



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 20 January 2022

Session 6



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PUBLIC AUDIT COMMITTEE

2nd Meeting 2022, 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)

Paul Lowe (National Records of Scotland)

Michael Oliphant (Audit Scotland)

Helen Russell (Audit Scotland)

Linda Sinclair (National Records of Scotland)

Peter Whitehouse (National Records of Scotland)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

Virtual Meeting

Scottish Parliament Public Audit Committee

Thursday 20 January 2022

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning. I welcome everyone to the second meeting in 2022 of the Public Audit Committee.

The first item on our agenda is to decide whether to take agenda items 4 and 5 in private. I assume that all members agree to do so, unless any member indicates otherwise. Does any member object to taking agenda items 4 and 5 in private?

I see no objections, so that is agreed.

Section 22 Report: “The 2020/21 audit of National Records of Scotland”

09:00

The Convener: The second item on our agenda is an evidence session with representatives of the National Records of Scotland. The session follows a section 22 report that the committee considered at its meeting on 9 December 2021 with the Auditor General for Scotland and a team from Audit Scotland.

I am pleased to say that we are joined by Paul Lowe, who is the registrar general for Scotland and keeper of the records of Scotland. Also from the National Records of Scotland are Linda Sinclair, who is the director of corporate services and accountable officer; Anne Slater, who is the director of operations and customer services; and Peter Whitehouse, who is the director of statistical services.

I mentioned that Linda Sinclair is the accountable officer, but I invite Paul Lowe to give us some opening remarks before the committee asks questions.

Paul Lowe (National Records of Scotland): Thanks very much, convener, and good morning, committee members. Thank you for the invitation to attend today’s session. I will dispense with introductions, as the convener has covered them already.

Today marks two months to census day, which is on 20 March. I am pleased to confirm that we are in a strong position to deliver Scotland’s 2022 census. In a few weeks’ time, our public awareness campaign will launch and, from 28 February, every household in the country will receive a letter that advises how to participate.

We have only one opportunity to deliver the census and to get it right. The census uniquely asks the same questions of Scotland’s population with reference to the same points in time. Its insights provide rich data at the national and local levels, and provide benefits for many years after the census collection. It informs the allocation of budgets, the delivery of infrastructure, research activities and the provision of services.

For the census to be effective, an extremely high response rate is required. It is vital that we enable everyone to participate in it.

Following the lockdown in March 2020, NRS conducted a comprehensive impact assessment of the risks of the pandemic to the delivery of the census. Through that, we concluded that the only option that secured a high level of response rate

and a high quality standard was moving the census to 2022. That recommendation was not made lightly. We considered how to balance the risks of delivering a poor-quality census in 2021 and the long-term impacts that that would have against the impacts of delaying for a year but having increased confidence in achieving a successful outcome.

The census is subject to an extensive programme of external assurance, and that programme points to high confidence in our readiness. Indeed, the most recent Scottish Government technical assurance review provides a delivery confidence assessment of amber/green, which is a significant achievement for a programme of the census's scale and complexity. It is noteworthy that our United Kingdom counterparts went live at amber status. That reflects the strong position that Scotland's census is in.

Thank you for your attention. I am happy to take questions from the committee.

The Convener: Thank you very much, Paul. If you want members of your team to field any of the questions, please let us know who the appropriate person is. If members of your team want to come in, they should type R in the chat function to make sure that I call them.

I will give a bit of context to this morning's session. A section 22 report by Audit Scotland is quite a serious matter; it happens when alarm bells have been or still are ringing. This morning, we want to probe a little into the journey that you have been on and to consider how things look over the next few weeks because, as you said, the census has still to be delivered.

I will start by reflecting on the second paragraph of the Audit Scotland report, which contains this note from the Auditor General:

"I have prepared this report to draw the Scottish Parliament's attention to the challenges facing NRS in the delivery of the census programme. This includes the significant impact the decision to delay the census until March 2022 has had on NRS's costs. There are also ongoing risks to delivery of the programme, including resourcing and financial pressures, which NRS will need to continue to manage so that the census can be delivered successfully in line with the revised budget and timetable."

Committee members will return to those themes over the next hour.

I want to reflect on the evidence session that we had with the Auditor General on 9 December 2021. You might have seen that one of the issues that were brought to our attention was that an options appraisal report led you, through evidence, I presume, to the decision—or the recommendation to ministers for their decision—to postpone the census for a year. That was a very

big decision to make. We asked the Audit Scotland representatives whether they had had sight of the options appraisal report. They might have had sight of it, but they were not in a position to offer it to us. Would it be possible for the committee to see the full options appraisal report?

Paul Lowe: I am happy to provide that, convener. I will follow that up in writing after this session. Do you want me to say a bit more about the options appraisal at this point?

The Convener: Yes. I think that it would be useful if you could take us through the broad themes of that and why you arrived at the decision to postpone.

Paul Lowe: As good practice in any programme, it is important to assess risks and issues in the environment that might threaten delivery. The appraisal is an appropriate example of where that has been done.

At the advent of lockdown in March 2020, we started to assess the issues that the pandemic and lockdown might present to the delivery and success of the census programme. A number of factors drove that assessment. Obviously, the first was that our staff, virtually overnight, went from working in teams in offices to working remotely from home. Our contractors and suppliers were put into the same position, and our health services and others were focused on dealing with a national crisis. Therefore, we started to see impacts on the ability to collaborate with other organisations, which is very important in the census, and on productivity in the delivery of the census, and great uncertainty about the length, duration and significance of Covid-related disruption to the programme.

At that stage, we were less than 12 months from delivery. If we can avoid it, it is not wise to cancel a programme at the 11th hour, because the costs are significant. People had been advised and informed of the date of the census and how to participate. All of that has to be unwound. We need to make decisions on those matters with adequate time, to proceed in a safe and controlled manner.

I mentioned collaboration. When we deliver a census, we have to work closely with a range of partners, and local government and the national health service are very significant partners. As we all remember, at that point, the health and care sector was, understandably, facing unprecedented pressures. We had to ask ourselves whether it was appropriate for us to have detailed engagement with those partners about delivery of the census when they were being abstracted to deal with a significant national crisis.

We took into account a number of other factors. We were also mindful of what conditions would

exist in Scotland were the census to be taken in March 2021 and the risks that we could be in lockdown or other equivalent conditions during that time.

A significant element of the census collection, even with the digital delivery that we plan, is a field force—teams of staff who will remind or assist people who have not completed the census at the census date. We were mindful of the public health concerns and the great uncertainty that existed at the time. There was no vaccination and there was limited information about how transmissible the virus was and what was safe to do at the time. The question was whether it would be appropriate—and, indeed, whether it would be within the law—to run a field force operation in March 2021. That was a risk-based assessment.

It transpired that, in March, Scotland was in lockdown. England came out of lockdown in early March, but Scotland was in lockdown throughout March, and it did not until into April move to the requirement to stay local, which was still a significant level of restriction in the country. Our risk assessment for that indicated some of the factors on collaboration and our ability to work with organisations. We have to enumerate hospitals, care homes, prisons, hotels and other places. The question was whether that activity would be appropriate at the peak of the pandemic. Our assessment was that there were lots of risks around that. However, we followed that exercise up.

It is a significant step to consider the possibility that action may need to be taken with the census, so we undertook a comprehensive risk assessment. We considered a number of different options for delivering the census that would allow us to retain the existing March 2021 delivery date: delivering it in the way that we had anticipated that we would; retaining the delivery date, but reducing the scope of delivery so that we would reduce the complexity of, and risk around, the census; and options that would involve delay. We considered those options through different lenses. We looked at them through the lenses of financial impact, risk, feasibility and viability, and then with a number of different criteria. We can expand on that when we send you the risk assessment document.

