

Public Audit Committee

2nd Meeting, 2021 (Session 6), Thursday, 2 September

The Auditor General for Scotland's strategic audit priorities and future work programme

Introduction

1. The Public Audit Committee will take evidence today from the Auditor General for Scotland (AGS) on his strategic audit priorities and future work programme.
2. Members may wish to note that the Session 5 Public Audit and Post-legislative Scrutiny (PAPLS) Committee took evidence from the AGS on his strategic audit priorities and future work programme in October 2020. [The Official Report of that meeting can be found here.](#)
3. At that meeting, the AGS indicated that he wished to formally consult the Parliament on his draft work programme. The Session 5 PAPLS Committee co-ordinated responses from the other Parliamentary committees to provide a collective response from Parliament. [A copy of the Session 5 Committee's letter to the other committees, containing the AGS's draft work programme is available here.](#)
4. On 14 January 2021, the Session 5 PAPLS Committee sent [the collective parliamentary response on his strategic audit priorities and future work programme](#) to the AGS.
5. The [AGS's finalised work programme](#), setting out his planned audit work for 2021/22 is available on Scotland's website.
6. The AGS has prepared a briefing paper for this evidence session which can be found in the Annexe.

Clerks to the Committee
30 August 2021

AUDITOR GENERAL FOR SCOTLAND'S STRATEGIC PRIORITIES**2 SEPTEMBER 2021****Introduction**

1. Scotland remains deeply affected by the Covid 19 pandemic. Its impact on society, the economy and all of us as individuals will extend for many years. The response of the public sector, the spending that has been made and the longer-term aftermath of the pandemic will shape our audit work for years to come. While the past 18 months has changed many aspects of how public services operate, there are key issues that existed before the pandemic that continue to be relevant and will continue to be the focus of audit activity. In this paper, I set out:
 - an analysis of the major risks and issues that face the public sector (paragraph 2)
 - my strategic priorities for audit work and the principles that we work to (paragraphs 3 to 8); and
 - our work programme over the next few months and our approach to delivering our work (paragraphs 9 to 12).

Public sector risks and issues

2. Appendix One provides a synthesis of Audit Scotland's analysis of the major risks and issues affecting the public sector under six themes: constitutional; economic; financial; inequalities and human rights; performance and innovation; leadership and governance. Many of these risks and issues existed prior to the pandemic. Some have been exacerbated by it. The extent to which individual public bodies and individual policies are affected by these issues varies. We monitor and review these risks and issues on an ongoing basis and they provide a context for our work.

Priorities

3. Audit will always focus on the key issues of **financial management, financial sustainability, good governance and value for money**. This remains the case. Ensuring that we continue to deliver high quality assurance about these issues will always be our priority.

4. There have been significant amounts of public money spent during the pandemic to mitigate its effects. Following this “**pandemic pound**” in terms of how much has been spent, how public bodies decided how to spend it and the effects of that spending will be a recurrent focus for audit work.
5. The economic effects of the pandemic will be long-term. Understanding how effective the public sector is being in supporting **economic recovery** and renewal will be critical. Under the operation of the Scottish fiscal framework, economic performance is important as public sector budgets are now closely tied to how well Scotland’s economy performs.
6. **Inequalities** exist across Scotland. There are inequalities of wealth, education, health and opportunity. Some of these inequalities are geographical: across different parts of Scotland; across different parts of the same city; between rural and urban areas. Some of these inequalities are between different people: between different genders; age groups and across ethnic groups. How public bodies are addressing inequalities and protecting human rights will feature within many pieces of our audit work as we focus on how well public bodies and public spending are improving outcomes.
7. The recent Intergovernmental Panel on Climate Change report is unequivocal that human activity is changing the climate. Mitigating and adapting to **climate change** will be a major challenge for the next few decades in terms of infrastructure and collective and individual behaviour. We will build considerations about climate change mitigation and adaptation into our work wherever appropriate, especially in the context of infrastructural investments.

Principles

8. These five principles underpin how we think about, plan and deliver our work programme. Some will be more prominent than others depending on the nature of the audit work. We are continuing to develop how we apply them.

Providing assurance and driving improvement

- We will use our unique local and national perspective to provide assurance about how Scotland’s public services are responding to Covid-19. We will aim to provide insight and learning, and drive improvement,

innovation and transformational change as Scotland moves towards recovery and renewal.

Taking a risk-based and proportionate approach

- We recognise the potential impact of audit work on people working in public services who are still responding to Covid-19. We will ensure our audit response is proportionate and risk-based, and that audited bodies have clear advance notice of any planned work.

Taking a person-centred approach

- Where we can, we will capture the needs and concerns of the people who use public services through our audit work.

Being flexible and agile

- We will adapt our work programme as new issues emerge or risks change. We will use a range of approaches to report our audit work.

Integrating cross-cutting issues

- We will integrate thinking on issues that cut across policy areas and have an impact on citizens and service users throughout our audit work. For example: prevention, digital, inequality and human rights, climate change, community engagement

Work programme

9. I will continue to deliver the financial audit of the Scottish Government and its arms-length bodies, all NHS boards and all colleges.¹ If individual financial audits highlight issues of public interest, I will report these to the Parliament under the powers contained in section 22 of the Public Finance and Accountability (Scotland) Act 2000. The audits of 2020/21 accounts are ongoing, but I anticipate laying section 22 reports between October and December 2021. This is a key element of public accountability and applies to all the organisations I audit, irrespective of size.
10. I will also deliver a programme of performance audits under section 23 of the Public Finance and Accountability (Scotland) Act 2000. Over the next few months, I intend to lay reports in the Parliament on the following subjects (Table 1).

