of life in the Highlands and Islands. The Crofting Commission was established in April 2012 as a non-departmental public body, and its principal functions are to regulate crofting, promote the interests of crofting and keep under review related matters. It consists of a board of six elected commissioners as well as three commissioners who are appointed by the Scottish ministers, and it is led by a convener.

The commission is a non-departmental public body, and the relationship between the board, the senior management team and the Scottish Government sponsor division plays a key role in contributing to the effectiveness of its governance arrangements. A previous review of the commission's governance, in 2016, highlighted concerns. Thereafter, an almost entirely new board took office in 2017, which included six newly elected commissioners, and membership of the board has stayed constant in the following four years.

The external auditors' work by Deloitte this year identified that there has been a breakdown in trust between the board and its senior management team, and the board formally wrote to the Cabinet Secretary for Rural Economy and Tourism to express a lack of confidence in the commission's chief executive. The auditors also highlighted a lack of involvement of the board and its audit and finance committee in the setting of the commission's budget.

Serious governance deficiencies were identified, including the excessive involvement of the board and the former convener in operational decision making, which is normally the responsibility of the senior management team. In addition, I have reported on concerns about the leadership of the former convener.

At the core of those issues is a failure to respect established boundaries between the respective roles of the chief executive, the convener and the board. That transgression, when combined with a breakdown of trust between the various parties, means that the leadership and governance of the commission are currently falling below the standards that are expected of a public body in Scotland.

There is a pressing need to rebuild trust between the chief executive and the board and to ensure that the boundaries between both roles are understood and respected. The Scottish Government has a key role in supporting the commission so that it is operating properly.

The commission has now drawn up an improvement plan in response to the auditors' recommendations. It is vital that the senior management team takes ownership of that improvement plan and works with the sponsor division to ensure that it is delivered on. The board must provide appropriate support and challenge to ensure that the necessary improvements that are set out in the plan are achieved.

Convener, as you mentioned, I am joined by Graeme Greenhill from Audit Scotland and Pat Kenny from Deloitte. Pat is the engagement lead and the external auditor of the Crofting Commission. As ever, we will do our best to answer the committee's questions.

The Convener: Thank you, Auditor General.

If Pat Kenny or Graeme Greenhill wants to come in at any point, they should please type R in the chat function and I will bring them in. I am sure that the Auditor General will prompt them to come in as well.

Some fairly serious conclusions are reached in the report, which is hard hitting and, frankly, critical of the way in which the Crofting Commission is being run and governed. The report points to significant weaknesses in the commission's leadership and governance arrangements, so I am bound to ask what the accounting officer in the Crofting Commission has been up to.

Stephen Boyle: I am happy to start, and I am sure that Pat Kenny will want to say a few words, given his interaction with the chief executive as the accountable officer. That is an important point to start with—the accountable officer is the chief

executive, who is accountable to both the board and the Parliament.

The issues that are identified in the report are significant. In particular, the report refers to a breakdown of trust between the board and the chief executive and to the board's lack of confidence in the chief executive, which culminated—most unusually—in the board's sending a letter to the cabinet secretary, expressing its lack of confidence.

It is worth mentioning the complexity of the organisation. The Crofting Commission is a non-departmental public body, of which there are around 40 in Scotland. They do not all have the same governance framework for the way in which they operate—they all fulfil unique functions. However, what is different in this organisation is that the chief executive is appointed by ministers as opposed to the board of the Crofting Commission—hence the board's decision to engage directly with the cabinet secretary. As we set out in the report, the commission felt that it was unable to take the steps that it considered necessary in respect of what it identified as weaknesses in the chief executive's leadership.

I will pause there, convener, because I suspect that Pat will want to say more about the work that he has done and his direct interaction with the chief executive.

Pat Kenny (Deloitte LLP): Good morning. There are a couple of important facts to outline for the committee. The board's vote of no confidence in the chief executive has now been withdrawn. Our understanding is that the senior management team in the organisation has expressed its full confidence in the chief executive. Fundamentally, the issues with the chief executive arose because the responsibilities were blurred, which applies to all the main players in the governance structure. The board and the chief executive were getting involved in matters that they should not ordinarily have been involved in. For example, we found that the chief executive was much more involved in issues such as setting the budget, the medium-term financial plan and the workforce plan than would normally be the case. Such matters would normally be dealt with by the senior management team in a public body. That was symptomatic of—*[Inaudible.]* That was really the problem that we identified with the chief executive, rather than a problem with skills and competencies. It was more the case that roles and responsibilities in the organisation had become blurred.

The Convener: Thank you. We will explore the dynamics of the interaction between the Scottish Government, the sponsor division, the executive—including the accountable officer and the senior team—and the board. Auditor General, perhaps you can clarify my understanding: the board is a

hybrid, with three members of the commission appointed by the Scottish Government and six being elected. Is that correct? I presume, therefore, that there are different lines of accountability even within the commission itself.

Stephen Boyle: Your description is correct, convener. The board is a mix of appointed and elected members, and that important factor probably informed some of the behaviour with regard to the blurring of accountabilities. When a person becomes a member of a public body in Scotland, they are governed by codes of conduct and so forth. Aside from the lack of clarity about who was responsible for which aspects of governance, there was almost a dual dynamic going on—the dynamic between the elected commissioners and their constituents and the dynamic between those commissioners and the governance of the Crofting Commission. Some of that will be responsible for what has recently unfolded in the organisation.

The Convener: Thanks. Committee members have a whole suite of questions to ask.

On your previous answer about those who directly represent crofting communities being on the commission, Auditor General, do you—or perhaps Pat Kenny or Graeme Greenhill can answer this—have any sense of the extent to which the issues raised in the report have affected the key services that the commission provides to those communities?

Stephen Boyle: Appendix 1 to the section 22 report sets out the Crofting Commission's recent performance, and it shows that, unfortunately, many of its performance indicators were not met over the course of the financial year. Pat Kenny will say a bit more about that in a moment. Although we have concluded that the disruptive nature of Covid had more of a consequence than governance issues for the performance indicator outturn, it is hard not to conclude, too, that all of the organisation's governance issues would not have helped it to deliver the performance that crofters in Scotland expect from their commission.

Pat Kenny: I totally concur with those comments. We did not find a direct correlation between the governance issues that are identified in the report and the missing of the key performance indicators, but there is absolutely no doubt that the consequence of the issues that were identified and the blurring of roles and responsibilities was that the organisation could not, by definition, be as high performing as it might have been. That is why it is so important that the issues that we have identified be resolved as quickly as possible.

The Convener: Thank you, Mr Kenny. Craig Hoy has some questions to develop that line of inquiry.

Craig Hoy (South Scotland) (Con): Good morning, Mr Boyle. You have partly answered the first question that I was going to ask, but I wonder whether you can elaborate on the subject a bit more. Paragraph 12 on page 5 of the report states:

“The Commission does not have an overriding ‘Code of Corporate Governance’ or equivalent.”

To what extent has the lack of a code of corporate governance contributed to the issues that have been identified in the report? Are there other contributing factors?

Stephen Boyle: A range of factors have contributed to the circumstances that we are discussing this morning, but the absence of overarching documentation or a code of governance framework is a component of the ambiguity surrounding roles and responsibilities, and it is one of the main factors that we have identified in the blurring of the lines of responsibility. When, in an organisation, there is a blurring of responsibilities between the executive, the board and the sponsoring team, it is the documentation that makes clear who is responsible for what action.

Pat Kenny can update the committee on this, but we are pleased that progress is being made on an updated code of governance and a more detailed framework agreement. Having those in place prior to the report and the subsequent improvement plan undoubtedly would have helped to provide clarity, especially because, as we have talked about already, the board comprised elected and appointed members. All those circumstances would have helped.

09:15

Craig Hoy: You mentioned that the vote of no confidence has been withdrawn since the original issue came to light. The report refers to the letter that was sent by the then convener of the commission to the then Cabinet Secretary for Rural Economy and Tourism, which notes that subsequent meetings have taken place between the board, the chief executive and the current cabinet secretary. Have you been made aware of the nature and content of those meetings? If so, will you update us on what might have occurred in them?

Stephen Boyle: I will ask Pat Kenny to say a bit more about what we understand. Other than the conclusion that we have heard of since we published our report—that the vote of no confidence has been withdrawn—I am not party to the detail of those discussions. It is worth

emphasising, as we note in the report, that the letter of no confidence from the commission was sent to the minister. There was no formal response to that letter, but there were subsequent discussions, as you note, between the Government, the commission and the members. I ask Pat Kenny to say a bit more about whether we are party to any of the specifics around that.

Pat Kenny: My understanding is that the interaction between the commission and the sponsor division has improved dramatically since the report was issued and that the convener now has a standing invitation to attend meetings with the sponsor division. Also, at every board meeting, there is a standing item for feedback from the previous meeting with the sponsor division. There has been a definite improvement since the report was issued.

Going back to the first part of the question, a major contributory factor to the Government's issues was the process for the appointment and monitoring of the chief executive. That is a function of the Scottish Government, whereas we would expect it to be a board appointment in most other public bodies. There was an issue with openness and transparency in the organisation that led to the Government's issues, which resulted in some of the key players in the organisation feeling that they did not have the information that they needed, so they went outwith their usual boundaries to get that information, which led to the blurring of roles and responsibilities. A lack of openness and transparency was definitely a contributory factor to the governance issues that we identified.

The Convener: I will summarise what has been said so far. The report was published by Audit Scotland on 13 October. We are meeting on 4 November—22 days later—and the message that is coming from Mr Kenny is that all those issues have been addressed and rectified. Is that correct?

Stephen Boyle: That is part of the story, convener. You are right in saying that we published the section 22 report in October. Pat Kenny and his colleagues, as the external auditors, have regular engagement and produce an annual audit report that sets out their findings, which I then draw from to inform my section 22 reporting.

