



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Thursday 2 September 2021**

**Session 6**



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**PUBLIC AUDIT COMMITTEE**

**2<sup>nd</sup> 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)

Mark Roberts (Audit Scotland)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Public Audit Committee

Thursday 2 September 2021

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I begin by welcoming everybody back after the summer recess. I remind you of the Parliament's rules on social distancing and the requirement to wear a mask if you are moving around or entering or leaving the room.

I also begin the new session by reminding the committee that our task and our job is to be the people's and Parliament's guardians, when things go wrong to get to the bottom of it, when public money is wasted to hold people to account and when lessons need to be learned to follow up to make sure that they are. I see the committee as being a critical part of a healthy and functioning democracy, and I think that it is even more important in the months ahead, at a time when there is renewed pressure on our public services, burned-out national health service staff, a backlogged justice system and young people who have missed out on education, that we stand up and ensure that we are led by evidence and facts without fear or favour.

The first item on the agenda is a decision on whether to take item 3 in private. Do members agree to consider our work programme in private?

**Members indicated agreement.**

## Audit Scotland

### Strategic Priorities and Future Work Programme

09:01

**The Convener:** I turn to the main item of business, which is a chance for us to consider Audit Scotland's strategic priorities and future work programme. I welcome our witnesses. We have with us Stephen Boyle, who is the Auditor General for Scotland, and via videolink, Mark Roberts, who is audit director at Audit Scotland.

Before I move to questions from the committee, I thank Stephen Boyle for providing a written report and ask him to give us a short presentation to outline the strategic priorities of Audit Scotland and its future work programme.

**Stephen Boyle (Auditor General for Scotland):** Good morning. I am delighted to be with you for the first meeting of the Public Audit Committee in the new parliamentary term. I look forward to working with the committee in the months and years to come.

I am happy to be with you to have an early discussion about my priorities and the focus of my work programme between now and into 2022. The past 18 months of the pandemic have been extraordinarily challenging for Scotland's people and public services. As ever, I pay tribute to the thousands of people who provide our public services; they kept our public services functioning in sometimes immensely difficult circumstances, and at times at their own personal risk.

As the committee would expect, public bodies' response to the pandemic shapes my work programme, but many of the challenges that Scotland's public services faced prior to Covid remain as important and will continue to be subject to audit work. My priorities and plans for the future therefore reflect our planned assessment of the effects of the pandemic on the public sector and the need to continue to focus on the issues that were important before the pandemic struck and that remain to be addressed.

My paper details the key risks and issues affecting public services in Scotland, my strategic priorities and the reporting that I plan to make over the next few months. At a strategic level, the public sector faces a wide range of risks and issues. The table at the end of my paper sets out an assessment of those risks and issues, but I will briefly highlight what I consider to be seven key themes that I have used to shape those priorities and plans in the work programme.

The first of those is economic recovery and renewal. Rebuilding and renewing the economy

post-pandemic will be critical. That is especially the case as the Scottish budget and the resultant tax revenues are much more closely linked to our economic performance than they ever have been. Further, we do not yet know what the long-term effects of the United Kingdom's exit from the European Union will be on our economy or our population.

The second theme in our work programme is that of inequalities. Scotland remains an unequal country. Inequalities in wealth, education, health and opportunity persist, despite years of vocal commitment and significant public spending aimed at reducing them. In many cases, Covid-19 has exacerbated those inequalities. Tackling inequality in all its forms will require our focus and efforts for years to come. Public audit in Scotland has an important role to play in assessing how well public money is being spent to provide better outcomes. That is a major priority for me. Through our audit work, Audit Scotland will have an enhanced focus on inequality matters. An important element of that will be about capturing people's experiences and understanding of public services through our audit work.

Thirdly, there is the topic of climate change. The recent Intergovernmental Panel on Climate Change report set out the scale of the challenge that we all face. Meeting Scotland's statutory emissions targets by 2045 and the 2030 interim targets, and adapting public services to a challenging climate will require massive infrastructural and behavioural change. Public audit will report regularly on the impact that public spending is having on tackling that significant challenge.

The fourth theme is that of financial sustainability. The Scottish budget and public spending have increased significantly since the start of the pandemic. Over the past year, we have been reporting regularly on the changes to the budget and the risks to public spending, and we will publish our next Covid-19 spending tracker later this month. Uncertainty remains about the size of public spending in years to come and how the pandemic will impact on the long-term sustainability of parts of the public sector. We have previously commented on the financial sustainability of a number of public bodies in the national health service and of the Scottish Police Authority. We have also commented on the challenges that local government bodies currently face.

The fifth theme is that of performance delivery. Before the pandemic struck, we were already seeing and reporting on pressure on the performance of parts of the public sector. In some cases, performance delivery has been severely hampered by the pandemic and there is a

possibility that progress in those areas will deteriorate further before it improves. The backlogs in our justice system and our NHS are the most visible examples of that. We will comment on the progress that public bodies are making in addressing those significant system-wide challenges.

The sixth theme is that of constitutional change. Parts of the Scotland Act 2016 still remain to be implemented. For example, that applies to the use of VAT powers and aspects of social security powers. Post-EU-exit changes through the United Kingdom Internal Market Act 2020 and the proposed operation of the shared prosperity fund might shift the nature of the devolution settlement further. We are monitoring what that means for our work and for the assurances that we can provide to the committee and the Parliament.

The final theme is digital transformation. In the past 18 months, there has been a significant acceleration in the use of digital technology across all our lives. Digital technology can provide rapid access to public services in a way that is potentially more convenient for service users, and it can help us to lower our carbon footprints. However, there is a real risk that some people in communities will experience reduced access and will face exclusion from access to public services. We are also considering the audit response to the ever-present and growing threat that cybersecurity hacks and challenges present to our public bodies.