When we looked at our programme plans, the timescales and the activities that we had to undertake, our conclusion was that the disruption from the pandemic would exhaust our contingency time in the programme—we simply would not have the time to deliver the activities that we had planned. As you will appreciate, although the census is a programme that is run over a number of years, the activity in the year leading up to the census is the most intense. In light of that

conclusion, we considered different options. We had conversations with our colleagues in the Office for National Statistics to see whether they could provide mitigations, steps or support. Those conversations were helpful but, for reasons that I would be happy to explain later if that would be helpful, we concluded that that was not viable.

We then examined a range of different options for descopeing elements of the census to retain the March 2021 delivery date. Intrinsicly, those had to involve the removal of field force elements because that involves a large-scale recruitment of about 3,500 to 4,000 people to work across Scotland. There is a mass recruitment and training exercise and then a mass deployment. It is a significant piece of work and would require significant mitigations to be put in place for Covid. Having recognised that we did not have contingency time left in the plan, the way to get us back on track would be to remove that element. However, I bring us back to quality. The expectation with a census is a high response rate. A low response rate leads to an ineffective census and one that is not of value.

We considered running our digital platform only, running paper-based form approaches only, and running digital and paper forms simultaneously, which is what we did in our rehearsal. Our modelling indicated that, with all of those, we would get a response level much lower than we require for a census.

For clarity, we would expect, and need, a response rate that exceeded 90 per cent. In 2011, we secured a 94 per cent response rate. Our modelling indicated that the different options that I have just set out would provide response rates of between 60 and 80 per cent, which would be too low to meet the quality threshold for the census.

09:15

It is not just—[Inaudible.]

The Convener: Mr Lowe has frozen. I do not know whether we are able to—

Paul Lowe: —predominantly—

The Convener: Sorry, Mr Lowe—you froze, so we did not get the last 60 seconds of your answer.

Paul Lowe: Sorry, convener. I was just saying that the high quality threshold is really important. Nationally, we look for a response rate in excess of 90 per cent, but we also have to be mindful of response rates at the local community level, because that local data is part of the census's unique nature.

The final aspect that we considered was the public appetite to interact with field force staff and participate in the census during a lockdown period.

People were obviously very concerned—some were still shielding at that time, and the vaccination programme was very much in its infancy. At the time that we did the assessment, no vaccines for Covid had yet been identified.

I hope that that gives the committee a sense of the range of factors that we took into account.

The Convener: Yes, that is helpful. Nevertheless, I go back to the fact of the matter, which is that in England, Wales and Northern Ireland, the census went ahead in March 2021 and, as I read it, there was a 97 per cent participation rate. You made the point that Scotland had a different status at various points in the month of March 2021. That is clearly a factor but, notwithstanding that, we have been told that one reason why the ONS and the Northern Ireland Statistics and Research Agency were able to go ahead was that they had access to other sources of administrative data, which I presume would be there for them to rely on to add texture to the returns from census day. Can you explain why NRS did not have access to those same sources of administrative data?

Paul Lowe: To be clear, with regard to the delivery of the census in other parts of the UK, which is relevant, the ONS is responsible for the delivery of the census in England and Wales, but it also provides most of the capabilities that Northern Ireland uses to deliver the census. It delivers the online systems and various sources of support for Northern Ireland, along with a field force and a public information campaign. Therefore, most of the census delivery across the rest of the UK is administrated by the ONS—it is a massive programme.

There are a number of factors in relation to administrative data. First, I think that a bit of confusion about administrative data perhaps crept in during the evidence session to which you referred. Administrative data was not developed as a contingency for the ONS's census; it is a programme of research work that the ONS has been working on for many years as part of its broader functions.

In NRS, I am running not a mini office for national statistics but a very different organisation. With regard to statistics, I am responsible for demographic and population statistics in Scotland, whereas the ONS has a much broader remit. It undertakes a range of social surveys, economic and workforce statistics reporting and various other things that are not part of our organisation. My organisation, in turn, has a large number of functions that the ONS does not have. For example, I am responsible for the registration of births, deaths and marriages in the country, along with the national archives, the public records

system and various other things. The functions in our organisation are quite different.

The ONS has for some time been considering how it might use data that exists in other Government organisations that would assist it in its broader statistical functions. It has a legal gateway to do so through the Statistics and Registration Service Act 2007, elements of which might potentially allow other bits of the UK, or the devolved Administrations, to enter into discussions with UK Government departments about access to data. However, I have to stress that administrative data is experimental statistics; it is not confirmed national statistics. The ONS has had a programme of discussion over many years with large Government departments about how they might get access to that data. Those discussions are not yet fully successfully concluded, but are in progress.

From the ONS's assessment of the impact of Covid on its programme, it reached a view that an available option would be to take work from its separate programme on administrative data and potentially fill in gaps in responses if it had a poor response rate due to Covid. The ONS had sufficient confidence that access to that data would allow it to do so.

That said, there were risks. Administrative data is information that sits in a range of Government systems, often for operational purposes. The ONS would not know, until it had run the census, whether it had the right data available to it or how current that data was. There were also risks of gaps. However, the ONS felt that that provided sufficient assurance, and I am absolutely certain that that was the right call.

For data sharing with organisations, I need to have a legal gateway, but I also need to have a purpose. My purpose is to produce demographic statistics. Crudely, I therefore need to know three things. I need to know how many people are born, die and marry in Scotland. I have that data, because I control the registration system. I also need to know how many people migrate to Scotland. An existing national statistical model is used across the ONS, Wales, Northern Ireland and Scotland to measure migration, so I do not have an immediate justification to approach the Department for Work and Pensions, Her Majesty's Revenue and Customs and others to ask for data that I do not require.

The Convener: I am sorry to interrupt, but I want to check something. We were told in the evidence session with Audit Scotland that you were now planning to access some of those data sharing sources. Are you saying that you have not done that or that you have no legal basis for doing it, and that it is not happening?

Paul Lowe: For the 2022 census, we have been in discussion with Scottish organisations to use elements of administrative data—as well as data sets that NRS owns—in order to quality assure. It is not being used to fill in data gaps; it is a far less broad coverage of administrative data. It is not access to DWP or HMRC case information on individual citizens. It is for a very specific purpose as part of our quality assurance arrangements, but it is not how we would deal with no response or a biased response rate.

The Convener: Thank you for clearing that up.

I must ask you to try to keep your answers a little briefer. I suspect that you will be able to do that in the forthcoming sections. Again, please feel free to bring in members of your team if you think that they can add useful evidence to the gathering of information that we are embarked on.

I invite Craig Hoy to ask a number of questions.

Craig Hoy (South Scotland) (Con): Good morning, Mr Lowe, and welcome to your colleagues.

Will you give us a bit of a flavour of the work that you did to assess the impact of the delay of the census on the delivery of public services in Scotland, and on the allocation of funding to councils and other public bodies?

Paul Lowe: Obviously, we undertook a range of investigations on that as part of our decision making. I will say at the start that Professor Sir Ian Diamond, the national statistician and head of the ONS, has stated that there are no insurmountable challenges to Scotland running the census a year behind other parts of the UK. I hope that I can provide that reassurance to start.

The census is a really important exercise. It gathers data, but it does so for a fixed point in time. We then need to use data on population that goes beyond that census year. Each year, we and other parts of the UK generate statistics called mid-year population estimates. We use the last census and make adjustments.

As I explained to the convener, in Scotland, that is about taking the 2011 data, the data for births and deaths in Scotland, which I have anyway as the registrar general, and migration data—we have a UK protocol for how that is developed. Therefore, each year, we can develop statistics based on that census baseline that cover the needs, whether that is allocation of funds to Scotland or regional allocation of funds by Government to the NHS and local authorities. It is about having a robust model.