I would not characterise it as our report landing in October and leading to a series of actions, but it is a fair assessment that the audit work of Pat and his team publicly surfaced issues in the Crofting Commission, which has been the catalyst for the quite detailed improvement plan that, I acknowledge, the commission has instigated.

Many of the steps in that plan are very fresh, so they have not been formally tested yet. That will be an important part of the work that Pat and his team, supported by me and Graeme Greenhill, will undertake in order to continue to monitor progress, and we will report further next year if that is necessary.

The Convener: I am sure that we will return to some of those themes. Willie Coffey has a laser-like focus on an area of the report that caused real alarm among the committee.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Thank you, convener, and good morning, Stephen. I want to talk about the commission's budget. Your report makes clear some concerns relating to development of the budget. It notes that there was a lack of involvement by the board, or by stakeholders more widely, in setting the commission's budget. It says:

"The draft budget had been developed without prior Board or Audit and Finance Committee involvement. There was also minimal involvement of the Senior Management Team beyond the Chief Executive and Head of Finance."

Could you tell us a wee bit about what happened? First, who developed the budget? Could you take us through the process of whether it was, in fact, approved? Is that process still in place?

Stephen Boyle: We absolutely share the concerns that are described in that paragraph of the report. I will ask Pat Kenny to describe the detail of the circumstances. What we describe are not normal effective governance arrangements. A budget for a public body ought to be developed as a consultative effort. Although that should be led by the executive, there is a clear role for governance steps throughout the process, up to full consideration by the board in advance of the new financial year. Typically, that would start in the summer months: there would be discussion with the executive team and engagement with committees. Clearly, the audit and finance committee would have a strong role under an iterative process, with feedback being obtained before striking on a final budget. That would typically be in January or February, before the start of the new financial year in April. There are some serious issues in respect of what did not happen in the Crofting Commission.

Pat Kenny will describe the work that he and his team carried out, what they found and what went wrong at the Crofting Commission.

Pat Kenny: I do not have much to add. Stephen Boyle outlined the principles that we expect to be applied in how a public body sets its budget in order to deliver the best outcomes. Clearly, that did not happen and there were fundamental weaknesses in how the budget was constructed.

On an issue that I mentioned earlier, we found that the chief executive was far more involved in setting the budget than we would normally expect. That would normally be a function of the senior management team, with a finance individual leading budget preparation. That is something fundamental on which the organisation understands it must improve.

Willie Coffey: If there was so little involvement by most of the principal players who should have been part of the process, who approved the budget? Do you know, Pat?

Pat Kenny: The budget was approved by the board.

The Convener: Graeme Greenhill wants to come in on this.

Graeme Greenhill (Audit Scotland): Thank you, convener. [*Inaudible.*]—recognises that the Crofting Commission has developed an implementation plan in response to Pat Kenny's audit work. One of the actions in that implementation plan is to formalise the budget-setting process—who should be involved, and when, in approval of a budget. It is an area in which the commission is taking action. As Stephen Boyle said, the auditor will look at implementation of the recommendations as part of the on-going work.

Willie Coffey: It is important to probe further what happened. When you were doing the audit, you must surely have asked what on earth the board thought it was doing by proceeding in such a manner, which basically breaks all the guidance for organisations that is known to us and has been known to the committee for many years. What explanation was offered to you for that?

Pat Kenny: I totally agree with the committee's concerns. There was a fundamental weakness in the governance process that comes back to blurring of roles and responsibilities, with individuals not performing the functions and roles that we would expect them to undertake in a well-run public body. That blurring of responsibilities is the key factor, I think.

Willie Coffey: Ultimately, the board approved a budget that it had no part in developing—neither did its audit and finance committee. However, they all collectively decided to approve it and are, I presume, running with that budget. How are they getting on? Is the budget in place and working, or is the organisation in trouble?

Pat Kenny: We have not detected any problems with how they are running with the budget in the current year or with performance. No short-term financial sustainability issue has ever been identified. We have made points on medium-term and longer-term financial planning but,

historically, there has never been an issue about the short-term financial balance or about keeping within the budget annually.

Willie Coffey: Has the board recognised that these are, as the convener noted a minute or so ago, serious and major issues, and has it accepted that that is not the way to develop a budget?

Pat Kenny: It has.

The Convener: We note the comments that have been made on how the budget was put together by the commission the last time around. We will look with interest at how next year's budget is put together.

Another theme that has exercised us quite considerably, and which we want to probe, is the relationship between the commission and the sponsoring division in the Scottish Government. The report says that, during the past year, the relationship has "deteriorated significantly". Auditor General, will you expand on that and put some flesh on the bones?

Stephen Boyle: I am happy to do so. The context is that the Scottish Government has a clear and important role. I appreciate that how sponsoring arrangements work in Scottish public bodies is not new information for the committee; it is a very clear feature of auditing and was discussed during the predecessor committee's work in session 5.

The role of the Scottish Government, particularly in relation to small bodies such as the Crofting Commission, is very important. It has to set a context, it has to track and monitor progress and how the organisation is performing, and it has to relay ministerial feedback, instructions and so forth. There is a two-way dialogue on support and progress monitoring.

Unfortunately, that relationship was not working as was intended with the Crofting Commission. In the report, we describe a blurring and lack of clarity about the roles and responsibilities of the executive team, the board and the sponsor team—we have used those phrases a few times already. We found that, instead of the dynamic being between the sponsor team and the convener, as typically takes place with public boards—the convener or the chair of the board tends to have the most direct relationship with the sponsor team—the chief executive had the most direct relationship with the sponsor team. As we mentioned already, that might be a consequence of the nature of the chief executive's appointment, in that they are appointed by the Scottish Government rather than the Crofting Commission. The phrase that we use in the report is that the "relationship of consequence" was between the

chief executive and the sponsor team, as opposed to there being much wider engagement.

It is positive to note in the improvement plan that the engagement of the sponsor team with the commission has been formalised; it now appears as a standing item on the board's agenda. However, those are relatively new events and it is probably not possible at this stage to draw any conclusion as to whether that represents a reset of, or improvement to, the relationship that we describe in the report.

The Convener: How confident are you that the new arrangements will allow issues to be spotted and addressed early, without the need for another section 22 report from Audit Scotland?

09:30

Stephen Boyle: It is too early to give a definitive assurance on that. We will have to take a view on progress during this audit year, and Pat Kenny will set out his conclusions in his annual report following the 2021-22 audit.

On the face of it, the new arrangements look reasonable. You would expect the board to be aware of the interactions with the sponsor team outside the board meeting. The sponsor team has the opportunity to attend board meetings in an observer capacity. That is not an untypical arrangement.

The important thing to note is that, sometimes, the effectiveness of relationships is not always bound up in processes and structures. Those elements will be evaluated, but the relationships are between people.

As I said, it is probably too early to tell, but we will continue to monitor and report.

The Convener: Did your team look at communications between the sponsor division and the commission, including the board, in order to understand what that relationship was like? Were you able to amass any evidence that pointed to relationships—or lack of relationships—that rang alarm bells?

Stephen Boyle: I will pass over to Pat Kenny in a moment. In our report, we talk about the fact that, to an extent, what manifested in the structures was a situation wherein discussions were—very prominently—being conducted between the chief executive and the sponsor team. That feels like the wrong place for discussions about how the organisation is run to take place. They would be better taking place between the board and the chief executive, with information passing to the Scottish Government sponsor team as appropriate. That is probably reflective of the breakdown of the relationships

between the three parties that we set out in the report, rather than being the cause of it.

I will pause; Pat Kenny might talk a bit more about that and any other examples that Deloitte picked up.

Pat Kenny: It would be fair to say that we saw some unusual interactions between the body and the sponsor division. For example, the report identifies the chief executive interacting with the sponsor division on trying to change the senior management structure in the commission, which we found very unusual. We understand that that was because the chief executive expected board resistance to the changes that were being proposed.

There were definitely some extremely unusual interactions that we would not expect to see in any public body. Again, I note that that is symptomatic of the blurring of roles and responsibilities and—as was mentioned previously—of the chief executive being appointed and monitored by the Government rather than by the board, which is the usual position. All those issues were contributory factors.

The Convener: In the previous session, the Public Audit and Post-legislative Scrutiny Committee raised concerns about the adequacy of sponsorship arrangements between the Scottish Government and public bodies, especially non-departmental public bodies. I think that those arrangements are set out very clearly in the Scottish public finance manual. Accountable officers in organisations, as well as, I presume, board members in those organisations, should receive some training on, or be led to some understanding of, their roles and responsibilities and what sponsorship arrangements should look like. What is your sense of that? To what extent has that happened in the past and is it happening now?

Stephen Boyle: You are quite right, convener; there is no shortage of guidance on how the sponsoring arrangements should operate effectively. You have mentioned the Scottish public finance manual as a primary source; in paragraph 11 of the report, we also refer to “On Board: a guide for members of statutory boards”, “Model Code of Conduct for Devolved Public Bodies” and Audit Scotland reporting in recent years—not to mention the work of your predecessor committee on the need to improve sponsorship arrangements across public bodies.

None of the guidance on how the relationship ought to work to best effect should come as a surprise to public bodies. A somewhat disappointing feature of the situation is that although the Scottish Government has been providing training and has been reviewing its

sponsorship arrangements across the piece, we are still seeing examples as acute as the one that we have set out in the report. The issue needs to be considered further by the Government, with a resetting of the relationship with regard to who—the executive, the board or the Government—is responsible for delivering functions.

The Convener: Mr Beattie has a series of questions that will probe governance and the different areas of responsibility.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Before I ask any specific questions, I will just say this: here we are again with an NDPB in trouble. We have had a series of examples over a number of years, and they all seem to rotate around much the same issues. The big one is governance, but there have been problems with budgeting, technology and all sorts of other things. The issue comes up time and again. Is there a fundamental problem with how NDPBs are run and monitored? Is the system broken? Should we be considering something totally different?