¹ Responsibility for the audit of councils and integration joint boards lies with the Accounts Commission for Scotland.

Table 1: Planned performance audit reports

Subject	Focus	Provisional publication date
Investing in skills	Examining how effectively the Scottish Government and its partners are working together to ensure the skills system responds to the current and future needs of people and businesses in Scotland.	January 2022
NHS 2021	Annual overview of the performance and finances of the NHS, based on 2020/21 audits of NHS boards. It will focus on the continued impact of the pandemic and on progress in remobilising and redesigning NHS services.	February 2022
New ferries for the Clyde and Hebrides	Examining the initial arrangements to manage the project to replace two ferries on the Clyde and Hebrides network and how well the Scottish Government, Transport Scotland and CMAL responded when problems arose.	March 2022
Reviewing Scotland's financial response to the Covid-19 pandemic	Following the public pound during a pandemic. Focus will on tracking funding and spending, and commenting on risks, challenges and Scottish Government performance.	May 2022

11. The experience of the last 18 months has led us to change how we plan, manage and deliver our performance audit work. There is no longer a programme of work that we agree once a year. We (Audit Scotland, the Accounts Commission and me) now review our planned programme on a quarterly basis to ensure that it remains focused on the most important issues. This also enables us to shift the focus of audits, change timescales, introduce new pieces of work and if necessary, stop others on a much more frequent basis.
12. We have been publishing a greater range of audit outputs in addition to our traditional audit reports. These include briefings, commentaries and blogs on a wide range of areas across the public sector. In some cases, these will provide

the basis for future audit work. In other cases, they will be standalone pieces of work. This more diverse range of audit products should enable our work programme to be more agile and responsive. Where appropriate, I will refer these to the Committee under rule 6.7.1(c) of the Parliament's Standing Orders which will enable the Committee to consider them.

Stephen Boyle

Auditor General for Scotland

August 2021

Constitutional	Economic	Financial
<ul style="list-style-type: none"> The outcome of the Scottish Parliament elections in May 2021 means that there is the potential for an independence referendum to be held during current parliamentary session. Following the UK's exit from the European Union, it remains unclear how the UK internal market (across England, Scotland, Wales and Northern Ireland) will operate and how some aspects of the existing devolution structures will operate. The process of implementing the Scotland Act 2016 remains incomplete (VAT assignment and full adoption of social security powers). The fiscal framework is due for review in 2021. 	<ul style="list-style-type: none"> The pandemic has resulted in an economic downturn. Some sectors of the economy may be permanently affected. The nature and timing of economic recovery remains unclear. Establishing a more digital, more inclusive economy will require time and significant investment in skills. The economy will have to reshape to enable climate change objectives to be met. Economic pressure on household incomes may drive greater demand for public services. Scotland's fiscal framework means that public sector budgets are now more closely tied to economic performance (and Scotland's performance relative to the rest of the UK) than at any time since devolution in 1999. The short and long-term economic effects of exit from the European Union (due to changes in access to markets and migration patterns) remain to be seen. 	<p style="text-align: right;">PAC/S6/2/1</p> <ul style="list-style-type: none"> A significant proportion of the Scottish public sector budget is spent on the NHS and social care. Along with the effects of the pandemic, demographic change and medical advances mean that the pressure on these budgets is already acute. Some NHS boards have already seen overspends, despite the NHS budget having grown in real terms. The public sector already has many long-term financial commitments (pensions, PFI/PPP/NPD payments) that extend decades into the future. This constrains its financial flexibility. Prior to the pandemic, there were already concerns about the financial sustainability of certain parts of the public sector in their current form including local government and policing. The pandemic has focused the public sector's attention on short-term priorities. The need for medium and long-term financial planning remains.
Inequalities and human rights	Performance and innovation	Leadership and governance
<ul style="list-style-type: none"> There is still a significant amount of progress to be made to reduce inequalities and protect human rights. Areas affected include wealth, health and wellbeing and education. These inequalities affect different groups (including women and girls, BAME people, older people, disabled people) in complex and interacting ways. There are profound geographical inequalities both across Scotland and within small areas. Demographic changes (the aging population and movement of population from some parts of Scotland to others) may alter these patterns. There is greater scope to capture users' perspectives and enable communities to have greater power and influence over what matters to them. 	<ul style="list-style-type: none"> Ten years since the Christie report, there is still limited evidence of a shift towards preventive spending. Mounting financial pressures are starting to have an impact on how well some public services are performing. This may affect delivery of the outcomes in the National Performance Framework, such as reducing educational inequalities. The pandemic has exacerbated this, created backlogs and reduced access to some public services and affected systems to monitor performance. The integration of health and social care remains a work in progress with considerable cultural, organisational and financial challenges. The pandemic has greatly accelerated the shift to greater digital delivery of public services but this 	<ul style="list-style-type: none"> Leadership roles are increasingly difficult to fill in parts of the public sector with vacancies at senior (chief executive, director) levels. To secure long-term outcomes, collaborative leadership across multiple organisations and sectors is essential. Achieving this remains challenging when existing public sector structures and systems of incentives and accountability remain siloed. The shift to digital technology and the expansion in the use of data and artificial intelligence demands greater attention to digital governance to ensure that ethical, privacy and equalities and human rights perspectives are properly taken into account.

	generates risks around digital exclusion, cybersecurity and fraud.	
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