There is a parallel case. In 2011, the results of the Scottish census were delivered by what was then the General Register Office for Scotland. The publication of the results from the census was a

few months out of sync with publication in England, Wales and Northern Ireland, which meant that Scotland went for an additional year using baseline data from the 2001 census. When the results from the 2011 census were compared with that model data, there was less than 1 per cent difference at population level between the two, so we know that that data set and that approach to modelling between years are robust. We also undertook a range of discussions with the ONS and other statistical providers to work through that, and we continue to engage productively with all the UK statistics bodies.

Craig Hoy: That answer was quite focused on process. We are going to be out of sync. You identified that there are challenges but said that they are not insurmountable. Can you let us know what some of the challenges are?

Paul Lowe: I will hand over to my director of statistical services, Pete Whitehouse, to answer the detail of that, but the main point is about the use of funding allocations. As I explained, it is about using a methodology that we use each year between censuses and extending it for one year extra, so I do not see the impact as significant.

Peter Whitehouse (National Records of Scotland): Population data is one of the fundamental deliveries of the census, and part of that is to drive, support and inform allocations in the country. However, it is also about working with colleagues across the UK to deliver UK population data. As Paul Lowe has set out, we work closely with the ONS, the Welsh Government and Northern Ireland to bring together our data.

We always look at population data from the point of view of bringing the best data that we have. After the 2011 census, there was a gap between when the data was made available for the rest of the UK and when Scotland brought its census estimate online. That was managed through the Government Statistical Service and by considering when retrospective adjustments could be made. In essence, the work was done with colleagues across Government to ensure that the allocations were done as they could be and, when better data came on stream, if there was a need to revise, that was done.

Paul Lowe mentioned Sir Ian Diamond, who has been very strong in his view on how we work together as statistical organisations to deliver the quality of data that is required by our users. We do that by looking at our mid-year estimates, rolling forward from the last census, bringing on the new census data when it comes online, and working with each other to understand our births, deaths and migration information. We do that collaboratively. That is overseen by the Office for Statistics Regulation, which has a keen interest in how UK statistics and population data are used

and how that informs our formulas, particularly around that allocation.

There is a great deal of work going on. That will continue, and we will deliver the best available data at the time. As you probably know, in Scotland, health allocations and local authority allocations make great use of population data, but they also build on allocations from previous years and how we roll those forward. We feed into that and, at all times, we deliver the best data that we have at that point.

To go back to one of Paul Lowe's earlier points, we know that the quality of the data is so important that we have to get it right. The challenge is the risk of going with data that does not meet the needs as against the obvious downside of the census taking place a year later than it otherwise might have done. Our conclusion is that delivering the census one year later, when we have in place processes and methodological solutions, and engagement with our colleagues, is not as bad an option as producing a census that is not fit for purpose, is biased and does not have enough coverage.

I hope that that is helpful.

09:30

Craig Hoy: When Stephen Boyle was before the committee, we talked with him about the potential impact of a further delay in the census. The decisions of the past 48 hours, and the Covid data that has emerged, probably mean that that is less likely to happen. Nevertheless, could you give me a flavour of the options that NRS has considered for the census if lockdown restrictions return? In addition, have any resources or money been committed to contingency planning in that regard?

Paul Lowe: Over the past year, we have used the time, and some of the additional money, to ensure that we have flexible ways of delivering the census, based on different Covid scenarios. There is a range of things that we can do. We do not intend to delay, even without the very positive data on Covid that has, as you say, been received in recent days, although, sadly, the Covid situation can get worse in quite a short period.

We have a headquarters function that directs the operation of the census. We have developed capability to run that function remotely if we need to do so, in order to reduce the risk of key people being taken out of commission through being ill with Covid. We have capability to run either a physical or a remote set-up for the headquarters function. We have a contact centre, and the vast majority of its capability will now be delivered by operators working in different locations, rather

than in large teams on a single site, which massively reduces the impact on them.

We have made changes to the delivery of the census. In 2011, we had community hubs that people could attend to get help, support and advice. We have taken a decision not to run those hubs this time, but we have massively increased the size of our contact centre so that we have staff who can speak to people. They can help people by giving them advice and talking them through the process, and, if necessary, helping them to complete their census return. We have invested in that, and in a range of other technologies such as a web chat function. There is also a lot of advice and help in the online system.

The other changes that we have made relate to the field force. In the 2011 census, we had 7,000 field force staff, and the figure was higher in prior census exercises. As part of our digital design, we are moving to a much lower number of field force staff. If people complete the census online, they do not need to interact with anyone else—they can do it safely in their own home. If they want a paper form, they can go online and request one, or phone us, and they will be provided with one by post. Nobody from NRS will turn up on their doorstep to hand them a census form.

Technology also allows us, rather than sending out field force staff en masse across Scotland, to target those staff in places where people have not responded. We will know that from our systems. That will mean that there will be many fewer interactions on the doorstep.

Finally, we have invested a lot in training our field force staff and in their kit and equipment, so interactions will be at the doorstep, from a distance, and they will be short term. We are engaging closely with the chief medical officer's office on protocols and arrangements to ensure that it is content with our plans and proposals.

I hope that that helps.

Craig Hoy: It does, thank you.

I have one final question before we move on to the financial impact of the delay. First, I want to put it out there that the cost of the delay was £21.6 million. Given your previous answer, would it be right to say that, even though there is a perception that that money may be lost, you have actually used it to invest in greater flexibility, agility and efficiency in the system? Perhaps crisis begets opportunity in that respect.

Paul Lowe: Absolutely, Mr Hoy. None of that money is wasted. It has been about making sure that things such as the technology that we have developed continue to be refined and improved. We have used the time to do additional engagement with users and stakeholders, to

improve the systems and services. We have also used it to learn lessons from the ONS and NISRA censuses. As part of the close collaboration that Peter Whitehouse has referenced, we have gathered lots of lessons learned on the experience and have made sure that we built that into our programme to make it stronger.

In addition, during lockdown, there has been a significant uptick in cybersecurity incidents. People will have seen in the press the range of global impacts of that. We have therefore taken the time to do additional testing and to strengthen our cybersecurity arrangements.

I agree that £21.6 million is a significant proportion of the programme cost. However, we have to balance the risk of failure of a census that costs £117 million with the additional costs of achieving the benefits of the census. International and UK studies indicate that, for every £1 invested in a census, the equivalent of between £5 and £6 is returned in wider economic value.

As part of the ONS's decision making on not delaying its census, it calculated that the cost of delaying by a year would be £360 million. The cost of delivering its census programme was in the region of £906 million. That is a relative cost of well in excess of 35 per cent. That probably helps to situate the £21.6 million, which is an 18 per cent increase. That shows that we have taken things seriously and have tried to keep down the running costs of the additional year. However, we cannot be too stringent because, if we were to cut too deep, we would just not get good-quality census data.

I hope that that helps.

Craig Hoy: Thank you very much.

The Convener: We will return to the issue of the digital dimension, which Mr Lowe raised in his answers to Craig Hoy's questions. I will come to Willie Coffey to ask questions on that. However, before that, I will bring in Colin Beattie to continue on the theme of the financial implications of the delay to the census.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I will direct my questions to Paul Lowe; if it is appropriate, he can bounce them on to others.

On the face of it, the financial impact of £21.6 million seems like a lot of money. You have mentioned that some of that was used positively to invest in other preparations. I am struggling a bit with that, because we see that the increased supplier costs are £14.4 million, because of the extension of supplier contracts and an increase in the cost of goods. What goods are so significant that they contribute to that £14.4 million, and how

has that been turned into a benefit, when it is the suppliers that are getting the increased costs?

Paul Lowe: I will hand over in a second to the accountable officer, Linda Sinclair, who can answer in greater detail.

The reschedule allowed us to do a number of things. As did census programmes in other parts of the UK, the census programme in Scotland used a hybrid of organisational resources and capability and a chain of contracts and services for its delivery. Inevitably, if the duration of the census is extended, there is an increase for suppliers, because they have to remain on that contract and to be involved in the work for a year longer.