Stephen Boyle: There have been far too many examples of breakdowns in governance and leadership, deficiencies in sponsorship arrangements and so on, so I understand why you might conclude that there is a more fundamental problem. If I can say anything in mitigation, it is that such examples, although they are significant, are not necessarily representative of all sponsorship arrangements or of the effectiveness of the running of NDPBs. There are more than 40 NDPBs in Scotland, and only a very small number of them have been subject to section 22 reports on their deficiencies. However, one is still too many, and the fact that isolated examples appear year after year points to the need for a considerable review of the effectiveness of relationships. We know that the Government is undertaking work on that, but the issues are so significant that more urgency is required.

Colin Beattie: I can remember at least half a dozen without even thinking about it, so I do not think that it is a small percentage. If the total number of NDPBs is 40-odd, that makes it 10 per cent or more, which I would call significant.

The question is whether the issue has been recognised by the Government and, if so, whether it is taking steps to do something about it. There is no indication of that in the report. How do we take the issue forward? How do we emphasise it? Should we be investigating it? Should we be really focused on it and driving forward with it? There seems to be a real issue, here.

Stephen Boyle: I absolutely recognise that it is an important issue that needs to be resolved. You asked whether the Government has recognised

the matter and is taking steps to address it: I can tell you that it is. We know that it has reviewed and changed the process of induction and how it supports the boards of NDPBs, and we know that it is currently reviewing sponsorship arrangements. The test, though, will be how effective its steps are and whether they actually work, because the work that is taking place all feels relatively new.

I accept your challenge to me that there have been too many issues with the adequacy of sponsorship across NDPBs; the committee might wish to explore that directly with the Government. Given the variety of issues that we have seen, there is undoubtedly a concern and a problem.

Colin Beattie: The biggest problem that I see has been governance. Typically, what we have is a small organisation operating out there semi-autonomously that turns in on itself and becomes a little knitting circle that gets out of control. The question is how that can be dealt with, because the organisation is semi-autonomous. What should the Government do to bring it back in and ensure that, while the Crofting Commission or Bòrd na Gàidhlig, for example, retains the autonomy that it needs to carry out its job, the necessary support and overview are in place?

Stephen Boyle: Ultimately, it will be for the Government to determine how it wishes to apply its sponsorship arrangements. As the convener mentioned, there is no shortage of guidance on how that structure and framework ought to operate effectively.

Colin Beattie: You have to open the book first to see what those are.

Stephen Boyle: Well, quite; it is about how the Government chooses to enforce or apply the training or any iteration of it. With regard to the Crofting Commission and some of the small public bodies, I appreciate that the committee has previously explored the extent of involvement of the sponsor team in public bodies, and that is a question of balance. In some cases, we have seen far too much involvement and, in other examples, not enough, so that process has to be iterative. It is important that Government and public bodies listen, take stock and review the governance arrangements. I think that the point that you are driving at is that stress testing is not about times of relatively plain sailing for organisations; it is about how the board responds to a time of pandemic, or the behaviours of a chair or chief executive that cause the relationship with the board to break down. Those are not imagined scenarios; we have seen them across public bodies. Maybe there needs to be a bit more rigour in the stress testing to see how the board or organisation would perform and whether a sponsorship arrangement would stand up to some of those risk scenarios. All

those things might be a route forward but, ultimately, it is for the Government to determine how it will take that forward.

Colin Beattie: I will put you on the spot a little bit. You have obviously recognised the issues and problems that repeatedly arise. What communications have you had with the Scottish Government, other than through the section 22 reports? What relationship do you have with the Government? What communications have you had with the Government to put forward your concerns and get it to understand and take them on board, and take action?

Stephen Boyle: I will speak specifically and then more generally. Specifically, the Government has seen and cleared the report, and the report reflects the Government's understanding and feedback. For factual accuracy, we look to do that for all organisations that are represented. In previous sessions, the committee has heard that Audit Scotland has engaged with the Scottish Government on the sponsorship arrangements. We are part of training and induction sessions for non-executive directors on the role of public audit and how accountability works in Scotland. I also interact with the Scottish Government's executive team on matters that come out of public audit work, and the theme of sponsorship is part of those discussions. Therefore, the senior civil service is not unsighted on these issues and, as I have mentioned, it is undertaking a review of the arrangements. However, the question that I am left with is whether there is an opportunity for a more fundamental audit of how sponsorship arrangements work in Scotland so, rather than focusing on individual organisations, I am considering whether it is now time to refresh those arrangements. In recent times, Audit Scotland has undertaken work on the role of boards and how they operate. I am happy to speak further about that, but it will probably be when we have refreshed our programme.

Colin Beattie: After seeing so many failures, I certainly encourage you to consider looking at the whole rather than the individual parts.

I will carry on with one or two more questions. The report raised concerns about the leadership of the former convener of the Crofting Commission and, clearly, that person did not really recognise the distinction between their role and that of management. Do you think that the role of the convener has now been set out clearly enough? Is it understood by the current convener?

09:45

Stephen Boyle: I will ask Pat Kenny to come in, because he will be sighted on the new convener and on how that relationship is working.

Again, given how recent some of the changes have been, it feels like early days to be offering that level of assurance. To be positive, what we have seen in the improvement plan feels reasonable and credible. However, it is perhaps not enough to allow us to say that that relationship is currently operating effectively.

On what went before, I ask Pat to describe what we saw during our audit work.

Pat Kenny: I agree with the Auditor General that it is far too early to draw any conclusions on the new convener. Across the board, the organisation still has a significant way to go. As we have mentioned, we will monitor that as part of our on-going audit work. The issues with the previous convener related, again, to a blurring of those roles and responsibilities. There was far too much involvement in operational matters and in issues such as the grading of junior members of staff. Those issues were documented in our Deloitte report earlier in the year. As I have said, however, it is far too early to draw conclusions on how well the new convener is operating.

Colin Beattie: On the confusion of roles by the previous convener, should the role of convener have been clear to that person? Was it laid out in such a way that there should not have been any ambiguity when it came to the issues that are listed in the report?

Pat Kenny: Yes; it should have been clear.

Colin Beattie: The report states that the former convener "retained the confidence" of the board in spite of all the issues around his leadership, such as "failing to appropriately chair" board meetings and arranging private decision-making meetings. That raises a question that was briefly touched on earlier: were those board members offered, and did they attend, the training that is usually made available for board members? That would have equipped them to challenge some of the actions that were taken by the convener.

Stephen Boyle: I will again ask Pat Kenny to come in on what we know about the training activity that took place with board members.

Before I do that, it is worth stressing that the very clear feedback that Deloitte and Audit Scotland received during the clearance process for the report was that the board members were supportive of the former convener. That, combined with the circumstances that we set out in the report, and which you mentioned, on the chairing of meetings and the fact that private decision-making meetings were taking place—as well as the fact that annual appraisals by the chair of board members, which are an important part of the governance framework, were not routinely happening—all feels at odds with good

governance, effective governance arrangements and the leadership of the former chair.

I ask Pat Kenny to say whether training arrangements were effectively in place, from what we have seen.

Colin Beattie: I ask Pat Kenny also to touch on whether the board members, even if they did not attend such training, would have been aware that training arrangements were in place and that they should be attending.

Pat Kenny: We identified that there was a lack of training. That was definitely an issue that related to board members. I am not 100 per cent sure whether the board members were aware of the training that they could get, to be honest. However, in broad terms, yes, we identified a deficiency in the board's training arrangements.

Colin Beattie: It would have been the responsibility of the convener to ensure that training took place, of course.

I want to ask about sponsorship. A bit of clarification might be needed here, Auditor General. The report states that the Scottish Government's sponsorship division

"appeared to view its relationship of consequence as being with the Senior Management Team rather than the Convener."

Earlier, you said that the sponsorship division's relationship was with the CEO, which is slightly different. Perhaps you could clarify that.

Stephen Boyle: My apologies, yes I can. For absolute clarity, Mr Beattie, the point that I was trying to make is that the relationship of consequence ought to be between the Scottish Government sponsor team and the convener or the chair of the board, through to the wider board, as opposed to what the audit team found, which was that the relationship was primarily with the senior management team, principally the chief executive.

Colin Beattie: Therefore, given the relationship that the sponsor team had with the senior management team, would it be correct to say that the sponsor team attended meetings of the senior management team and/or the board?

Stephen Boyle: On the specifics of how that manifested itself, Pat Kenny will be able to speak about the frequency of Scottish Government attendance at senior management team and board meetings. We thought about, and looked carefully at, the role and presence of the Scottish Government sponsor team at board meetings. In and of itself, that is not wrong, but what is important is the extent of involvement. As we have seen through the very new improvement plan, the sponsor team's interaction with the executive team

is now a standing item at board meetings. The sponsor team has a presence at board meetings in an observer capacity. What really matters is clarity on what the sponsor team is there to do—how it will support the executive team. Pat will be able to speak about the specifics of what went before.

Pat Kenny: Again, I concur. We felt that the interaction was unusual. For example, an issue that we identified was the frequency with which the sponsor division attended board meetings in particular. As the Auditor General mentioned, there could be valid reasons for that but, again, we felt that there was a risk that such frequent attendance at those meetings would blur the overall roles and responsibilities of the key players in the governance mechanism. I look after 30-odd public bodies, and, in comparison, we identified that as an unusual occurrence that we did not see in the other bodies that we audit.

Colin Beattie: I will take a slightly different angle. Your "Crofting Commission Report to the Audit and Finance Committee on the 'Audit Dimensions and Best Value' for the year ended 31 March 2021" states that the commissioners

"were apparently unaware of the fact that the Commission can employ staff in their own right, rather than through seconding staff from the Scottish Government."