All those areas will be reflected in our future work programme. I stress, however, that audit remains audit. We will always be focused on the core elements that constitute public audit in Scotland. Is there good financial management? Are public bodies financially sustainable? Has value for money been demonstrated? How effective have governance and leadership arrangements been? Therefore, when necessary, I will continue to lay in the Parliament section 22 reports on matters of public interest arising from the annual audit of individual public bodies. There are likely to be a number of those reports between October and the end of this year, following the conclusion of the audits of the 2020-21 financial statements.

I will also lay section 23 reports on performance audits. As detailed in the paper, work is on-going on performance audits of investing in skills, replacement ferries for the Clyde and the Hebrides, and the annual overview of the national health service in Scotland. Those will all be published in early 2022.

We also plan to look at what happened during and after the pandemic across a range of outputs. We will look at where and how the pandemic pound—more than £9 billion last year and around £4 billion, and growing, this year—was spent in

Scotland, and, in the longer term, how effective that spending was. Following the process of economic recovery and renewal and the Scottish Government's involvement in and support of that work will be critical. We anticipate that that body of work will continue for a number of years to come.

In addition to our core audit outputs, we are increasingly producing other types of outputs, including briefings, blogs and web-based updates and analysis, which allow us to comment quickly on key and emerging issues. Those outputs are often desk based and draw on previous work that we have carried out, or pull together material from a range of sources that has already been published. The Parliament's standing orders allow me to refer such publications to the committee, and the committee can decide how to take evidence on them. That approach is part of our efforts to ensure that we are flexible, agile and dynamic in how we plan and deliver our work and meet our responsibilities.

Today, I am joined by my colleague Mark Roberts, our audit director, who leads on our programme development activity. Between us, we will be delighted to answer the committee's questions.

**The Convener:** Thank you. That was a very helpful introduction to this morning's session.

I will begin by reflecting on some of the lessons from the previous session. This is a new committee, but we need to understand where there are underlying issues of which we need to keep fully abreast. In looking at the legacy report of the previous committee, it struck me that it identified recurring themes that seemed to be common in instances in which organisations had not met the performance standards that were expected, or where something more fundamental had gone wrong. The previous committee spoke of "leadership challenges, poor workforce planning, weak governance arrangements"

and failures—which were sometimes catastrophic—with information and communications technology projects. The committee also reflected on the absence of key data and the failure to properly measure outcomes.

Will you explain how you plan to keep abreast of those themes, and how you expect to be able to continue to explore them in the future work programme?

**Stephen Boyle:** I would be delighted to say a few words about that, and I am sure that Mark Roberts will come in if there is anything that I have not covered or that he wishes to add.

We agree that the Public Audit and Post-legislative Scrutiny Committee's legacy report from

the previous session is a hugely comprehensive assessment and an extremely useful reference point, not only for this committee, but for how we shape our work to support the committee's scrutiny. Many of the recommendations and findings of the report are reflected in our work programme. We see a real synergy between the legacy report and the themes and priorities of our work programme in the years to come.

Some of the issues have been around for a long time and are not easily solved. Nonetheless, the importance of public bodies tackling them feels ever more vital. I will touch on a few of those issues. In the months to come, we will report to the committee through our section 22 reports, which will, unfortunately, touch on some of the recurring themes that the committee has explored in recent times. We are cognisant of the fact that it remains important to continue to shine a light, and to strive for both assurance and improvement. We recognise the twin focus of our work in that regard.

09:15

We will continue to report on the areas that you mentioned, such as leadership, the effectiveness of governance and the Scottish Government's overarching role in sponsorship arrangements to support improvement, effective management and service delivery in all the bodies that fall within its remit. Moreover, as I alluded to in my introductory remarks, we are also looking at how digital will transform public bodies and our important role as public auditor in commenting on how well that is going and in drawing on our overarching reach across central Government to support that improvement.

The last point that I would make before I pause to see whether Mark Roberts wishes to add anything is that we want our work to support improvement and assurance, and we are thinking very carefully about the point in the legacy report that recommendations made by us and conclusions reached and published by the committee following an audit report need to be seen to be followed through. The committee will be, as we are, familiar with the situation in which public bodies and their accountable officers who appear before the committee are asked whether they accept the recommendations and findings in an audit report. We want to close that loop and go beyond that verbal acceptance to ensure that those recommendations are seen to be delivered.

We recognise that the timeliness of a recommendation can change over time and that an audit report can be a snapshot. Some recommendations might evolve in their relevance and we will always take a flexible approach in that respect; however, through our work, we want to assure the committee that those recommendations

are being taken forward and that the impact of public audit is being felt.

I hope that that response touches on a number of your questions, but I will stop there and see whether Mark Roberts has anything to add.

**Mark Roberts (Audit Scotland):** Convener, you mentioned workforce planning in your question, and it is absolutely right that we continue to pursue that theme. I add that we have stressed to a number of public bodies and in a number of reports the importance of long-term financial planning, and I refer back to the Auditor General's initial comments about the importance of financial sustainability. That is another theme that we will continue to pursue over the next few months and years.

**The Convener:** We have identified the need for follow-up instead of just having a one-day inquiry into an organisation's performance before everyone moves on, and we are keen to work with you to ensure that we are regularly updated on progress that is being made.

We move to questions from Craig Hoy.

**Craig Hoy (South Scotland) (Con):** Welcome to the meeting, Mr Boyle, and thank you for setting out your programme and priorities so clearly this morning.

You mentioned Covid and your work on following the pandemic pound. The committee very much welcomes what you are doing, given that, as you have pointed out, such spending amounts to £13 billion and counting. How do you plan to track the spending to mitigate Covid, and how will you assess its effectiveness?