However, I go back to the point about benefit. We used that time well. We increased additional testing and used it to make sure that we were in a robust place to deliver the census. We used the opportunity to make some improvements to the census; those are an element of the supplier costs that are referenced.

Linda Sinclair (National Records of Scotland): The supplier costs totalled around £14.4 million of the £21.6 million. We went through two rounds of costing with the suppliers to ensure that we were getting value for money from the different contracts. We have about 20 separate contracts on the census programme, which provide a range of different services to the programme. Within the time that we had available, we could also look at the design—Paul Lowe touched on this—and the things that we were asking our suppliers to provide for us. We worked through the learnings from the ONS and NISRA, looked at specific contracts and then worked out what that would mean for the activities that they were delivering for us.

As an example, some of the activities are volume and demand led, so within the time between March and April when the census is running live, we can look at—

I am sorry; I am having a problem with my network. I am not sure that you can hear me. Can you still hear me?

Colin Beattie: I can hear you perfectly.

Linda Sinclair: For example, we were looking at how much we needed to draw down on those contracts at different points and different times with our different suppliers, such as APS, and working through the detail of the activities that they were undertaking, so that we could be sure that we were getting maximum value from each contract. I would be happy to write to the committee with more detail on that, because it is a very complex picture to capture in a short time. It was all about looking at the value that we can achieve from additional costs and the design of

what is in the contracts. That changes over time, as we learned from the likes of the ONS and NISRA.

Colin Beattie: The impression that I got from Paul Lowe was that the £21.6 million is mitigated by the benefits that you have been able to achieve in additional experience and being able to look more closely at the programme and enhance it and so on, but that still does not actually mitigate the £21.6 million. It is still costing £14.4 million more than it would have had the census gone through.

It says specifically in the report that it is due to the cost of extending suppliers' contracts. I do not know whether you negotiated with the suppliers to change their contracts, but that would obviously create an additional cost element. It is also mentioned that part of the additional cost is the increase in the cost of goods. What are those goods that are so significant?

Linda Sinclair: The contracts had enough flexibility that we could extend the time period, so the major cost drivers were the continued resourcing.

We have an arrangement with different suppliers whereby we draw on their resources to work with us to deliver the census, and we then allocated that work across the additional year, which meant an additional resource requirement for the suppliers. That was a major part of the cost, together with continued licensing. We had to extend some of our digital equipment licences and other digital licences that we have in place for delivering the census and other aspects such as hosting and support costs.

There were underpinning costs of what the suppliers were delivering to allow us to then deliver the census in a collaborative environment with the suppliers. A range of things within the design of that allowed us then to look at how we get better value from how we work and how we deliver the census with our suppliers.

Colin Beattie: Apparently the better value came at a cost of £14.4 million.

Linda Sinclair: That is the total cost.

Colin Beattie: I am still struggling a bit with the positivity around this. You had a bit of extra time, which gave you a chance to spend more time enhancing and improving delivery of the census. I presume that that had a cost in itself, and that it is rolled up into the £14.4 million.

You still have not answered the question about what the goods are that are so significantly increased in price that they warrant a mention.

09:45

Linda Sinclair: On the pricing aspects, we have a range of different contracts. Some are framework contracts and are therefore based on Scottish Government pricing. There are flexibilities within those that increase the pricing of the contracts. For example, changes to Royal Mail prices impact our overall pricing because of how much it costs us to post out paper forms. That is one impact that we had to price in as part and parcel of the additional costs. There are other impacts, such as changes in licensing costs where there are flexibilities under individual contracts that we need to put in place.

Part of the £14.4 million other costs was additional costs for manual coding. As part of the rehearsal for the programme, we considered how we run the manual coding element. Around £1 million-worth of the £14.4 million was for manual coding and additional activities associated with that from learnings from the rehearsal. There are costs for how long it will take to code individual paper forms that come back in. Those are based on learning from the rehearsal that it would take slightly longer than anticipated, so that is also a cost driver.

There are a range of different cost drivers. It is hard to encapsulate that in one simple response.

Colin Beattie: You are telling me that the original specifications for delivery of the census were underbudgeted, because you are saying that you found out that some things would take longer and added it into the cost subsequently. It appears to me that your original costing was not accurate.

Linda Sinclair: It is the impact of adding an additional year and asking our suppliers to work with us for that year. The costs of their resourcing, the costs of the supplier and the hosting costs for that additional year make up the vast majority of that difference. It is about the length of time.

Colin Beattie: You were talking about the coding of pieces of paper.

Linda Sinclair: That is one other element.

Colin Beattie: You mentioned it specifically and said that the exercise that you did showed that it would take longer than you anticipated. That must indicate that you would have had a budget overrun had the census gone ahead as originally planned.

Linda Sinclair: We would have. That is one element of the £14.4 million. There were two elements of additional goods to which I drew attention: one is the Royal Mail pricing under a framework contract and the other relates to the additional costs of manual coding, which is an additional cost that we would have incurred in any case. We have set that out previously.

Colin Beattie: The convener asked for a copy of the options appraisal. Will you confirm that that will contain details of the additional costs that would have been incurred had the census gone ahead in 2021?

Linda Sinclair: Yes. In the options appraisal, we considered a range of different aspects had the census gone ahead in 2021. Paul Lowe set out the different options, such as using no field force. We also considered costings around mitigations such as not using a field force or going paper only and how that might impact the manual processing of, and the increased postage costs associated with, paper forms, for instance.

Colin Beattie: Will you confirm also that the options appraisal contains details of the estimated additional expenses that were expected due to Covid mitigations if you had gone ahead with the census in March 2021?

Linda Sinclair: There was an element of Covid-related mitigation cost but, at that point, we did not price whether we needed to use personal protective equipment and suchlike. It was difficult at that point to get a sense of the exact pricing. However, we can look at what information we had at the time and set it out for you.

Colin Beattie: Okay. You said that supplier costs increased, which was a substantial portion of the cost increase of the programme. What actions did you take to mitigate those costs?

Linda Sinclair: We went through two rounds of discussions with our suppliers about the overall costs; we worked through the impact if we ran the programme forward for an additional year and then we interrogated the costs. We had an indicative set of costings from suppliers, which we interrogated, and we went back to suppliers on the detail, to ensure that sufficient contingency was in place and, equally, that no cost overruns were included. We also did a significant review of the programme resourcing, which is the other main driver of cost, to ensure that that was sufficient but was not overplaying the additional resource requirement for the programme. We scrutinised the detail on that to ensure that we were achieving value for money.

Colin Beattie: Earlier in 2021-22, you identified additional financial pressures of £1.5 million in the census. You have reduced that to £0.5 million through implementation of mitigating actions. What are those mitigating actions?

Linda Sinclair: We have undertaken a range of activities this year around the census budget. There is fluidity to the delivery of the census, which means that the budgets will change over time. Partly, we have gone through a deep dive to ensure that we prioritise spend on all the things that we absolutely need and that there are no

nice-to-haves, so we have been able to recycle savings. We have looked again at supplier contracts and recycled savings on things such as travel and subsistence costs, which have not been required in the Covid environment.

Particularly for March and April next year, a lot of the census delivery is based on volumetrics. It is volume based and demand led, because of the number of people who will submit a response online versus the number who will submit a response on paper, and the different associated processing costs. Therefore, we have assumptions built into the census that are based on the numbers and proportions that might work in different ways and how many forms we need to post out versus how many we need to process manually. We have taken learning from ONS and NISRA numbers, and we have reassessed all our volumetrics and assumptions in the live period that crosses the end of the financial year. We need to look carefully, on a day-by-day basis, at when some of those costs will land, from an accrual accounting perspective.