Is that correct?

Stephen Boyle: I will ask Pat Kenny, as the author of the report, to answer that.

Pat Kenny: Yes, that is correct.

Colin Beattie: How many of the commission's staff, particularly at senior level, were seconded from the Scottish Government? To what extent did that secondment of employees lead to a blurring of the lines in the relationship between the commission's management team and the sponsorship function?

Stephen Boyle: I will start and then I will ask Pat Kenny to come in. As I think that I set out in the accounts of the Crofting Commission, all the employees are employed by the Scottish Government through the terms and conditions. As I mentioned earlier, there is a range of factors relating to how the employment of staff operates across NDPBs in Scotland. Some people are employed directly by the body and some are employed by the Scottish Government. We think that it is a factor, Mr Beattie—particularly in relation to how the chief executive saw his relationship with the sponsor team as opposed to the board as a consequence of that set-up. However, it is not the sole factor and it is not unique. There are other NDPBs in which the employees are Scottish Government employees. It is not an excuse, as it were, or a reason why the system cannot operate. However, it undoubtedly

supports the line of questioning about there being a blurring of and confusion around lines of accountability and roles and responsibilities in that organisation.

Colin Beattie: I will pick up on something that you said there. You very carefully said that the staff working for the Crofting Commission were under Scottish Government terms and conditions. Is that the same as saying that they are employees of the Scottish Government who are seconded to the Crofting Commission?

Stephen Boyle: I should say that I have not looked at the employment contracts. In terms of the disclosures within the Crofting Commission's annual report and accounts, I must look at the specifics of the wording, if I may—*[Interruption.]*

Colin Beattie: A secondment is one thing; simply recruiting somebody under the same terms and conditions as the Scottish Government is another.

Stephen Boyle: I agree. A secondment implies a different relationship from operating under Scottish Government terms and conditions. I think that it is the latter, as opposed to saying that it is a secondee-type relationship.

In particular, although the chief executive would operate under Scottish Government terms and conditions, they had the designation as the accountable officer of the Crofting Commission. That is in itself a formal process that results in a letter of accountable officer status from the permanent secretary. In my understanding, there is no ambiguity about that point, but that was clearly a feature of the circumstances in the Crofting Commission.

Colin Beattie: Could we have clarification as to whether it is in fact a secondment or simply a matter of terms and conditions?

Stephen Boyle: I will invite Pat Kenny to speak, as he may be able to offer support in relation to that clarification. However, if we cannot do that right now, we will certainly come back to the committee in writing.

Pat Kenny: My understanding is that it is terms and conditions.

Colin Beattie: That makes a significant difference. Would even that cause a blurring of relationships?

Stephen Boyle: I do not think so. It ought to be clear. Regardless of whether you are employed on Scottish Government terms and conditions, if you are identified as working for the Crofting Commission, or any other public body, you are there to deliver the functions of that organisation—that is what you are accountable for.

I apologise for repeating myself, Mr Beattie. However, as I said, especially at senior level, if you are designated as the accountable officer for an organisation, the purpose of your function is to deliver the aims and objectives of that organisation. However, in spite of all that, there has been a breakdown and a blurring of the roles and responsibilities in this context.

Colin Beattie: I have one final question on the back of what we have been talking about. You have already indicated that it is not unusual for there to be seconded staff from the Scottish Government in NDPBs. Although you may not have an answer to this, based on what we are talking about, is that mostly staff being employed on Scottish Government terms and conditions, or is it actually staff being seconded from the Scottish Government, or is it both?

Stephen Boyle: I may need to come back to the committee in writing to set out how that operates across Scotland's NDPBs—we can do that.

However, I know that there are a range of factors. Before I finish, I will invite Graeme Greenhill to say whether he can add anything further on how that operates. However, there are examples where the NDPB itself is the employer. The terms and conditions vary in relation to appointment model, pension arrangements and so forth. There is no one single arrangement. The secondee model is more unusual. Even if the person is working under Scottish Government terms and conditions, they are there to fulfil the aims and objectives of the organisation for which they are working.

10:00

Colin Beattie: The relationship between the Scottish Government and an NDPB is kind of changed if Scottish Government staff go in and hold a position in the body—at least, it is in my mind—so clarification on that would be good.

Stephen Boyle: I am happy to write to the committee, but I will invite Graeme Greenhill to add to what I have said.

Graeme Greenhill: The section 22 report talks about a framework document that governs the relationship between the commission and the Scottish Government. In that document, there is reference to the Government providing staff to the Crofting Commission. It says that staff who are provided to the commission from the Government

“will retain the terms and conditions of Scottish Government staff.”

In other words, they keep their own pay, grade level, pension arrangements and so on.

Colin Beattie: Okay. Perhaps the Auditor General can provide the committee with clarification when he can.

Stephen Boyle: I am happy to do so.

The Convener: I am keen to move things on. I will bring in Sharon Dowey, who has a couple of questions to ask.

Sharon Dowey (South Scotland) (Con): Good morning, Mr Boyle. We have talked quite a lot about the blurring of lines and whether people knew what their roles and accountabilities were. In respect of the discussions on proposals for an expanded role in grazings, who expected that the chief executive, rather than the convener, would update board members as necessary?

Stephen Boyle: You are right. As we set out in paragraph 14, that was one of the other key breakdowns in effective governance at the Crofting Commission during the year. The expanded role did not follow expected governance patterns. A change in roles and responsibilities in an organisation should be subject to discussions and debate by the board so that there is awareness. Instead, there was retrospective approval by the Crofting Commission. It feels unsatisfactory that the commission's roles and responsibilities were expanded without the board being given an opportunity to consider how best that could be done or what it would mean for the commission's organisation, structures, finances and so on.

As we understand it, the discussions took place between the Scottish Government and the chief executive, rather than discussions taking place before the change in legislation.

Sharon Dowey: Was any reason given as to why the convener did not continue to attend the discussions?

Stephen Boyle: I am not sure about that. I ask Pat Kenny whether he can say more.

Pat Kenny: I am not aware of the specific answer to that question, but I am happy to look into it further. I have nothing to add to the Auditor General's remarks on the issue.

Sharon Dowey: Auditor General, as you touched on in your previous answer, the Crofting Commission was required to agree to an expanded role in grazings in the national crofting development plan retrospectively, as it did not have an opportunity to view and agree the final plan prior to the Scottish Government's announcement. What impact, if any, did that have on the Crofting Commission?

Stephen Boyle: We try to convey in the report that that is a serious issue. As I said, when the role was being expanded, the implications for

finances, staffing and performance reporting ought to have been considered in advance, so that the commission's arrangements and those for subsequent reporting to Government were known and understood.

I will ask Pat Kenny to say a bit more about the financial implications, the monitoring arrangements and whether any staffing changes were required. The fundamental point that we make is that there was a change to the organisation's business arrangements and, in those circumstances, its board—collectively, not just the chief executive or the convener—ought to have had the opportunity to debate and consider what that would mean for the delivery of its functions.

Pat Kenny: The fundamental impact was the knock-on effect on the budgets, the financial plan and potentially the workforce plan. There could have been serious implications because of that. The approach identifies a weakness in the cohesiveness of the organisation as a whole. The board was not allowed to ask questions or scrutinise the outcome so that it could understand the full implications for the organisation. That is the fundamental issue that we identify in the report.

The Convener: Willie, do you have any further questions?

Willie Coffey: I would like to look at your recommendations. We have been at this point before when we have had a report from you and we have looked ahead to how a situation will be monitored, reviewed and so on. The report makes seven recommendations on the financial aspects and 47 on governance issues. Who will do the follow-up and verify that the work is going to be done? Will it be Audit Scotland or Deloitte, or a mixture of the two? How will the committee and the public be assured that the organisation has taken your recommendations on board and is getting things done?

Stephen Boyle: Pat Kenny and his team at Deloitte will monitor the progress of the Crofting Commission's implementation of the recommendations that he and his team made during the annual audit. During the financial year 2021-22, he will report on how that work has progressed. That will then come back to me, and I will have an opportunity to report publicly on that progress. I hesitate to commit to a further section 22 report at this stage, but I will have the option of reporting to the committee and the public on any progress that is being made.

The Convener: Craig Hoy has another question.

Craig Hoy: The former journalist in me has alighted on what was perhaps the soundbite of the

morning, which was Colin Beattie's comment that NDPBs have the capacity to become little knitting circles that turn in on themselves.

I am struggling a little bit to see whether we are saying that the deficiencies and shortcomings of the Crofting Commission were based on personalities, culture or structure, but one of the recommendations is that the commission reconsiders the structure of its senior management team. That is shown in exhibit 1, and it looks to me like a pretty traditional structure. To what extent do you think that that is necessary? Has the commission accepted that recommendation? If so, on what timescale would it implement the recommendation?

Stephen Boyle: Pat Kenny can say a bit more about timescales for the commission's consideration of the recommendations.

I recognise that the commission has a traditional management team structure. It has perhaps not kept pace with some of the structures that we now see elsewhere in other public bodies. We also agree with Deloitte's conclusion that it is quite a large team to deliver its functions for a relatively small organisation. We know that, even before the audit report, the executive team's structure was being discussed by the chief executive and the Scottish Government, as opposed to the board. I think that the structure is a factor in what we are seeing in the organisation, but Pat Kenny can say a bit more about timescales.

Pat Kenny: The commission has appointed external consultants to conduct an independent workforce review, and a key component of that will be a review of the senior management team structure. My understanding is that that external review will report in the short term. We will keep a keen eye on that. It is encouraging that, by commissioning that review, the commission has recognised that the senior management team structure has serious issues that need to be addressed.