**Stephen Boyle:** To date, we have published two of what we call Covid tracker reports, which set out the quantum of money that has come to Scotland through the Scottish Parliament's and Government's spending decisions and the flow of funds from the UK Government to the Scottish budget through Barnett consequentials since the start of the pandemic. As I have said, we will publish the third iteration of those reports later this month.

I would characterise those reports as briefing papers and largely factual analysis. Such an undertaking is neither simple nor straightforward, given the scale of funding that has come and the sheer volume of spending announcements that have been made. I would need to check whether my memory is right, but there were certainly more than 100 individual changes and spending announcements over the course of the previous financial year. Through this exercise, we sought to inform the previous committee's understanding of how much money had come to Scotland and to indicate how it had been spent.

Over time, of course, we need to move from thinking about what has been spent to thinking about how well that money has been spent, and we will do that in two main ways. In the spring of next year, we will publish a section 23 report—a performance audit—that will look across central Government and, working with our colleagues in the Accounts Commission, will draw in how well the money has been spent in local government bodies. That will cover the panoply of public services in Scotland.

A crucial reference tool will be the annual audit work of individual public bodies. When the pandemic first struck, in March 2020, we were only two or three weeks away from the end of the financial year, so very few of the moneys and the transactions were captured in the annual audit work that was then undertaken. A year on, we now have that data. We will be able to record all the public bodies that have received Covid-related moneys and begin to report, through our audit work, on how well that has been spent. We do not think that that will end on the back of the 2020-21 audit work. We expect that there will be a long tail to Covid-related spending and our associated commentary on it in the years to come.

**Craig Hoy:** Anybody who turns on their television set will see the impact that Covid has had on our courts, schools and hospitals. To what extent do you anticipate that certain sectors, such as the NHS and the education and justice systems, have been impacted by the Covid-19 pandemic? What work will you undertake in order to specifically track their recovery in future months and years?

**Stephen Boyle:** I will start on that subject and will then invite Mark Roberts to supplement with anything that he wishes to add.

The three sectors that you mention are the most visible. Our education and justice systems and our NHS have been in the spotlight in relation to how people access public services and how those have been impacted. We will publish our annual NHS overview report in early 2022. In essence, that will be a Covid-focused report that comments on how well public money is being spent in our health services and the service delivery performance of the NHS. The report will also draw on the NHS recovery plan that the Scottish Government published last year and will reference how that interconnects with some of the existing challenges that the NHS faced prior to the pandemic. Audit Scotland has previously commented, in its annual NHS overview reports and in a range of other NHS-related outputs, on some of the challenges that existed around information technology and workforce planning in the NHS. We will do that in that new report.



Next week, we will present to the committee a report on education outcomes. I will, of course, say much more about that next week, when I brief the committee on it, but that report touches on the impact of Covid-19 on the education sector.

To refer to the previous discussion with the convener, given the fluid environment, none of those reports marks the end point of the conversation. We have a range of options available to us in terms of impact and follow-up. We will continue to track and monitor the situation. That is one of the real values of having what we consider to be a flexible work programme that allows us to take stock on a regular basis and thereafter make any changes and additions that we want.

I have not mentioned justice. I invite Mark Roberts to talk about that, given his familiarity with the sector.

**Mark Roberts:** On the justice sector, we published a briefing on sustainable alternatives to custody a few months ago. In the longer term, we have plans to look at that part of the justice system in a performance audit. As we monitor the backlog of particular court cases, we might wish to respond to that through future audit work. As Stephen Boyle said, we can now alter and flex our work programme much more quickly, so we can assess what is going on as the long tail of the pandemic plays out.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I will focus on three areas. The first is in connection with the exit from the European Union. In your opening statement, you made some comments on that but, on the business planning day, you said that you were still waiting for clarity on where audit responsibility would lie in relation to the changes that are going to occur. That is still an on-going process, because parts of that agreement have still come into play.

The UK internal market and some of the existing devolved areas are currently in a little bit of limbo. What discussions have you been having with the National Audit Office, or whomever, about how those responsibilities will be divided up and whether you will still have a role in things such as the UK shared prosperity fund? It is certainly unclear to me at this point how and where that fund will be administered. All of that leads on to the question about who does the auditing. How far along are those discussions? Is there any clarity at all or are you in limbo, the same as everybody else?

**Stephen Boyle:** I will do my best to shine some light on the matter. We have identified the UK's exit from the European Union as a theme for our

work and we are currently focusing our attention on the topics that you have mentioned, Mr Beattie.

Before the UK's exit from the European Union, Audit Scotland audited the common agricultural fund as part of a consortium of auditors led by the UK National Audit Office. Structural fund arrangements were subject to audit by the Scottish Government's internal auditors reporting to the European Commission. Following the UK's exit from the European Union and the planned arrangements for the UK shared prosperity fund, as I said to the committee at the business planning day last week, we are tracking and monitoring those plans and we are having discussions with the National Audit Office.

Since last week's meeting with the committee, I have had a discussion with the NAO's Comptroller and Auditor General about the shared objective that his office, Audit Scotland, and, I presume, the other UK audit agencies will work closely together not just to await but to shape our collective contribution to auditing the arrangements that are decided by the UK Parliaments.

I would probably say that we think that we have an offer to make, based on experience and our involvement in such work, and that that is known and understood by the ultimate decision makers. Unfortunately, that is not yet a definitive position that says that I am clear on how the funding will be audited across the UK. However, we are clear that we have an offer to make, and we are ready and willing to do so. We will report back to the committee on how we expect that work to be taken forward.

**Colin Beattie:** At this point, therefore, you are unaware of what your future role will be, once all this settles down.