We have gone through the detail of those volumetrics and worked down some of the costs to make sure that we are in a more realistic position. We have looked carefully at the alignment of costings at the year end to ensure that we do not load large sums of money for postal drops, for example, in the last days of the financial year and that it is appropriately timed. That has allowed us to bring down the costings.

We have also continued to keep a clear and careful view of our overall resourcing costs, so there is a very strict control regime in relation to resourcing to ensure that we keep those costs managed and affordable over the programme.

Colin Beattie: Can you confirm that you have now achieved financial balance?

Linda Sinclair: We are still working through some uncertainties. I mentioned the Royal Mail pricing, for example, and we were waiting for that confirmation to come through from Royal Mail. That has been coming through in the past couple of days and is being costed out within the programme, so that we can look at where we sit within the balance around that and whether we have sufficient funding. We are very close to that financial balance, and we are confident that we will bring the budget into balance at the end of the financial year.

Colin Beattie: The figure that I saw was that there was still a gap of £0.5 million. Does that gap remain?

Linda Sinclair: It is around that—it is between balance and £0.5 million. A fair number of aspects are still moving on that. We are also going through some detailed resource costings towards the end

of the financial year, so another updated set of numbers will come through, but we are very close to balance, and that is our confident position.

Colin Beattie: Obviously, one of the main costs is people. What you are doing to manage the workforce costs, particularly your numbers of temporary staff? What are you doing to make sure that you keep a tight hold on that?

Linda Sinclair: The census takes up around 30 to 40 per cent of NRS's current workforce, so we have to grow quite significantly, particularly in the years that surround the census, in order to deliver the census. It is not sustainable for us to carry that level of permanent staff, so we go through a range of recruitment resourcing approaches and look to bring on board individuals on the most affordable basis. Our workforce plan allows us to forward plan the costs and consider the financial implications of the resourcing plan. We go through a work-based control process to allocate the resources and keep a tight view of our overall costings. We also go through regular resource reviews and will continue to do so. We completed one at the back end of last year and have another planned for May or June this year so that we go through that regular cycle of refreshing the information around our resources.

We work on the basis of trying to use the most affordable route first, but that is not always possible because of the nature of the very specialised roles that we bring in for the census, and we are at the mercy of the wider prevailing contracting and resourcing market. Some of the more specialised digital skills are hard to reach and can attract a premium. There are tests all the way through the process before we agree to go to the external market to bring in those harder-to-reach and higher-cost premium resources.

The Convener: I remind you that if you want to augment the oral evidence that you have given us in writing, please feel free to do that. That may be useful and you alluded to that at the start of that round of questions. It would be helpful for the committee if you could give us the updated figure on the balance when you have it.

I turn to a series of questions on the management of the census programme. I invite Willie Coffey and then Sharon Dowey to come in.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I will start by asking Paul Lowe a few questions about the mechanism for getting the census—[*Inaudible.*]—flip between digital and paper. You talked about that earlier, but could you give us some more details about how that will work?

Hitherto, everybody got a paper copy delivered to their house, so you could be pretty sure that everyone had it. From what you said, this way,

everybody will get a letter and people who aren't connected to the digital world can phone you and get one posted to them. What happens if they do not do that? How will we know who has not bothered to engage with the process? Will you have people in place who can check and determine that, and then deliver the census to people? Can you talk us through how you will get the census into everybody's hands?

Paul Lowe: As you said, the letter that will go out across Scotland will provide a range of information about how to participate. It will include a unique code for each household that will be the key to accessing the online platform and completing the census return. However, paper forms will be retained for those who do not wish to, or who are unable to, provide a digital response.

Behind the scenes, we have systems that will track how many requests for paper forms we have had and whether we have received the completed forms. When people complete paper forms and post them back to us, those forms are scanned and the information is read off those scanned forms, so we have a record of forms that we have sent out, forms that have been returned and the data that we have captured from them. We will be able to use that to generate reports, so if we know that people have not completed their census online or on paper, there will be a chain of reminder letters. Ultimately, if there is no response after a period of time, the field force will attend the address and make contact with the household. I hope that that helps.

10:00

Willie Coffey: Yes. So, if people ignore the invitation to complete the census, they will still get a visit and a paper copy. That covers that.

What did you say earlier about the expected likely percentage? You talked about an all-paper or all-digital model, or a mix of paper and digital. Did you say that there is a drop-off in the response rate if you mix those models of inviting contributions from people?

Paul Lowe: I am sorry if I was not clear about that earlier. In the census rehearsal that we ran in 2019, we provided people in three local authority areas with the opportunity to participate voluntarily. They were given access to the digital system as well as the ability to request paper forms.

In our assessment of how we might have tried to deliver the census in 2021, one option was to replicate the rehearsal and provide both paper and digital methods. We anticipated that that would have provided the highest return rate without using a field force. The paper-only option was likely to have had the next highest return rate, and the

response rate for digital only was likely to have been lower, for the reasons that we talked about earlier. I hope that that helps.

Willie Coffey: If a huge number of responses to the census are completed digitally and electronically, who has access to that data? Who owns it, and how secure is it? Can you talk us through that, please?

Paul Lowe: That is an important question. NRS owns the data and it is kept confidential for 100 years. Later this year, we will publish the results of the 1921 census, which will be of great interest to historians, genealogists and others. Everyone who works on the census programme signs a confidentiality agreement, and disclosing census data would also potentially be a breach of the criminal law.

With regard to protecting the data, we have built rigorous Government information standards, and cybersecurity and data security standards, into the organisation. Our online systems have been subject to independent information assurance reviews by an organisation called Bridewell Consulting, which is accredited for assessment by the National Cyber Security Centre.

We published our first assessment prior to the census rehearsal in 2019. The next one for the census itself will be published at the end of January, and that will be made public so that anyone can see the robustness of our security arrangements. We have done a lot of work with the National Cyber Security Centre, Police Scotland, the Scottish Government and others to put in place robust cybersecurity measures to protect census data and preserve the online systems.

Willie Coffey: The data that is ultimately submitted by a person in Scotland, either digitally or on paper, is not used for any purpose other than the census, is it? It is not given to third parties, and they would not have any access, or any rights, to it. It is fairly secure and is for that single purpose. Is that correct?

Paul Lowe: If you are interested in hearing more detail on that, Pete Whitehouse can probably help, or we could write to the committee to follow up on it.

A range of statistical approaches are applied to census data, and data is anonymised so that it is not possible to identify individuals. We are not interested in individuals—we are interested in the accumulation of data. A lot of work is done to anonymise the data, and various other steps are taken, such as disclosure control, which means that it would not be possible, if somebody were to hack us, for individualised data to be extracted. That is the kind of processing work that goes on after the census data is submitted.

We do not sell census data; it is used to inform the statistics for the purposes of the census.

Willie Coffey: With regard to online submission, can people do that in little bits and bobs rather than completing the form from start to finish in one go? Can they pick up a bit of it and review it later on, and then submit the whole thing at the end when it is complete? Can they take their time about it?

Paul Lowe: That is absolutely correct, Mr Coffey. When you access the platform, you are able to set up a password. You can complete a bit of the census and then come back to it later on. As long as you remember your password and have your code, you can go through and complete it in stages.

Willie Coffey: How do you envisage the census developing in the future? I know that we might be 10 years away from the next one, but do you see us continuing with the digital solution, mixed with paper? Will we continue to use that model in future?

Paul Lowe: It is difficult to have a telescope to the future because so much happens in 10 years. We need only think about the technology that was around in 2001 and how that compares with what is available to us now.

Pete Whitehouse and his team are leading on some work to consider the future options for delivering the census. It would be hard to anticipate delivering a future census that did not have a significant digital component, but there is still a recognisable issue with digital exclusion, even though digital participation has increased during the pandemic.

Our colleagues in ONS are looking at whether we can use other existing surveys and data that exists elsewhere to completely replace the census. They are reporting on that in 2023. It will be interesting to see the results of that work.