Craig Hoy: Once the section 22 spotlight on the commission fades, what steps will be required to ensure that the boundaries between the roles of the chief executive and the board are understood and respected? How critical will the Scottish Government sponsoring division be in ensuring that the dysfunctionality does not return in future?

Stephen Boyle: Both parties have a key role in ensuring that things work effectively and that the commission can discharge what it is here to do—to support the functioning and effective monitoring of crofting in Scotland.

You are right: the work does not stop after the section 22 process, the public reporting and any subsequent consideration and evidence taking that the committee chooses to undertake on the

report. Pat Kenny and his team will continue to audit the Crofting Commission. They will monitor and track the progress of the improvement plan, and they will report publicly on it. It will then come back to me as Auditor General to determine whether there should be a subsequent statutory report. As I mentioned in response to Mr Beattie, I can perhaps take away any broader consideration of how effectively the sponsorship arrangements are working. All those things are options.

The important thing, which we have mentioned a number of times in discussions with the committee, is that there is transparency about how well the commission is operating and that, as a public body, it can reassure its service users, the public and the Parliament that it is operating effectively. We will continue to report as necessary.

The Convener: We are drawing towards the end of the evidence session. I will bring in Sharon Dowe shortly.

Mr Kenny mentioned the hopefulness that comes with the commissioning of an external consultant's report. However, did I not read that there was a consultant's report in 2016 that looked into the Crofting Commission? The question that that provokes is to what extent there is a similarity between the findings of the consultants in their 2016 report and what Deloitte uncovered in 2020-21. Is the Crofting Commission just dealing with the same issues? Are you as auditors having to deal with the same issues? Are we as the Public Audit Committee of the Scottish Parliament having to deal with the same issues over and over again?

Stephen Boyle: Regrettably, convener, there are parallels with the issues that were mentioned in the independent report in 2016. As we note, it referred to

"strong personalities, differences of opinion and ... incongruent individual ... priorities".

There is undoubtedly read-across between that report and what you see in the present report. Considering the support that the organisation gets, that suggests that, if the relationship between the Government, the chief executive and the board is not operating effectively, there is a real risk.

A broader review needs to happen regarding the Government's work on how effectively the sponsorship arrangements are operating. That needs to be stress tested for when certain circumstances arise—as they always will when people are involved, as there are so many variables that can override well-intentioned, well-written documents that set out how governance ought to operate. Unfortunately, five years down the line from the 2016 report, we are now seeing elements recurring in the organisation.

The Convener: We will certainly reflect on that. Sharon Dowey has a final point and question.

Sharon Dowey: It is probably more of a statement for the record, rather than a question. Your report states that seven recommendations have been made in respect of financial sustainability and 47 in respect of governance and transparency. In your section 22 report, you state:

“I will continue to monitor the Commission’s performance, including how it takes forward its Implementation Plan, with a view to further public reporting in the future.”

Given the number of issues that were identified during the audit, the committee would welcome further public reporting in order to gain reassurance that the commission has addressed those issues. You said that they go back to 2016, with some similarities.

Stephen Boyle: I confirm that, as I note in the report, Pat Kenny and his team will monitor progress against the plan. They will report publicly, and if appropriate I will take the opportunity to do further public reporting on that.

The Convener: Thank you. With that undertaking, I thank Pat Kenny and Graeme Greenhill for their evidence this morning, which has been very helpful, and of course I thank the Auditor General for leading on the evidence that has been brought before us. Once again, I place on the record our thanks to him.

10:15

Meeting suspended.

10:16

On resuming—

Section 22 Report: “The 2020/21 audit of NHS National Services Scotland”; and “Personal protective equipment”

The Convener: For the next item, I welcome two new witnesses from Audit Scotland, who join the Auditor General. Joining us remotely is Ashleigh Madjitey. If you want to come in at any point you can put an R in the chat function. That would be helpful. My apologies—Carole Grant joins us remotely. She is an audit director in audit services at Audit Scotland. I welcome Carole, and I welcome Ashleigh, who is here with us in the room, to talk about the fuller 2020-21 audit and the subsequent, more recent, briefing on personal protective equipment. We have a series of questions to ask our witnesses. Auditor General, do you want to begin with an opening statement to get us under way?

Stephen Boyle: Convener, I bring you two reports on another key area of the Covid-19 response—personal protective equipment. The first, as you said, is a briefing paper on PPE that we published in June and the second is the report on the 2020-21 audit of NHS National Services Scotland prepared under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

I took the decision to prepare a section 22 report to capture the key role that NSS played in response to the pandemic, with a focus on how it procured PPE for Scotland’s health and social care workers. Our briefing paper on PPE considers how the Scottish Government and NSS put in place arrangements to procure, store and distribute PPE to health and social care settings before and during the pandemic, and how they are planning for the longer term. The section 22 report examines the procurement of PPE in more detail and notes a number of other areas in which NSS had a key role in the pandemic response.

NSS worked with its partners to procure PPE, construct the NHS Louisa Jordan hospital, set up and operate the contact tracing system and support the vaccination programme. It expanded its PPE distribution early in the pandemic to meet PPE demand in the national health service and primary and social care settings across Scotland.

We found that centrally held stocks of PPE were very low in the early days of the pandemic, with less than a day’s supply of some items held in April 2020. As global demand increased and supply chains collapsed, prices increased. NSS had to make decisions quickly as countries across

the world competed for PPE. It used emergency procurement regulations to award contracts without competition, and it reduced its usual governance arrangements. Between March 2020 and June 2021, NSS awarded 78 contracts, worth £340 million, to companies that provided PPE. Twenty-nine of those contracts went to new suppliers without competition.

Auditors then considered those contracts through the annual audit work on NSS. Although they were satisfied that reasonable arrangements were in place, they noted some variations in application and recording. Their work did not uncover any evidence of preferential treatment or bias in the awarding of contracts.

The Scottish Government and NSS worked well with their partners to set up new supply chains, thereby making PPE supply more resilient, creating jobs and benefiting local economies. By April 2021, the majority of PPE that was distributed by NSS was made in Scotland, whereas none of it had been made in Scotland at the start of the pandemic.

As we emerge from the pandemic, the Scottish Government and NSS will have to continue working with their partners to develop a longer-term approach to PPE supply and distribution, including provision to meet business-as-usual PPE needs and to prepare for future pandemics.

As you said, convener, I am joined by Carole Grant, who is the appointed external auditor of NSS, and Ashleigh Madjitey. Between the three of us, we will do our best to answer the committee's questions.

The Convener: Thank you very much, Auditor General. I want to press ahead straight away with questions. I turn to my right, to Sharon Dowey.

Sharon Dowey: Hello again, Mr Boyle.

In my short time on the committee, lots of reports have come in, and a common theme has been the fact that many of the recommendations have not been actioned. We note that the Scottish Government did not fully implement the recommendations from previous pandemic preparedness exercises. Although nobody could have predicted the arrival of the pandemic, if we had actioned the points that emerged from those preparedness exercises, we might have been better prepared. Will you outline what the recommendations were and why you believe they were not implemented?

Stephen Boyle: I am happy to do so, and I am sure that Ashleigh Madjitey will want to say a word or two more about the opportunities for preparedness.

We touch on the issue in the PPE briefing paper and in the overview of the NHS in Scotland that

we prepared in February this year. We refer to three pandemic preparedness exercises that were undertaken in the years leading up to the 2020 Covid-19 pandemic.

There are a couple of important distinctions to make. Pandemic preparedness planning and thinking has centred around flu pandemics, as opposed to the Covid pandemic. A number of areas were identified that subsequently emerged as themes from the Covid-19 pandemic, including that of the supply and use of PPE. Another issue that emerged that is probably relevant to the discussion that we are having is the extent to which social care settings would be able to cope in pandemic circumstances. The conclusion that we arrived at is that there were opportunities to be better prepared that could have been explored.

Despite that finding, we reached the judgment that, as the pandemic unfolded, NHS NSS responded well in incredibly difficult circumstances to secure the supply and distribution of PPE across Scotland. NSS also took on additional responsibility for social care settings and moved quickly to set up hubs, secure new contracts and so forth. That said, there were opportunities for it to be better prepared.

Sharon Dowey: In your briefing, you reported that there were low levels of PPE stocks in April 2020. How confident are you that NHS NSS has done enough work to ensure that we never return to such a precarious situation?

Stephen Boyle: I just want to say something about NSS's forward thinking and the steps that it is now taking. Exhibit 4 in the PPE briefing will, I hope, be of most help in illustrating the frenetic nature of this activity—"frenetic" is probably the best description—and the great pace at which PPE was being sourced. In my introductory remarks, I mentioned the global competition for PPE stocks, which, as we touch on in the briefing paper, changed the price of PPE items. As supply was coming in, it was being passed out to hospitals and social care settings with great urgency. That allowed us to reach the overall conclusion that Scotland did not actually run out of PPE, although it came close to doing so with certain items. People worked at real pace to source PPE as quickly as possible and then to pass that supply on.

It is clear that what matters is what happens next. We need to learn lessons from the pandemic and take this opportunity to think about what it means for a business-as-usual context as well as for future pandemics to ensure that Scotland is not left in a precarious position. Ashleigh Madjitey will say a bit more about how NSS is taking that sort of thing forward.

Ashleigh Madjitey (Audit Scotland): A large part of the problem was that deliveries were coming from overseas, and it took time to put them into the shipping containers and so on. Now that 88 per cent of PPE is made in Scotland, the situation should be much more stable, and if we find ourselves in a similar situation, we should be able to get the equipment much quicker.

As the Auditor General has said, as it considers how it moves forward with stockpiling, NSS will need to balance having enough PPE in the stockpile with the costs involved in keeping that stockpile and keeping large amounts of PPE in warehouses. However, as you will see from exhibit 4, it now has three to four months' supply of PPE, so it is in a good position.