**Stephen Boyle:** Like so many other people, we are waiting for clarity. We continue with a legacy arrangement in respect of the common agricultural funds in the UK and some of the capital schemes that are still operating through the Scottish Government in conjunction with the European Commission. We are participating in discussions about, and making known our offer for and interest in, the future arrangements for the auditing of the UK shared prosperity fund, how that will fund aspects of the levelling-up fund and how and whether that will come directly from the UK Government to local authorities in Scotland. However, like many others, we do not yet have exact clarity about how it will operate.

**Colin Beattie:** I was going to ask about common agricultural policy funding. That continues into next year, 2022, does it not? I presume that you will continue with your current auditing role up to that point, by which stage there

will be, I assume, some clarity about how things are going to work.

**Stephen Boyle:** We are continuing to audit CAP funding, and we expect to do so for another couple of years, probably. Like many other funding arrangements, CAP funding contains a revenue element of annual funding to farmers and crofters, but there is also a capital funding element to support farm buildings and other infrastructure works for relevant farms and farming businesses. That will continue for another couple of years, and we will continue to discharge our responsibilities in that respect.

09:30

As for what the future holds, the situation is probably similar to that for successor arrangements across all European funding. We are ready and willing, and we are participating in those conversations, but unfortunately we are not yet able to provide clarity on exactly how the auditing will operate.

**Colin Beattie:** The committee will be very interested in finding out how the audit structure will work. There seem to be an awful lot of gaps, and you seem to be in the same situation of uncertainty that we are in at the moment.

**Stephen Boyle:** As I have said, we are awaiting clarity. We have made our interest known, and we think that, with our experience in this area, we have an offer to make to support public scrutiny and assurance. However, you are right to suggest that we do not yet have the clarity that we are looking for.

**Colin Beattie:** If there is some clarity somewhere down the line, are you ready to carry out any additional work that might be necessary? That, of course, assumes that you will have a role and that there will be some function in Scotland in that respect.

**Stephen Boyle:** The conversation that we would probably want to have at that point would be to gauge the size, scale and scope of those responsibilities, whether we could accommodate them within our existing staffing and resourcing arrangements and whether it was felt appropriate for us to have those responsibilities. We would look to have those conversations with the Parliament, the Scottish Commission for Public Audit and our board if it meant a significant shift in scale of the audit activity required. As I have said, we are ready and willing, and I look forward to those discussions.

**Colin Beattie:** On a slightly different issue, I am guessing that Covid-19 has kicked the national performance framework into the long grass with

regard to measuring outcomes and so on. In your submission, you talk about

“financial pressures”

that are having

“an impact”

on the performance of

“some public services”

and the impact on delivering the national outcomes. Given the comprehensive impact of Covid-19, that is probably not surprising, but can you give us a bit more background on that?

**Stephen Boyle:** I am happy to do so. Again, I will invite Mark Roberts to follow up with any contribution that he wishes to make.

I and my predecessor in Audit Scotland have said many times that we are supportive of the national performance framework because we think that it makes a welcome contribution to transparency and to parliamentary and public awareness of how well public money is being spent. A core part of our purpose is to audit not just what public money is being spent but the outcomes and the difference that it has made to users of public services.

We agree—and we have acknowledged publicly on a number of occasions—that the intended outcomes that are set out in the national performance framework’s national outcomes will suffer as a result of the pandemic. Indeed, we have already seen some of the challenges that our public services face in delivering them. What will matter for financial sustainability is that the implementation by the Government and public bodies of their recovery and renewal arrangements is reflected in realistic but stretching national outcomes that are reviewed appropriately and that set out, for example, what Scotland can achieve. None of this is easy, but what will also need to be factored in are the multiple moving parts of how public services will need to change and evolve to tackle the challenge of inequalities, climate change, digitalisation and access to services.

We will continue to track the national performance framework and national outcomes closely through our work, but I think that we can expect to see national outcomes that are quite different. Again, though, we will comment on whether they are realistic, reasonable and stretching and on how well public bodies are achieving them.

**Mark Roberts:** I echo Stephen Boyle’s point, in his introductory comments, that we will want to pursue a blend of things. First, on progress against the outcomes, the fact is that things were coming under pressure prior to the pandemic. The

pandemic's massive and acute shock has rightly occupied a huge amount of Government and public sector time, but, in our audit response, we will want to continue to keep an eye on the long-term outcomes and how well they are being delivered.

Our work will continue to be a blend of considering those long-term and, in some cases, intergenerational-type issues and outcomes, which the national performance framework seeks to secure, and considering what the short-term impact has been. I would characterise our future work as being a mix of the long term and the short term.

**Colin Beattie:** No doubt, your reports in the coming months will reflect some of those strains.

I will conclude by raising the matter of the national fraud initiative, which is due next year. As you know, the committee has, in the past, offered Audit Scotland support to strengthen its hand on that issue, because there was a perceived weakness in the fact that a fairly useful tool is, in fact, not mandatory. It seems extraordinary that councils and so on can decline to take part.

We also talked about other public bodies that might benefit from being part of that initiative but that are not included. You do not have the power to compel, but I think that the committee had the feeling that maybe you should have. Have you had further thoughts about that and about how you will make NFI effective next year? How will you deal with bodies that cannot be bothered to take part? Given the Covid pandemic, those bodies have been under stress and strain, and the NFI may not be a priority for them. How will you handle that?

**Stephen Boyle:** I will say a word or two before I address the specific questions. Fraud risks have increased exponentially during the pandemic, and the scale of the money that has come to Scotland, which our public bodies have spent at pace, should be noted. Our memories fade quickly, but we all recall the urgency of what was happening across all our lives in the early stages of the pandemic and the need for money to get where it needed to be at pace for services to be delivered. As I mentioned to Mr Hoy, we will carry out annual audit activity to assess how well the money has been spent.