However, in NRS, we are considering at a high level whether we will deliver the next census in a way that is broadly similar to the way that we are doing it this year or whether we will use a hybrid of a survey combined with other data sources. A lot of work and a lot of investigation needs to go on in the next few years in relation to that.

Willie Coffey: That is very helpful and reassuring.

Sharon Dowey (South Scotland) (Con): The census programme has been subject to a number of reviews. Challenges were first identified in 2018 and, in March 2019, the programme status was marked as red. Following the implementation of a recovery plan, the subsequent reviews noted significant improvements. A review in February 2020 gave the programme an amber rating and

concluded that the census would have been able to proceed in 2021 had it not been for the pandemic. The most recent review, at the end of November 2021, gave the programme an amber/green rating.

I have two questions, which, in the interests of time, I will ask together. How is NRS managing risks, particularly around finance and resourcing, in the run-up to the census going live? What further review activity is anticipated over the remainder of the programme?

Paul Lowe: We have a well-developed risk management approach in the programme. We have a dedicated risk group and manage risk at individual project level, programme level and strategic level. That is reported to our programme board and to our NRS audit and risk committee. There are deep-dive sessions on risk, risk management, current risks and issues in the programme, so we have a well-developed risk management regime.

In his oral evidence and his section 22 report, the Auditor General recognised that we were doing the right things but said that we needed to keep doing them. That is where we are.

On resources, we have the people we need to deliver the census collection. To be frank, with a matter of weeks to go, there are not opportunities to get other people into the programme. We have an understood and managed position for the resources that we need to deliver the census collection.

There are other phases of the programme. We get the data and then we need to do lots of complex statistical work on it and prepare it for the release of the census results, so we will bring in resources to focus on that. Equally, people who are involved in the collection will, as we move through the year, no longer be required and will drop off the programme. Some new people will come in but, at the same time, quite a lot of people will leave, because they will no longer be required for that phase of work.

Does that help?

Sharon Dowey: Yes, that is fine. You are happy with the process that you have in place.

Paul Lowe: We have robust workforce planning arrangements. Linda Sinclair and I chair a resources group in NRS, so we keep a close eye on census resourcing and cost.

Sharon Dowey: Thank you. I hand back to the convener.

The Convener: Thank you, Sharon.

I conclude the session by thanking the witnesses—Paul Lowe, Linda Sinclair, Peter Whitehouse and Anne Slater—for joining us. I do

not think that we heard from Anne Slater, but she has been on hand to give evidence.

Reflecting on what Paul Lowe said at the beginning, we understand that NRS is not the Office for National Statistics, but it is the body that is charged with delivering the census in Scotland. We are concerned about the efficiency and effectiveness of that process. It is exactly two months to the day until census day on 20 March, and the committee may well invite the witnesses back after the census later in the year—it will be for the committee to decide that—to reflect on how it went and any broader lessons that can be learned, as well as to consider the future.

Paul Lowe said that 10 years is a long time. I am not sure whether the next census will be in 10 years' time or nine years' time. We have not touched on that question, but I am sure that we can return to it.

I reiterate that we welcome your commitment to give us a copy of the options appraisal. If any other aspects of the evidence that you have given this morning would be supported well by any written submissions, the committee would welcome that. Thank you for your time and your willingness to answer the questions that we have put.

I suspend the meeting while we change witnesses.

10:11

Meeting suspended.

10:14

On resuming—

Section 22 Report: “The 2020/21 audit of the Scottish Government Consolidated Accounts”

The Convener: Welcome back. Item 3 on our agenda is consideration of “The 2020/21 audit of the Scottish Government Consolidated Accounts”. I am pleased to welcome three people from Audit Scotland to give evidence on the report: Stephen Boyle, who is the Auditor General; Michael Oliphant, who is an audit director; and Helen Russell, who is a senior audit manager of audit services.

We have a series of questions, and we will try to get through as much of the report as we can. However, it makes sense to us that we give the report due consideration, and it may be that we come back again in the coming weeks to have a further evidence session on this important report.

I begin by asking the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Many thanks, convener. Good morning, everyone. I present the report on the 2020-21 audit of the Scottish Government under section 22 of the Public Finance and Accountability (Scotland) Act 2000.

The Scottish Government’s annual consolidated accounts are a critical component of its accountability to Parliament and to the public. The consolidated accounts cover more than 90 per cent of the budget that was approved by Parliament in 2020-21. They report the amounts that the Government has spent against each of the main budget headings and the reasons for any significant differences. They also show the assets, liabilities and other financial commitments that the Government is carrying forward to future years.

My independent auditor’s opinion on the consolidated accounts is unqualified, which means that I am confident that they present a true and fair view of the Government’s finances, and that they meet the legal and accounting requirements.

I will highlight three areas from my report. The first area is budget performance. The previous financial year is the first in which the Government’s spending and funding to support the Covid-19 pandemic response is reflected fully in its financial performance. Net spending for the year was £50.1 billion, which was £580 million less than the approved budget, which is an underspend of 1.1 per cent. The budget was £10.7 billion more than the previous year’s budget, which is

equivalent to 27 per cent, reflecting the significant additional sums of public money that were committed to the public response to the pandemic.

In the accounts, high-level details are provided on how money was spent during the year. However, my report highlights the need for the Scottish Government to be proactive in publishing comprehensive Covid-19 financial reporting information that clearly links budgets, funding announcements and spending levels. That will help to increase transparency in areas of significant parliamentary and public interest.

The second area is financial management. My report provides an update on the status of the Scottish Government’s financial support and guarantees to private companies such as Burntisland Fabrications Ltd, Ferguson Marine Engineering Ltd, Prestwick Airport Ltd and the Lochaber aluminium smelter. Those interventions have not delivered the expected outcomes and are unlikely to deliver value for money.

The Scottish Government is taking action, which is based on my predecessor’s recommendations, to develop a framework that will outline the principles for and approach to future decisions on investment in private companies. That should help the Government to provide assurance to Parliament over its strategic objectives when entering into any future agreements.

The third area is financial reporting. The Scottish Government is committed to a revised timetable for the development of devolved public sector accounts in Scotland. That will happen in two stages. The account for the first stage is expected to be provided for audit this spring; the account for the second stage, which will incorporate local government spending, is expected towards the end of the year. I note that commitment and I urge the Government to deliver progress swiftly on that revised timescale.

As ever, convener, Michael Oliphant, Helen Russell and I look forward to answering any questions.

The Convener: Thank you very much indeed. We have a long series of questions. I begin straight away by inviting Sharon Dowey to ask her questions on one of the themes that you have identified: financial management.

Sharon Dowey: You mentioned the tracking of Covid-19 spend. Scottish public sector expenditure in 2020-21 changed significantly from initial plans due to the response to the coronavirus pandemic. In-year changes to budgets, which were primarily due to the additional Covid-19 funding, were reported via three budget revisions—in summer 2020, autumn 2020 and spring 2021. The summer 2020 budget revision gave a good level of detail on the allocation of the

Covid-19 Barnett consequentials that had been received by that time. However, the subsequent budget revisions in autumn 2020 and spring 2021 gave much less detail on the allocation of further Covid-19 Barnett consequentials and it has proved very challenging to track how additional funding that relates to the pandemic has been allocated and spent.

I have three questions. First, the pandemic has highlighted weaknesses in tracking in-year changes to spending plans. How can reporting be improved to enable better scrutiny of in-year changes to spending plans, even if those are on a less significant scale than in 2020-21?

Stephen Boyle: Thank you very much for that question. I am happy to start. In a moment, I will invite Michael Oliphant to come in, because I am sure that he will want to contribute as well.

First, we recognise the sheer volatility of the situation. The scale of change in spending is really stark. An additional £10.7 billion or so was spent this reporting year on top of the original budget. That is hugely significant.