Sharon Dowey: That is fine. I also noted that we are now making PPE in Scotland, which is excellent. However, the demand for PPE remains high, because it is needed in social care settings as well as hospitals. The second wave in winter 2020 led to more people in hospital and intensive care units. Now that winter 2021 is fast approaching, do you expect demand for PPE to continue or to grow even further? Are you happy with the stocks that you have?

Stephen Boyle: It is hard to be definitive and offer the committee assurance on that. Because of the factors that Ashleigh Madjitey mentioned, Scotland now has a larger stockpile and its supply chains are almost exclusively domestic. Moreover, because it has already been through a winter pandemic, it will have a better idea of the extent of the demand that it will face. All those factors place it in a far stronger position than it was in 12 months ago, but, given everything that we have seen in the past 18 months, I am unable to offer a definitive assurance. In any case, it is probably better to put the question of what the future might bring to NSS itself.

Carole Grant has indicated that she wishes to respond, and I am happy to let her do so.

Carole Grant (Audit Scotland): At the end of the first wave of the pandemic, NSS carried out a lessons learned exercise. As it moved through the next waves of the pandemic, that put NSS in a better place to understand some of the challenges. I just wanted to offer that thought to the committee.

The Convener: Craig Hoy has some questions about the PPE contracts and how they were experienced, particularly by people on the front line.

Craig Hoy: The Royal College of Nursing, the British Medical Association and care professionals raised widely reported concerns about access to, use of and shortage of PPE very early on in the pandemic. Are you aware of any on-going

concerns from healthcare, social care or other professionals about access to, use of or quality of PPE today?

Stephen Boyle: Again, I will ask Ashleigh Madjitey and Carole Grant to supplement my comments.

As well as its availability, one of the issues that arose from the pandemic was training in the use of PPE, and preparedness exercises highlighted the need for that to be considered.

As you mention, in the overview report and the PPE briefing, we touch on the concerns that were expressed by the Royal College of Nursing and the British Medical Association about how their members were experiencing the use of PPE in the early stages of the pandemic. I think that we are hearing fewer of those concerns now. That probably speaks to the far greater security of supply that we now have, the more rigorous arrangements around quality and the confidence that people have gained in the use of the PPE through familiarity with its use since April 2020.

My colleagues might want to add something to that.

Ashleigh Madjitey: We are not aware of any later surveys from the BMA or the RCN that point out similar findings, and the Scottish Government told us, as part of its briefing, that it is not getting the same level of concerns raised with it.

Craig Hoy: Between March and June 2020, the modelling to assess the required supplies was based on Covid numbers. After that, it was based on staff numbers. Would you say that that is the most appropriate and optimal way of doing it?

Ashleigh Madjitey: Yes.

Stephen Boyle: Ultimately, NSS will be the experts with regard to how much PPE Scotland's health and social care settings require.

As well as staff numbers and Covid cases, we also have the statistics for how much PPE was used in the 20 months since the start of the pandemic, which includes a winter period. That gives us an even better representation of future PPE demand in Scotland. As Carole Grant said earlier, NSS has gone through some of that learning and is beginning to think about its plans and stock management arrangements for a future pandemic context and a business-as-usual context. All of that suggests that that learning is being incorporated into the demand modelling.

Craig Hoy: Might the fact that, between March and June 2020, the modelling was based on Covid numbers have contributed in part to the shortfall, and did the reconfiguration to base the modelling on staff numbers increase the supply to better match demand?

Stephen Boyle: I am not able to give a definitive answer on that point. Although I recognise that that might have been a factor, the steps that NSS and Scotland's economic development agencies took to secure supplies in a globally competitive market were an equally valid way of securing supplies across the health and social care setting. I think that the answer is a combination of factors.

Craig Hoy: At the height of the pandemic, the NHS and NSS were providing daily PPE stock bulletins. Is that still happening?

Stephen Boyle: I am not sighted on that, but my team might be able to answer you.

Ashleigh Madjitey: NSS has a dashboard that is updated daily with certain information, but I am not aware of how widely that is shared.

Stephen Boyle: We cannot give you an answer today, but we can come back to the committee on that point.

The Convener: That would be helpful.

Colin Beattie: During the height of the pandemic, some of the private supply chains that were supplying primary care providers and social care providers fell apart, and the Scottish Government stepped in to provide the necessary PPE to care homes and so on. Has the Scottish Government ever been reimbursed for any of the PPE that was supplied to those private businesses?

Stephen Boyle: That is not our understanding of how the arrangement operated. Carole Grant can say more about the transactions that were involved and the duration of the arrangement, but our understanding is that the Scottish Government gave a commitment to fund the supply of PPE to private social care settings across Scotland.

Colin Beattie: Do we have a cost for that?

Stephen Boyle: I invite Carol Grant to say a word about that.

Carole Grant: You will have seen from the report that there were significant changes and audit adjustments to the financial statements. Part of that was to do with the accounting for the PPE and how it flowed through. That captured the cost for public sector bodies. I do not have the figure to hand for those bodies, but I know that NSS has that figure, so we can definitely come back to the committee with it.

Colin Beattie: It would be good to see the figure. I realise that the period was one of extreme urgency and that the PPE had to be acquired to protect lives.

Your briefing also says that the 48 PPE hubs were to be in place

“until the end of June 2021”,

and that the Scottish Government and NHS NSS were “considering future arrangements”. Do you have any idea what those future arrangements might be?

Stephen Boyle: Ashleigh Madjitey will be able to say where that is now headed.

We identify the hubs as one of the successes of the PPE programme. Given the dispersal of primary care settings and, in particular, social care settings across Scotland, an effective mechanism had to be in place to supply PPE as quickly as possible. As you mentioned, the Government took on responsibility for providing PPE to settings for which that had not previously been part of its remit. The role of the hubs was therefore particularly important. They secured the supply, and that lasted until the end of June this year. What comes next matters. It needs to be factored into the long-term thinking so that the arrangements can be enacted quickly in the event of a further surge or subsequent pandemics.

Ashleigh can say where we are now with the hubs.

Ashleigh Madjitey: In paragraph 50 of the briefing, we say that the measures were to be in place until the end of June 2021 but, since that was published, the Scottish Government has extended the date to March 2022. The PPE strategy and governance board is currently considering the longer-term plans for PPE, part of which is about social care and what role NSS will play within that.

Colin Beattie: Other than the fact that the Government is still evaluating its forward plans, was there a specific reason why it decided to continue to support private providers?

Ashleigh Madjitey: No, not that I am aware of, but I can find out.

Colin Beattie: If there is any information on that, I would be interested in it, because obviously there is a cost to the public purse. Although PPE is essential and the Government is doing everything that it can to ensure that it is available, there is nevertheless a cost, and we should monitor that.

Ashleigh Madjitey: I should clarify that the hubs are a provider of last resort. If social care providers are unable to access PPE through the usual routes, they can go to the hubs to access it. Providers should be going through their usual private suppliers. If they are unable to access PPE through those suppliers, the hubs can provide them with a week's worth of supplies.

Colin Beattie: So it is actually a back-up, rather than primary provision.

Ashleigh Madjitey: Yes.

Colin Beattie: Do we know whether the providers are using their private supply chains these days, or are they still accessing PPE from the hubs?

Ashleigh Madjitey: I do not know the current figures. Paragraph 31 of the briefing gives a breakdown of what was being used up until August 2020, but I do not have more up-to-date figures.

Colin Beattie: It would be interesting to know the extent to which the private sector is still reliant on the public sector to provide PPE.

Your briefing also states that, in the first five months of the pandemic,

“had NHS NSS been able to buy PPE at the same prices as 2019, it would have spent £37.4 million less on PPE”.

This might be a daft question, but I suppose that it has to be asked. In your opinion, could anything have been done to avoid that additional spend?

Stephen Boyle: It is probably fair to say that that is something of a theoretical number. If the NHS in Scotland had had the arrangements that it subsequently brought in over the course of the pandemic, it would have saved that money. However, in the wider context of global competition and supply chains collapsing, it would not have been reasonable for us as auditors to arrive at a judgment that the money was spent unnecessarily. The spend reflected the circumstances in which the NHS in Scotland found itself.

I do not know whether the figure would have been as high as £37 million if all the pandemic preparation exercises had been acted on, or if they had been based on a Covid pandemic as opposed to a flu pandemic. There might have been opportunities to reduce the figure, but it is hard to pin down where it would have landed. In the wider context of a frenetic pandemic, that there was a scramble for PPE supplies is a more realistic description of why the money needed to be spent.

Again, and as we say in the report, what matters is what comes next. There is a business and stock management system in place that can adjust quickly. Building on the big success of Scotland now having a domestic PPE supply chain, Scotland and its NHS will not, when securing contracts overseas at pace, find themselves in the vulnerable position that we describe in the section 22 report.

Colin Beattie: Paragraph 87 of the section 22 report says:

“NHS NSS has committed to ensuring retrospective contract approval and monitoring this through its established governance group.”

How is that progressing, particularly in respect of the contracts that are described and the issues raised about them?

Stephen Boyle: Carole Grant will be able to say a bit more about how the contract arrangements operated. Retrospective approval was given for all the contracts that were awarded that took advantage of emergency procurement regulations. We make the point in the report, however, that even when contracts are awarded at pace and emergency procurement regulations are used, there is still a need for appropriate governance and transparency around how those contracts were awarded. Contract awards still need to be published so that users of public services and public money have clarity around what is being spent, with which suppliers, and how much. That has now happened. We are now clear that such an important step must be followed in future, and we now have the transparency on those contracts that we would expect.

I invite Carole Grant to say a bit more about the arrangements that NSS will use to make sure that that is embedded in its processes.