There are limitations, however. Fraud, by its very nature, can be difficult to detect and can last for periods of time before being detected. There are a range of factors. We have published a number of reports that highlight the need for effective and good governance and for audit committees and boards to be alert to fraud risks and some of the warning signs that typically exist in a fraud context. I mentioned in my introductory remarks the hacking risks that pertain to fraud.

We remain committed to the national fraud initiative, and we think that it represents a useful and effective deterrent and detection method for the bodies that participate. I have forgotten the exact number of frauds have been detected over its lifetime, but I think I am right in saying that tens of millions—if not hundreds of millions—of pounds have been saved for the public purse.

Colin Beattie's other point was about the public bodies or quasi-public bodies that do not participate voluntarily. Of course, we would like everybody to participate, and we would welcome further conversations about opportunities and arrangements for that to happen. That is something that we can take away, and we can have more discussions with our UK audit agency partners and the UK Cabinet Office, which coordinates the national fraud initiative. I hope that that will lead to mandatory participation. We will continue to engage with the committee on that.

I stress the point that the fraud risks that public bodies face have grown exponentially and that we would welcome any additional powers to tackle those risks.

**Colin Beattie:** Many members of the committee are new and are not familiar with the history or the past discussions that have taken place. Nevertheless, I am sure that it would be productive for that discussion to take place with a view to picking up from where the previous committee was at and, hopefully, agreeing to offer you support with that. The previous committee was willing to approach the Scottish Government with a view to making it compulsory for bodies to be part of the initiative, but it was not clear what the Scottish Government would have to do to bring that into effect. Would legislation be needed or just guidance? How strong would it have to be?

**Stephen Boyle:** I guess that it could be either or both of those things. That is probably an issue for us to take away and pick up with the committee after today's meeting, following further conversations with the Government. As the committee will be aware, the Government has a range of tools with which to secure participation or co-operation, including guidance, legislation and incentives through its funding arrangements. It ought not to be beyond the realms of possibility to resolve the issue, given all the other challenges that have been overcome in the past 18 months. We would welcome having a little bit of time to consider that issue, after which we could report back to the committee on how best to take it forward.

**Colin Beattie:** Perhaps we can follow that up, convener.

**The Convener:** Yes. I was going to say that we should build that issue into our work programme

and return to it, because it is clearly a matter of concern and interest. Auditor General, is there a register of public bodies in Scotland that take part, or that do not take part, in the national fraud initiative?

**Stephen Boyle:** Yes, there is. We are very clear on which bodies are and are not involved. I should say that the majority are involved. There are local factors relating to the size and nature of some public bodies. We had discussions with the previous committee about some public-style bodies that are outside the traditional identification criteria for what is and is not a public body. We are talking about only a handful of bodies. Nonetheless, we would welcome the committee's participation, interest and influence in the matter, and, likewise, we will take an interest in it.

**The Convener:** Thank you.

**Sharon Dowey (South Scotland) (Con):** I have a couple of questions on section 22 reports. I will not ask you which bodies might be subject to such reports this year, but how many section 22 reports do you expect to lay before Parliament this year? Do you think that the number will increase? If so, is that directly related to the Covid-19 pandemic?

**Stephen Boyle:** When we produce a section 22 report, its intended purpose is for me, as the Auditor General, to bring to the Parliament's attention matters of public interest that have arisen from an annual audit of a public body. The auditor will have highlighted those matters to me through their annual audit report that accompanies their audit opinion, or their certificate on the financial statements.

Historically, Auditors General have produced a varying number of such reports for the committee each year, depending on the circumstances that auditors have found and wished to highlight. There is no cap on the number of section 22 reports that we produce across the 200-plus public bodies that we audit, but it has tended to be in the region of five to 10 each year. Some of those reports have become almost an annual feature, given the progress. For example, members might recall that the Scottish Police Authority has received, I think, seven or eight section 22 reports since it came into existence.

Section 22 reports can have a reputation as being "What went wrong?" reports and, in some cases, that is undeniable. There is the opportunity for me to bring to the Parliament's attention disruption in financial sustainability or in management and governance, and we will continue to do that. However, the reports can have a different flavour, and that is most evident through the annual section 22 report on the Scottish Government. Given the scale of public spending and the systemic importance of the

Government, for the past seven or eight years now, my predecessor and I have produced an annual section 22 report on the Scottish Government, and I give a commitment that I will continue to do that.

Therefore, I am not able to share a precise number today, but we can expect a marginal increase on the number that were prepared last year. To answer your question directly, some of those reports contain Covid-related factors that it is in the public interest for us to report and some contain locally specific factors that pertain just to the body in question. Where there are wider, thematic issues, such as digital and sponsorship, we will also comment on those factors. We will bring the first of those reports in October and a number thereafter, through to the end of the year.

09:45

**Sharon Dowey:** You touched on my next question when you mentioned that section 22 reports are known as "What went wrong?" reports. What are your views on publishing a section 22 report when the annual audit has picked up exceptional work that could be used to highlight good practice across the public sector?

**Stephen Boyle:** I am very supportive of that. There is an important role for us not just in reporting on what went wrong or providing assurance but in reporting in the public interest, to use a catch-all term. It is also in the public interest for us to share good practice where there has been exceptional service delivery or real improvement in a public body. I remember a conversation with Willie Coffey on the point that it is important to provide a sense of closure for a public body, particularly one that has been through challenge and has come out and delivered improved financial management or service delivery. We also need to allow for those arrangements, and section 22 is one of the vehicles that we can use. All the annual audit reports for the public bodies to which they apply are laid before Parliament. There is some thinking, which we have engaged with the committee on, that we can also shine a light on circumstances where there are exceptional levels of public service performance and service delivery, and section 22 reports absolutely cover that category.