We welcome some aspects. The presence of three additional budget change mechanisms during the year helped to improve transparency. We would also point to the 300 or so spending announcements. That was unprecedented in scale.

Perhaps it is the case—this has led us to the conclusion in the report that there needs to be a stronger mechanism to connect the budget to spending announcements and then to what is reported as spend—that the arrangements that were in place before the pandemic did not really lend themselves to that level of volatility. In-year financial reporting helps with that.

Ultimately, it is a matter for Government to determine the mechanism by which it wants to report changes, whether that be through quarterly statements or in-year accounts, and so forth, to enable tracking and transparency of spend.

I add that the Government has improved aspects of its financial reporting in this set of accounts. The performance report includes details of Covid spending and analyses that by various levels and by portfolio. However, it is still challenging to track Covid spending to its outcomes through the portfolio basis by which the Government's accounts are constructed. Consequently, there is perhaps scope for the Government to look at the mechanisms by which it reports on high-level changes, be those due to Covid-19 or due to other aspects that might follow.

I pause to check whether Michael wishes to add anything.

Michael Oliphant (Audit Scotland): The Auditor General has outlined the key issue, which is the thread that exists between the budget, the in-year spending announcements, the budget revisions that you pointed out and the spending against the budget. It can be very difficult to see those amounts moving throughout the year, particularly when we get to the point of looking at the accounts.

The accounts are presented in line with the requirements of that year's budget act and of the financial reporting manual, so there are restrictions within which the Scottish Government has to operate. We are encouraging the Government to be more proactive when it comes to some of the other information that it can provide, particularly on, as we note in the report, the significant additional sums that have been applied to the budget this year.

The significant parliamentary and public interest in Covid spending has shone a greater spotlight on that. It is really important that the Parliament and the public are able to see the clear line from budget announcements through to in-year spending announcements and to what has been spent against the budget at year end.

Sharon Dowey: Thank you. That matter has been raised before—getting out the money as quickly as possible has caused issues in relation to showing where the money has ended up. It might have been allocated to a department for one thing but then used for something else, because of the need for urgent action.

I go to my second question. Is the Auditor General aware of any plans by the Scottish Government to present a comprehensive report on changes to budgets and final expenditure as a result of the pandemic? If not, would such a report be helpful, and when could it be expected?

Stephen Boyle: I am not aware of any plans. However, I will invite Michael Oliphant or Helen Russell to speak if they are sighted on any plans in relation to a comprehensive additional report that would be, as Ms Dowey described it, over and above the outturn statements that the Cabinet Secretary for Finance and the Economy gives to the Parliament and the annual consolidated accounts that the committee is considering today.

To answer Ms Dowey's question directly, we always welcome additional transparency. That is one of the conclusions that we reach in the report, reflecting the circumstances that we have seen through the Covid pandemic—and perhaps before that, too. My predecessor regularly made the point in her reporting that the consolidated accounts really go only so far in helping the reader of the accounts to understand how well the money is being spent. In relation to the connections that she

made—which I have continued to promote—between the national outcomes and the public spending that contributes towards them, it is still too hard to track the benefits and value that come from public spending.

Ms Dowey and the committee will be familiar with the fact that Audit Scotland has produced three tracker reports on Covid-19 during the pandemic to try to bring additional clarity and transparency to the scale of spending. In an ideal world, the Government would have been in a position to report publicly on how public money is being spent on Covid-19-related spending.

Ultimately, it is a matter for Government to decide how best to communicate its spending and what that has delivered, over and above the statutory limits of the annual report and accounts. However, we always welcome additional reporting that brings transparency to how our public money is being used.

Sharon Dowey: Did you say that someone else was coming in on that?

Stephen Boyle: My apologies; it is probably back to you.

Sharon Dowey: Okay—thank you.

Finally, will you provide further assessment of the funds committed to and spent on the Covid-19 response?

Stephen Boyle: Yes, we will. We will report in a few months' time through a section 23 report on the use of Covid moneys during the pandemic as part of our planned reporting. We will also continue to report through our annual audit of the Scottish Government, and through our forward work programme, on how well Covid money has been spent.

I will reiterate one aspect of evidence that we have given previously. It will become harder and harder to differentiate between what is and is not Covid-related spending as the pandemic continues. We have seen in some of the budget statements from elsewhere that that differentiation is no longer being made—for example, the United Kingdom Government no longer makes that differentiation. It is up to the Scottish Government to make its own choices and determine how long it wishes to report on Covid-related spending. However, for the time being, our work in that area will continue as we look to bring transparency to public spending.

The Convener: One aspect that is highlighted in the report, especially in and around Covid-related payments, is the question of fraud and risks of fraud. Willie Coffey has a number of questions on that subject.

Willie Coffey: I will ask some questions relating to the Covid-19 business support scheme and the commentary in the consolidated accounts relating to fraud, potential and otherwise.

We know that, in trying to be as helpful as possible, the distributing of funds was a very quick process. We also know that that brought with it greater risks. Will you give us a little bit of an overview of how you feel that that process has gone?

Stephen Boyle: Of course. The pace at which money was passed out, by necessity, to different parts of the economy was mentioned a moment or two ago. In our report, and in the Government's consolidated accounts, we focus on two of the large business support schemes. The first scheme is the business support fund grants, which covered the small business support grant and the retail, hospitality and leisure grant. The second scheme is the strategic framework business fund, which included the retail, hospitality and leisure top-up grant. In total, those two schemes accounted for about £1.6 billion of public spending. The pace of distribution of that money had to be quicker than would normally be the case for public bodies awarding grants outside the public sector, because of the sheer scale of the challenges of the pandemic and the pace at which those occurred.

10:30

In our report, we concluded that, by necessity, the Scottish Government has had to accept additional risk around fraud or error in the distribution of that money. At a headline level, the Government's assessment is that between 1 per cent and 2 per cent of the spending will be attributable to fraud and error. Therefore, a figure of between £16 million and £32 million is likely to have been spent in a way that was not in accordance with the associated laws.

I will say one last thing about that, although I am happy to say a bit more about the measures that the Government and its partners took to mitigate fraud. Our arriving at the figure of £16 million to £32 million required us as auditors to form a judgment about what that meant for the accounts. We looked at whether the accounts were fairly stated and whether there was a question about the regularity of that amount.

Of course, £16 million to £32 million is a hugely significant amount of public money that has not been spent properly. However, with regard to the overall materiality of the Government's accounts of £50 billion, as we have mentioned this morning, we are satisfied that the accounts are fairly stated and that there is no question of my altering my audit opinion on the accounts.

Willie Coffey: That is very helpful. With regard to whether a proportion of the money was fraudulently obtained or disbursed in error, is any attempt being made to recover any of that money? Whether or not it was fraudulently obtained, are we in a process of trying to recover that, or is that just one of the casualties of the circumstances in which we found ourselves?

Stephen Boyle: Attempts are being made to recover the money. I will hand over to Michael Oliphant in a moment to say a bit more about the steps that the Government and other public bodies are taking. Michael might also want to say a bit about some of the evidence that the Government took in arriving at its judgment about the overall scale of the risks.

It is important to say that the mechanisms that the Government and other public bodies had in place to guard against fraud, as well as some of the arrangements that it had in place pre-pandemic, served them relatively well. I caveat that, because I do not want to give the committee the impression that losing up to £32 million of public money is a positive result. However, we were able to protect against additional fraud. In our report, we state that around £3 million of fraud was actively prevented because of some of the anti-fraud mechanisms that were in place.

We are satisfied that the Government has been clear and transparent on that aspect of the accounts and in relation to the anti-fraud mechanisms that it has in place. I will invite Michael to speak about some of the steps that the Government took and the steps that it is now taking to recover amounts where it thinks that there was error or fraud.