Carole Grant: In the annual audit report, we made a recommendation about the consistency of documentation. During the collation of our audit work, we saw evidence to support the assessment of the quality of the documentation, that it was approved and that governance arrangements were being followed. However, there was a lack of consistency in capturing and documenting that. Sometimes that made our work more challenging.

As the Auditor General said, we recognise the situation and the pace at which NSS was operating. To confirm, retrospective approval for the two contracts for which the spend was higher than the approved contract value has now been processed. We had to look at the arrangements. Sometimes the problem was because of the value and sometimes products were being ordered outwith the timeframe, but retrospective approval is now in place.

Colin Beattie: So everything is now regularised.

My next question is slightly different. The report outlines that NHS NSS took a range of measures to support contact tracing. However, the report does not outline the impact of those measures on the programme overall. To what extent has the success or otherwise of those measures been evaluated?

Stephen Boyle: It is probably too early for us to be definitive on that. To answer your question properly, I should say that we have not audited the contact tracing system in Scotland. Our references in the report therefore talk more generally about the digital innovation that took place to put one of the tools at Scotland’s disposal so that we could

stabilise the pandemic. Through our work, there is an option for us to look at the spending on and the effectiveness of the contact tracing programme, and that will be part of our thinking as we continue the iteration of our work programme. Carole Grant will continue to track, monitor and report on spending, through her annual audit activity.

10:45

The Convener: I want to go back to part of the discussion that you have just had with Colin Beattie. These are my calculations, so they may not be entirely reliable, but, broadly speaking, and based on the figures that are in the report, the increase in the volume of PPE from 2019-20 to 2020-21 was of the order of 212 per cent, but the cost of shipments increased by 2,100 per cent—by a factor of 10. The price inflation was exorbitant, was it not? Do you have any reflections on that?

Stephen Boyle: We recognise the difference in the scale of change. In all the factors that we have talked about, we have seen that market forces came into play during the pandemic, and that supply and demand—if that is a reasonable analysis—kicked in. Global competition allowed suppliers from all over the world to increase prices at the height of the pandemic. An exhibit in the report shows that that tailed off, and that we are now in a more stable environment.

We have already talked about Scotland now being better placed to be insulated from some of those price shocks in future—it now has a reliable domestic supply of PPE that gives it a better chance of avoiding some of the price increases that we have reported.

The Convener: Thank you. Some of us might describe it as excess profiteering from a global pandemic.

My next question is not designed to catch you out. My eye was drawn to a line that says that the auditor reported that the audit work did not find

“any issues with the quality of goods procured or the companies contracted.”

The report goes on to talk about cost overruns.

I will not always rely on the media for my sources, but I was struck by a story that the *Sunday Mail* ran—the weekend after the report came out, I think—which included the following figures:

“We can reveal that millions of masks and goggles were binned after a rush to secure vital PPE as Covid struck”,

including

“90,000 respirator valve masks made by US firm Medline ... Three million pairs of goggles lenses and frames from US company Tiger Medical Products ... 66,000 face masks from Dumfries-based Alpha Solway—some of which were poorly made”,

and

“700 charity donated masks it was feared were made at forced-labour camps in China.”

What was your methodology, and how did you arrive at a point where you could make the categorical statement that you make in the report?

Stephen Boyle: Carole Grant looks as though she wants to come in on some of this, and I will pass to her in a moment.

The judgment that we make in the report—particularly bearing in mind the volume of the PPE that was procured and used, not to mention the environmental impact of some of that, which may be of interest to the committee—relates to the fact that some of the items that were procured were returned. Under contractual arrangements, they were received by NSS or the health boards, assessed, deemed not to be of sufficient quality and then returned to the supplier. Refunds and credit arrangements are part of the normal process of supply and demand.

Looking at our own consideration of the issue, we have seen some of the examples that you referred to and which were reflected in the media, but those do not reflect the overall arrangements in the round. There are sufficient safeguards when it comes to quality checks, and the review of the PPE itself and the review of the documentation allowed us to reach the conclusion that sufficient contractual arrangements were in place between NSS and its suppliers and that public spending was not left to pick up the cost of poor-quality PPE.

Carole can say more about the specifics of what we looked at and what we saw on those examples and more.

Carole Grant: Clearly, the audit team are not experts in assessing the quality of PPE, so we relied on the arrangements that NSS had in place, and we could see evidence of that review and check being done.

On the amounts that were quoted, it is helpful to bear in mind, as the Auditor General said, the overall volume and the likelihood of there being the odd occasion when PPE was not at the right standard. However, it was always assessed by an expert as part of the procurement process. That is what we based our judgment on.

The Convener: Thank you for that clarification. The question was not designed to catch you out. It is just that we want to understand better how you arrived at your conclusions.

One of the other issues that features in the report is that costings were done at pace, especially in the early days. Contract approval documents were not completed to a consistent

level of detail, as you already mentioned, and concerns are raised in the report about the scrutiny of contracts before their conclusion. Will you give us a picture of the extent to which that was prevalent at the beginning of the pandemic, when there was urgency, and the extent to which it continued as a practice over the months after the initial spike in demand for PPE?

Stephen Boyle: I am delighted to do so, and I am sure that Carole will come in to add more to my comments.

The fundamental point is that the provision existed for emergency circumstances. In the normal procurement arrangements that exist in public bodies, there are framework contracts that are set out well in advance and suppliers are identified. If there is a new contract, it is placed as a tender notification, contractors submit their suitability and there is a bidding process.

However, we were not in that environment at the height of the pandemic, when supply chains collapsed and there was global competition. With the support of Scotland's development agencies, we had to go out and source new PPE suppliers across the world. You have mentioned already what that meant for the prices of some items that were purchased. How that related back to NSS was that some of its procurement and associated governance arrangements had to be flexed, so that the pace at which PPE was used was matched by its sourcing and supply.

The point that we make in the report is that, in such an environment, transparency matters. It must be possible to see what is being spent and who contracts are being awarded to, and, where necessary, there must be retrospective approval arrangements. We must not sacrifice all the governance and transparency that goes alongside that. That is why we arrive at the finding in our report that there must be rigour around publishing contract awards and approval arrangements when we are in such an environment. We are not still in the heat of it—there is more stability now, as we have touched on.

On NSS governance arrangements, Carole can speak to the various steps that NSS went through and how it is now responding to the publication of award notices.

Carole Grant: It is safe to say that inconsistent documentation was a feature with the contracts that we looked at, but I agree that that was at the start of the pandemic. As things settled down, there was more of a business-as-usual approach with contracts and the processes that were in place.

In the annual audit report, as the Auditor General mentioned, we point to the arrangements that NSS put in place with Scottish Enterprise as

an example of good practice, because that relationship enabled NSS to have access to and do due diligence in markets where that potentially would not otherwise have been possible.

Overall, there is a need for documentation to be standardised across a few areas. We are seeing that as part of the business-as-usual arrangements that are now in force.

The Convener: I also note that the report mentions Scottish Enterprise visiting overseas factories, which I presume was part of some kind of due diligence process. Will you expand on that to give us a bit more sense of what is contained in the due diligence guidance that is being pursued? For example, does it include matters such as labour standards and whether forced or exploitative labour is involved or what conditions are like in the factories that it visits at home as well as abroad? Will you elaborate on that part of the report?

Stephen Boyle: We will do our best to describe what we saw from the consideration that NSS undertook on the due diligence in relation to the contract awards. There is probably a limit to what I can say on that, but Scottish Enterprise and NSS will be able to describe the steps that they took and what they saw when they undertook factory visits and so forth.

It is about weighing up the balance between securing supply and probing deeply into the arrangements in individual factories. As I think that you are suggesting, convener, we have all seen media reports of the conditions around the world in factories that produce PPE. At the risk of repeating myself, the fact that Scotland now has domestic supply arrangements for PPE means that we are better placed to have the respect for working conditions that we expect.

Carole Grant might be able to say a bit more about the specifics of what we saw in our work in relation to the due diligence work that Scottish Enterprise and NSS undertook.

Carole Grant: I do not have the details with me on the specific due diligence checks that were done. We saw evidence of sign-off—for want of a better word—that a visit had taken place and that the bodies were content with the arrangements. We saw limited guidance specifying what had to be considered, and I think that there was an element of trust in experience, given the situation that the bodies were in. That is another element where there was inconsistency on occasion with regard to the approach to documentation, but we saw clear evidence that that had taken place and that the assessment had been done prior to the awarding of the contract.

The Convener: Who would normally issue that guidance? Would it be the Scottish Government or NSS?

Carole Grant: The pace that was required was part of the situation. I suggest that, potentially, they would determine the need together. NSS would set out its expectations and I imagine that Scottish Enterprise would offer insight on the basis of its experience of working in the area and doing site visits in the past. Therefore, I think that they would have developed the guidance together, and NSS would have defined what it was looking for.

The Convener: Thank you. I will bring in Willie Coffey.

Willie Coffey: When I think back to the start of the pandemic and the real struggle that we had to source PPE, I remember well a flight coming in to Prestwick loaded with PPE to help. NHS NSS and others moved heaven and earth to help supply our hospitals and care homes. Thank goodness and thank God that they did that by whatever means possible to protect the public. I want to put that on the record.

Auditor General, you said that our ability to produce PPE in Scotland went from zero to 88 per cent. How soon did we get to the point where we were sourcing and supplying PPE material from within Scotland? Was it weeks or months?

Stephen Boyle: Ashleigh Madjitey can talk about the timeline, but I can say that you are right that Scotland did not have a domestic PPE supply chain before the pandemic. The fact that it now has one not only brings economic benefits through the supply of new jobs but ensures that there is a security of supply for future pandemics and that we are better placed as a country to absorb their impact. The pace with which that happened was a remarkable achievement.