**Sharon Dowey:** That is good—we can change them into "What went right?" reports.

I have a quick question on planned performance audit reports. There are obviously a lot of problems just now with ferries, which are still causing issues for residents on islands and their friends and families from the mainland who want to visit them. Because we are being encouraged to have staycations, people are trying to get on

ferries, so the problems are also affecting the islands' local economies. What is the scope of the current inquiry into the new ferries and when do you plan to report on it? You have put the date for that down as March 2022, but will we be on track to get a report then? It is obviously quite urgent.

**Stephen Boyle:** I am happy to start the answer to that question and I might also draw on Mark Roberts's understanding of those arrangements. The successful delivery of the ferries for the Clyde and the Hebrides is an area of huge public interest. We absolutely understand the need for that important lifeline service provision for the communities, families and visitors who rely on ferries, but it is also about the scale of public spending that has gone into their delivery—the growth in the public spending that has been required, coupled with the delay in the delivery of the ferries. In shaping our work, we will be looking at the history of how we got to where we are, what had been intended through the delivery of the contracts with the yard and the arrangements that have followed. Members might recall that, in the previous session of Parliament, one of the predecessor committees, the Rural Economy and Connectivity Committee, also conducted an investigation into the topic, made recommendations to Audit Scotland and suggested that we also ought to look at the matter. We are aware of the detail of that and we are using it to shape our work.

Our reporting timescales are on track, and we do not intend to deviate from the March 2022 timescale. If that changes, as a result of whatever circumstances, we will report back to the committee but, at the moment, it is not our expectation that we will deviate from that. Does Mark Roberts have anything further to add?

**Mark Roberts:** I have nothing further to add. I spoke to members of the audit team earlier in the week, and we remain on track to publish in March next year.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** I was pleased to hear the earlier discussion about the nature of audit work, which is about identifying not just failure but success. Over the years, I have sometimes felt that people are scared to come to this committee.

**The Convener:** Surely not.

**Willie Coffey:** It should not be like that. It is about identifying opportunities for improvement, which is very much my agenda with audit, so I am pleased that we have been able to shine a light on good performance in the public sector. I hope that other parts of the public sector will embrace that. I am really looking forward to this parliamentary session in that regard.

I want to nip back briefly to Craig Hoy's question on following the pandemic pound. Auditor General, as part of that work, will you look at the systems that have been deployed and used to distribute funds to the public sector, businesses, communities and individuals? In my experience locally over the past 17 or 18 months, businesses, communities and those in the public sector have been very frustrated when trying to gain access to some of the Covid funds and schemes that have been in place. Will you look to see whether we got those systems right? I hope that we will not be adopting such schemes in the near future, but it is important that we look to see whether we got the processes correct.

**Stephen Boyle:** I am happy to say a wee bit more about our work in that area. As well as the section 23 report that we will produce in May next year, which will cover Covid-related spending across Scotland's public services, we will produce a briefing paper on some of the economic implications and the support that businesses have received. We will produce that paper later this year or in early 2022 to support the section 23 report that will follow thereafter.

Like Mr Coffey, we have all been aware of the concerns that businesses have raised about the arrangements for and the pace in accessing the much-needed financial support that came from the Scottish Government. We will look at aspects of that in the course of producing our briefing paper, but wider judgments will come through the section 23 report and beyond.

In a general sense—this connects to Mr Coffey's introductory remarks—there is a need for innovation in public services, and there is an audit dimension to that. We want to support assurance and accountability, but we do not want to do that in a way that strangles the innovation and improvement that are so needed in our public services through the rapid digitalisation that will have to happen.

We will comment on all those cross-cutting themes over the years ahead. The briefing paper and the section 23 report will, I hope, cover the specific areas that you are interested in, Mr Coffey.

**Willie Coffey:** I turn to the exciting topic of the Government's consolidated accounts. Recommendations from our predecessor committee touched on how we invest in support for private companies and on providing whole-sector public accounts. Those themes cropped up from time to time in our discussions. Has the Government made any progress in addressing those issues? How should that work be taken forward?

**Stephen Boyle:** Members of the committee might recall that, when your predecessor committee took evidence on the topic from the Scottish Government earlier this year, there was a strong commitment to the importance of Scottish public sector accounts. However, the Government gave reasonable evidence that the pandemic and its implications had interrupted progress towards producing the necessary missing component of financial reporting in Scotland's public services.

Audit Scotland, my predecessor and I made the case many times that Scotland has an incomplete financial picture of all its assets, liabilities, revenue and expenditure, and it needs to have that information to support parliamentary scrutiny, public understanding and some of the decisions that Scotland will want to make in the years to come. In our paper, we touch on certain aspects of longer-term financial sustainability and the choices, liabilities and opportunities that exist in areas that have been of interest to the committee in previous years such as private finance initiatives and pension arrangements for public services. None of that exists from one single source.

I am not trying to make the case for this again, Mr Coffey, but I hope that that helps. Government needs to pick up the pace and produce this; we are continuing to engage with it and, as ever, we welcome the previous committee's support in its legacy paper on the need for this to happen. We expect to see progress this year.

**Willie Coffey:** On monitoring performance, you said that one of audit's key functions is to close the loop and ensure that your recommendations are implemented and that we and the public can see the benefits. Do you envisage doing that through reports to us, or do you envisage the public being able to dip in and see for themselves the performance of the public bodies that you have looked at and perhaps to ask questions about and monitor things? Is that sort of thing just down to you and us?