11:00

The supply is not universally perfect: gloves are often mentioned as an item with which there are issues, but that is not unique to Scotland. However, the way in which the country moved to invest in that supply chain, through the work of NSS and regional development agencies, has got us to a place in which we will be better able to respond to future pandemics.

Ashleigh Madjitey: The figure of 88 per cent was for April 2021. Our briefing also includes a case study about Alpha Solway—one of the major UK PPE producers—that sets out that, in March 2020, as Alpha Solway was struggling to get its Taiwan-made masks into the country, it started working with the Scottish Government to re-shore production in Dumfries and Galloway. As early as April 2020, NSS had committed to an order of 2

million masks from Alpha Solway and had made an advance payment that enabled the company to buy the necessary machinery to produce the masks in Scotland. By June, Alpha Solway was making 1 million masks a week in Dumfries and Galloway. By August, NSS placed another big order through a framework supplier that then subcontracted Alpha Solway for £53 million-worth of masks and visors. You can see that that all happened quite quickly over those first few months.

Willie Coffey: That is an incredible achievement, and it is worth putting it on the record so that the public can be aware of the pace with which Government officials, the NHS and the companies moved to produce the material. I recall that the skies were empty at the beginning of the pandemic—few planes were flying, so, when you saw something coming in, you knew that it was that material.

Auditor General, you mentioned that 470 jobs have been created in relation to the production of PPE in Scotland. Is that likely to be sustainable? Will that become an established production industry for Scotland? Looking ahead, are we now able to contribute to the international healthcare supply chain and help the world to access those products?

Stephen Boyle: I am cautious about making predictions on whether this is a new model of supply and whether the jobs are sustainable. As we mention in the briefing, some of the environmental implications of the significant use of single-use PPE, which, for clinical reasons, ends up in landfill, have not yet been addressed. There are issues that are still to be tackled. Experts in those companies and beyond will address those sustainability issues. NSS and social care providers will be able to describe what that means for future demand and supply. However, as I have said, the provision of a domestic supply means that Scotland will be able to cope far better with the PPE needs that arise from future pandemics than it was previously.

Willie Coffey: Is the issue of establishing such a local supply chain likely to be a Government-level decision?

Stephen Boyle: It is fair to say that there will be discussions between the Government, the NHS and enterprise agencies about how best to meet those needs. As Ashleigh Madjitey said, NSS is thinking about future demand in a business-as-usual context and in the context of future pandemics.

Willie Coffey: Do you know whether we are supplying PPE to the international healthcare market as a result of that development in

Scotland, or do other countries have sufficient supplies locally?

Ashleigh Madjitey: That came up as an ambition when we were speaking to the Scottish Government and NSS, but they would be better placed to tell you whether that is happening.

Willie Coffey: I have a question about the online portal that the Auditor General mentioned earlier. In the Public Audit Committee, we usually receive the opposite type of reports about information and communication technology initiatives, but the online portal for PPE ordering seems to have been a success. Do you have any information on who developed it? Is it still in place and working well?

Stephen Boyle: Carole Grant or Ashleigh Madjitey might know who was involved, but I would say that you are right, Mr Coffey. Our briefing on the Covid-19 vaccination programme, which we discussed last week, also mentions successful information technology contracts in NSS and the NHS. That is really welcome. It changes the narrative about Scotland's public services and their ability to deliver complex IT projects at pace. We are seeing and reporting that, and we are pleased about it.

As ever, one thing to take away is the importance of applying that learning, not just in the context of the NHS, but across public services in Scotland. We are keen for that to happen, and we will track the situation and report back to the committee.

I ask the team whether we can say any more about who was involved.

Ashleigh Madjitey: Carole Grant might be able to comment.

Carole Grant: NSS developed the portal as a way for it to assess the volume of inquiries and emails that it was receiving, and the expressions of interest. It is telling that, although not many contracts flowed from that, it provided an efficient way to respond to people as they expressed interest in getting involved, and it saved time for the staff, who were under significant pressure. We note that it was an efficient way to manage the level of interest and ensure that the use of staff time was proportionate.

Willie Coffey: That is great. Thank you.

Sharon Dowey: On page 13 of the report, you note that

"NHS NSS built, stocked and decommissioned the NHS Louisa Jordan field hospital",

and that it is

"responsible for the ... redistribution of equipment to NHS boards across Scotland."

How quickly is that taking place, given the pressure that many hospitals are under?

Stephen Boyle: We report that the Scottish Government spent £51.2 million to build and stock the NHS Louisa Jordan hospital and have it available to treat Covid patients. As we have all seen, that was not what it ended up being used for, and instead it was used to provide vaccinations, out-patient appointments and so forth. It was used, but not as intended.

That ended in June 2021 and the equipment, rather than being wasted or returned, was instead provided to NHS boards—to healthcare settings—across Scotland in the months that followed. We understand that that is now complete, but again I will check with the team whether there is more detail about how that operation unfolded. Perhaps Carole Grant is best placed to respond.

Carole Grant: It is substantively complete. I do not immediately have the up-to-date position, but I know that NSS was working through it and absolutely looking to redistribute the equipment to health boards as and when the need arose.

The Convener: We are coming towards the end of the evidence session. I know that Craig Hoy has a couple of questions, and I want to touch on the long-term planning of NSS and future funding, which is a subject in which we have taken an especial interest. We have looked in our rear-view mirror at how things have gone over almost the past two years, but we also want to look at some of the consequences for the future.

We note from the report that there still appears to be financial uncertainty for NSS—I do not know whether that has changed since the report was published—and that there is consideration of the pausing of some areas of development work by NSS. Will you outline which areas of its work are being paused, or will potentially be paused? What is your assessment of the risks of not progressing that work?

Stephen Boyle: There are a couple of things to say about that. In terms of the financial position, further funding allocations have been made since our report was published. I think that we discussed some of that at last week's meeting. NSS was a significant recipient, although I do not have the precise allocation to hand at the moment. However, it will go some way towards alleviating some of the financial pressures that the body is facing during this financial year.

What comes next will come through the Scottish budget and its consideration of the review of the recovery plans that all NHS boards—NSS is a national health board in Scotland—have submitted to the Scottish Government. We will see what that means for NSS's financial position. The audit team

will look at its financial sustainability and report during this year's audit.

Critical services being paused was a feature of the pandemic. We absolutely acknowledge that difficult decisions were taken during the pandemic to do that. Some of those services were related to screening programmes that NSS would have run. Those have now been restarted but their being paused will have had a very serious impact on individuals.

Unlike many health boards, as a national board, much of the activity that NSS undertook at the time, albeit that it grew at scale, could reasonably be categorised as business as usual. The supply of PPE and stock management on behalf of the NHS in Scotland are activities that NSS would have carried out. NSS grew in prominence and scale as opposed to taking on brand-new activities.

Having said that, it paused some activity in IT development and roll-out of other services that it is now picking up—I am sure that Carole Grant can talk about those. However, in the round, the change in working practices was not quite as dramatic as those that took place in other NHS settings, when the NHS took a much more Covid-related focus as opposed to being a universal service. The context for NSS was quite different.

Carole Grant can say something about the restarting of IT development and some of those other services.

Carole Grant: NSS assessed all its services and categorised them into essential, paused and stopped. The internal work that was stopped was largely a planned IT transformation, although we saw real innovation being made in IT tools as part of the pandemic response. There was a real shift of focus in the digital team, which ensured that it was providing the digital tools to support the pandemic response. It is now moving back to working on restarting and recreating its planned internal IT transformation. The remobilisation plan sets out how NSS continues to support the pandemic response as well as continuing with its plans for delivering for the future and how it is working towards that.

The Convener: I end the session by inviting Craig Hoy to be very topical.

Craig Hoy: I have just been to the 26th United Nations climate change conference of the parties—COP26—so I am perhaps running the risk of being accused of greenwashing by bringing up this subject at the end of the meeting.

I would like to get your impression of how the NHS NSS procurement process took into account environmental considerations at the height of the pandemic. Now that things have calmed down, are

you sighted on its activities so that you can try to make sure that it acquires a more environmentally sustainable stream of materials?

Stephen Boyle: I will do my best to answer that, although I suspect that Ashleigh Madjitey or Carole Grant will be better placed to give you the details of NSS's activity. As we have mentioned, the environmental sustainability of PPE supply was probably not at the forefront of people's minds, especially at the height of the pandemic when we saw exponential growth in usage and the scramble for supplies was the bigger priority. Now that we are in business as usual, the sustainability of single-use material and the extent to which much of it will be either incinerated or landfilled has to be considered. Given that its use has grown so much since before the pandemic, and that it is likely to remain higher, all those factors have to come back into the obligations not just of NSS but all public bodies.

11:15

Many public bodies have made a commitment to sustainability and to achieving 75 per cent net zero in 2030 and 100 per cent beyond that, so there is a real onus on public bodies to capture environmental sustainability considerations in their thinking. As Mr Hoy rightly said, that is not greenwashing. It is supported by evidence and subject to scrutiny.

As the subject relates to NSS, Ashleigh or Carole will be able to give more detail.

Ashleigh Madjitey: In our discussions with the Scottish Government and NSS, we asked about environmental issues. I am aware that discussions were being had with the industry and the National Manufacturing Institute Scotland, but I am unclear about how far those discussions got. It came down to the health implications of reusability and how that would work. We definitely highlighted in the briefing that, as NSS makes plans for the future, it should be considering those issues.

The Convener: Carole Grant, do you want to come in with a final word?

Carole Grant: I do not have much to add. The issue features in NSS's remobilisation plan, and the body is working with partners to achieve the best balance and take everything into account.

The Convener: With that, I thank the Auditor General, Ashleigh Madjitey, who is with us in the committee room, and Carole Grant, who joined us remotely, for some robust and illuminating evidence. It is greatly appreciated.

11:16

Meeting continued in private until 11:37.

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