**Stephen Boyle:** There is a range of factors, the most fundamental of which is the onus on all public bodies to be clear and transparent about how they are discharging their use of public funds effectively. They do that through a range of measures, most traditionally through their own annual report and accounts, which are subject to auditors independently appointed by me and the Accounts Commission. They also have to be transparent in their operations through, for example, holding meetings in public, being subject to good governance and leadership and all the other factors that you would expect of a well-run public body that can show how it is spending money.

Having produced reports on public bodies for many years now, we have a range of tools at our

disposal as well as the report, the briefings and any evidence-taking session that the committee might choose to hold with accountable officers. We also produce impact or follow-up reports in a certain period after we have made our initial recommendations to assess what happened next, and we will continue to do that. Mark Roberts might wish to say a bit more about how we expect that to proceed.

An issue that we have touched on in passing is the effectiveness of the recommendations that are made by public audit. We are committed to that and would like that sort of thing to happen a bit more quickly. As I have said, we have heard accountable officers accept and commit to the recommendations, but it should not be a one-off event and we need to close the loop. There are options in that respect, whether it is on a report-by-report basis or involves more thematic areas. To be honest, I think that it is probably horses for courses as recommendations change or where reports are related.

There are also options for the committee. If, like your predecessor committees, you start to see themes recurring in audit reports, you can take a step back and see whether there is a wider issue that requires evidence to be drawn from, say, round-table sessions using a range of sources. We are keen to progress on all those fronts to ensure that the accountability loop is in place and that improvement is sustained.

**Mark Roberts:** This is an important bit of the system that we want to develop. As Stephen Boyle has said, we monitor and report back on our reports in a variety of ways, and we are looking at how best to do that in the context of the predecessor committee's legacy report. There is an important conversation to be had in that respect involving the committee, the Auditor General and Audit Scotland and the Government.

It is a complex issue. We make different types of recommendations; some are very broad and strategic and will take a long time to implement, while others are much more specific and focused. There is no one-size-fits-all approach, and we will want to think about this and have discussions with you and the Government on how we set up the most effective system for doing this work. As Stephen Boyle has said, we are absolutely committed to this, because this is a key part of the system of accountability that we think we can enhance.

10:00

**Willie Coffey:** Stephen Boyle mentioned at the end of his opening statement that digital transformation is one of his key themes. During the pandemic, digital technology probably saved a

lot of jobs and businesses. Many businesses adapted quickly to using technology. The capabilities of the technology were always there, but we perhaps did not embrace them or use them in those particular ways. From an audit perspective, what will your approach be to looking at those issues, and what do you hope to get out of that?

**Stephen Boyle:** I will say a word or two on that, then swiftly hand over to Mark Roberts. As well as his programme development responsibilities, he is closely involved in our digital auditing arrangements.

I echo Mr Coffey's observation that the technologies existed but we did not use them. I would say that the changes have been for good and for bad, although we do not yet know. There is a need for equality impact assessments of the things that we have touched on. Public bodies will want to think carefully about how they use digital technologies in the years to come through their digital strategies, and to assess how well technologies have been used during the pandemic. For all the good that technology has brought about, such as swiftness of access and sustainability of public services, we know about and have heard examples of situations in which a quick shift to digital has excluded some people from access to services—general practitioner appointments and so forth. We are drawing in those factors.

Our digital auditing strategy sets out how we, as public auditors, use technology to enhance our reach into public services to provide the improvement and assurance focus to our work. Mark Roberts is better placed than I am to give the committee a flavour of how we are doing that.

**Mark Roberts:** To reiterate what Stephen Boyle said, we have heard from public bodies that the pace of change in use of digital technologies has been extraordinary over the past 18 months. Anecdotally, we have heard people talking about things that would previously have taken five years to be done happening in five months, if not quicker. I absolutely recognise what Mr Coffey says about the speed at which things have happened. Our overarching observation has been that, across the public sector, public bodies vary in the extent of their digital maturity and the extent to which they use digital technology. Some bodies are on the front foot, and others are having to catch up very rapidly.

Stephen Boyle mentioned digital exclusion, which is an area in which we plan to carry out performance audit work in the medium term. We are having conversations and thinking hard about how best to do that. We are conscious of the risk that the shift to greater use of digital technology could exacerbate inequalities that already exist,

and it could prove to be challenging for some people and communities to access public services.

In the future, the committee will see digital being a thread that runs through a variety of types of performance audit work. I go back to the justice system, which we spoke about earlier: in future performance audit work, we might look at use of digital technology for things such as digital courts or virtual courts. We will consider how effective the technology is for users of the court system, and in trying to manage the backlog of court cases.

There will be specific work—in particular, I highlight the potential work on digital exclusion—but the issue will also make an appearance in a number of performance audits as a key thread relating to how public services are delivered.

**Willie Coffey:** That is interesting. If public sector bodies continue to embrace the digital solutions that have been put in place during Covid, will you look at whether there is an impact on exclusion and so on? That is perhaps not a typical audit perspective, but will it be a key feature of your work to look at whether people are more excluded than they were before digital technology was embraced to the degree that it has been during Covid?

**Mark Roberts:** Absolutely—that is one of the risks that we will want to assess in order to see to what extent that has been the case for particular groups or communities. To go back to your earlier point about highlighting good practice, I note that we are trying to capture and highlight examples in what we have seen over the past 18 months of really good progressive practice. That will be a strand of our digital work as well, so the work will be on both sides of the equation.

**Willie Coffey:** That is great.

**Stephen Boyle:** I agree with everything that Mark Roberts has said. The only thing that I would add is that there is a real onus on public bodies, where they have implemented technology at pace and have changed the nature of service delivery and access arrangements, to review how well that has gone and to make the necessary acceleration or adjustments in consultation with their service users and in line with their governance arrangements.

**Willie Coffey:** There has been a substantial change to how we operate in the Parliament and there is plenty of evidence for that. Will you look at how we have done the work that we have done?

**Stephen Boyle:** We are very mindful of the scope of our work in the Parliament. We will be happy to discuss that with the parliamentary authorities, if that is felt to be appropriate.

**Willie Coffey:** Thank you.

**The Convener:** I think that some of us are maybe more concerned about whether people can access their general practitioner and what their sense of that service is, has been and might be in the future. I think Craig Hoy wants to come in with a brief question that is related to this area.

**Craig Hoy:** The question is actually a little bit unrelated. Something that has not come up today is the Government's plan for the creation of a national care service. When we talked previously, we discussed the role that Audit Scotland might have in relation to that. This week, the First Minister called the proposed national care service "perhaps ... the biggest public sector reform that Parliament will ever have undertaken."—[*Official Report*, 31 August 2021; c 13.]

Given the scale and scope of the proposed service—it could touch on adult social care, children's services, social work, drug and alcohol services, GP provision and the criminal justice system—what role do you see Audit Scotland having in relation to development of the policy and the service so that we can achieve good outcomes, and so that you do not have to produce in, perhaps, five or 10 years what could be one of the largest "What went wrong" reports in the history of the Parliament?

**Stephen Boyle:** We recognise the significance of the extent of public sector reform that is proposed in the creation of a national care service. The consultation is on-going, and the timescales suggest that it will take a number of years to go through the full consultation before the new arrangements are settled on.

We have some history in integration of health and social care. We have produced a number of reports on the subject, which your predecessor committees have considered, and we have commented clearly on the lack of pace with health and social care integration and the lack of changes to outcomes, which are needed by users of health and social care.

On the audit role, there are parallels with our involvement in other areas where there has been significant public sector change—perhaps most notably with the recent introduction to Scotland of new powers following the Scotland Acts. Our engagement led to the creation of Social Security Scotland and the adoption of new social security powers.

Audit Scotland was involved in that work in quite a different way from how the traditional audit voice has been heard. As you rightly suggested, Mr Hoy, we were not keen simply to come along a number of years after implementation. If we had done that, the auditor's value would be questionable. We would prefer, rather, to be alongside the implementation and development of policy. We are

mindful of the appropriate boundaries, but that approach enables us to comment on progress with implementation.

We are thinking carefully about that and will track the consultation and the responses. For us, one of the benefits of having an agile programme is that we do not have to wait six or 12 months to refine our programme, but can do so quite quickly. I fully expect that, when we are next in front of the committee to talk about our programme, once we are into 2022, we will have a comprehensive programme of work that will last a number of years, with reporting steps therein on the new national care service, as it progresses.

**The Convener:** We are coming towards the end of the meeting. You talked about agility.

You have explained in your written report about the move towards blogs and briefings. In the past two decades, Audit Scotland has built up a powerful reputation for being authoritative and forensic, and for making evidence-led recommendations. How will you safeguard that reputation in a world of blogs and briefings? How do you see the mechanism for referring work to the committee working? Can you assure us that there will be ample opportunity for us to work with you and to scrutinise the issues that you uncover using those routes?

**Stephen Boyle:** I will address the first part of your question, then invite Mark Roberts to talk about the referral arrangements and the specifics of the legislative powers around our work.

Our thinking about the need for an agile programme had been in place before the pandemic. We have been moving in that direction for a number of years. Briefings and blogs have become a component of our output during the past five or six years. Blogs have given my predecessor, me and our colleagues the opportunity to comment on areas of public audit interest and performance, and, often, to signal future audit work. For me, briefings and blogs are not "instead of" but "in addition to", if I can characterise the matter in those terms.

On our briefing papers, the Covid tracker is probably the best example. As the pace of money being spent increased, we were not in a position to comment on how well it was being spent and on whether value for money had been achieved. It can take some time to reach such judgments. I absolutely endorse your point, convener, that such judgments have to be evidence-led, so we are making a complementary range of outputs that are always rooted in robust evidence and analysis, and in judgments that are formed thereafter.

That feels like the appropriate place for us to be. The alternative would have been for the public auditor to have remained silent on many areas of



public spending and interest during a time when there was a huge increase in public spending that was focused on public services. It was right to go with the additionality, as opposed to pushing out robust performance auditing. As ever, we will keep that under review. That, too, is characteristic of the more flexible work programme and how it allows us to do things and draw events into our thinking, along with the risks and priorities.

I invite Mark Roberts to say something about how that will flow through to the committee and the choices that the committee will then have about how to use, or work with, any briefings that it wishes to take on.

**Mark Roberts:** Parliament's standing orders allow the Auditor General to refer material that relates to audit work and accounts to the committee. After discussion with the clerks, we propose that when we publish a new briefing or blog, the Auditor General will write to the convener to highlight that it is now available in the public domain, and to say that should the committee decide to pursue it and take evidence, we would be happy to support that and to provide any additional briefing that we can provide.

To go back to the convener's comments about the evidence-led nature of our audit work and the reputation that we have built up during the past 20 years, I point out that all the new materials exist within our existing quality control framework. We have a system whereby facts are checked with audited bodies, where appropriate, and so on. We are confident that this is still an evidence-led approach to getting material out, but it allows us to do things more quickly and more sharply, as the Auditor General has described.

**The Convener:** On that note, I thank Stephen Boyle and Mark Roberts for their evidence this morning. It has been extremely illuminating and very helpful for us to understand your priorities and work programme, which will, in turn, feed into that of the committee. I thank you for your time.

10:15

*Meeting continued in private until 10:43.*



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