Michael Oliphant: There is some key data on the application process. Across the different schemes, between 14 per cent and 30 per cent of applications were rejected. That is important, because it suggests that a good control framework was in operation to stop fraud almost immediately.

As Stephen Boyle mentioned, there were almost 2,200 cases of detected or suspected fraud across all local authorities in relation to those schemes. That leads to an estimate of the value of likely fraud prevented of between £7 million and £11 million, based on average grant amounts. It is also important to note that only 100 cases actually resulted in wrongful payments being made.

Mr Coffey asked about recoveries. Yes, recovery action is under way. At the end of the financial year, just over £1 million had been recovered. I am aware that about 115 further recovery cases are under way. It is absolutely the expectation that, where payments have been made as a result of fraud, suspected fraud or error, those amounts should be actively recovered.

Willie Coffey: In asking my next question, I am thinking of one of the lessons that we have learned as an audit committee over the years. If local authorities are involved in a process such as this and something is going on—fraudulent claims to the authority, for instance—are they quick to share that intelligence among other authorities, so that they can be alerted to possible similar activities, or do they not do that? Have they even had time to do that during the pandemic? It seems as though they might have done so and that they have collaborated fairly well to minimise the impact. Is that the case, would you say?

Stephen Boyle: That is a fair assessment, Mr Coffey. There are two components. One is that local authorities have well-established networks of anti-fraud arrangements. Audit Scotland plays a part in that, through heads of anti-fraud and internal audit. You alluded to the committee's familiarity with the national fraud initiative. All those aspects have set building blocks in place for strong collaboration to guard against fraud.

We witnessed that in real time during the early stages of the pandemic. Where organisations intervened to stop attempted fraud, intelligence was shared across public bodies—that is, local authorities and other bodies that were distributing grants. It is reasonable to conclude that the established arrangements worked well and were then enhanced during the pandemic in an attempt to minimise—albeit not prevent entirely—some of the fraud numbers that we are reporting.

Willie Coffey: Are there any new lessons to be learned from the accelerated process of disbursing public funds and safeguarding them for the future? Are there any lessons that we can learn that would offer us more protection?

Stephen Boyle: There is more opportunity for us to learn lessons and to reflect, having come the best part of two years through the pandemic. The arrangements in place are stronger now than they were at the early stages, and building on some of the established networks has served organisations well. Those bodies that were familiar with distributing grants to other bodies outside the public sector were able to draw on that.

It is clearly a matter for Government to determine which bodies are best placed to distribute funding and whether that is done on a portfolio basis, as that is the nature of how money flows through, or whether funding is given to organisations that are familiar with distributing it.

There is probably scope to think about deploying grants to organisations—in that that is what they do—rather than necessarily saying that they have to follow a portfolio spending pattern. As ever, you would expect us to say that we encourage lots of reflection and lessons to be

learned, not just by Government but by all public bodies that have been involved in the pandemic. Through our own work, we look to contribute to that as we continue to report and through our next Covid-19 update.

Willie Coffey: Thank you both for those answers.

The Convener: Craig Hoy wants to come in on this issue of fraud as well.

Craig Hoy: Good morning, Stephen. I do not want to put you on the spot, and I am not sure how good your live tracking presently is in relation to the new round of business support, but about £375 million of support for business was announced in December. The general impression that I am getting through my postbag and from talking to people in hospitality businesses and suchlike is that the money is slower in going out the door than it was before.

On Tuesday, the First Minister said:

“we are working with local authorities and other agencies to get the money out the door and into the bank accounts of those who need it as quickly as possible. However, there are checks and processes that have to be applied to guard against fraud.”—[*Official Report*, 18 January 2022; c 22.]

Do you have any impression of whether it is taking longer to process this current round? Is that because lessons have been learned and further checks and balances have been put into the process? Could there be other reasons for the delay in this round of disbursements?

Stephen Boyle: To be clear, Mr Hoy, I do not have any up-to-date information on the number of £375 million and how well that is going, beyond what I have heard the First Minister say in the chamber.

There is a balance, and I will offer this perspective on it. The Government needs to continue to get money to where it needs to go as quickly as possible, while using some form of checks and balances, which need to feel proportionate, in order to guard against ineffective use of public funds. Unfortunately, I do not have up-to-date information from local authorities or other public bodies about how that is going. Again, I invite Michael Oliphant and Helen Russell to come in, if they have anything that they wish to add.

Michael Oliphant: No, I have nothing to add to that. The Scottish Government has learned a lot of lessons over the course of the past year on how to deploy those funds quickly, but minimise the risk of fraud and error. Over the course of the past year—the year that we looked at as part of the audit—the controls and arrangements improved as the Government learned lessons. That could be one element but, until we look at that as part of the

current year’s audit, there is not much more that we can say in relation to that.

Craig Hoy: Thank you.

The Convener: Colin Beattie, do you want to come in on the issue of social security fraud, or has that been covered already?

Colin Beattie: I would like to touch on one or two aspects of that, as well as European structural funds.

Obviously, there have been concerns in the past about the risk of fraud around social security payments in Scotland. However, a large part—more than £3 billion—of the expenditure is administered by the Department for Work and Pensions, under our agency arrangements with Scottish ministers. Therefore, as far as we—and probably Audit Scotland—are concerned, we are not able to establish what the levels of fraud and error might be. However, based on the levels of fraud and error that are reported by the DWP for the benefits that have been paid overall, Audit Scotland has estimated that overpayments in Scotland could amount to £65.4 million. That is a lot of money. How is it accounted for? Does it come back to us as a notional loss? How does that work?

Stephen Boyle: Our report today covers fraud in relation to the distribution of Covid funding, as well as the Social Security Scotland accounts, which are consolidated into the Scottish Government accounts. That is why we are reporting them here.

The numbers that you mention are reported in Social Security Scotland’s accounts and are exactly as you describe. There are still two sets of arrangements for how benefits in Scotland are paid out. Some are paid directly by Social Security Scotland, and others remain with the DWP, which acts as an agent on behalf of Social Security Scotland. For the components that relate to the DWP distributing the benefits, the DWP has estimated that there is a range of fraud or error of between 1.5 and 5.2 per cent of the total funds. That has helped the DWP to arrive at an estimated error, as you said, of £65.4 million.

We have two things to say about that. One is about the audit perspective on that and the other is about the recovery component that you asked about. The auditor’s view is that that £65.4 million of public spending is not compliant with the associated laws and regulations and, therefore, that impacted the regularity opinion on the audit and reference was made to that. The DWP will continue to undertake the recovery of the amount, as people’s circumstances change and it is made aware of that. The committee will be familiar with the fact that the benefits agencies—the DWP and Social Security Scotland—can make

arrangements to recover benefits that have been overpaid, whether that is due to fraud or error, and that process will continue.

Michael Oliphant or Helen Russell can say a bit more about the level of error, which is not a brand-new issue. In terms of arriving at a robust and reliable estimate, the committee might recall from previous evidence that some of the DWP's estimates date back around 20 years, if memory serves me rightly. That was an initial part of the story about why there were concerns about the quantification of the fraud and error. I will invite Michael Oliphant to update us on where the DWP has reached in terms of a reliable estimate for Scotland's level of fraud and error.

10:45

Michael Oliphant: The estimates are more up to date now. Previously, it was very difficult to get an estimate because the data went back to the 1990s—1996 is the year that I seem to recall. Things have changed but the estimate was not reliable at the time.

Across the range of schemes that are delivered by the DWP, the error rate ranges between 1.5 per cent and 5.2 per cent. That is applied across the different schemes. The carers allowance has £15.4 million of fraud and error. The personal independence payment, which probably accounts for the largest part of the £65.4 million overspend, has £24.4 million. Action will be taken to recover any payments that are made as a result of fraud or error.

Colin Beattie: The fact is that we know if an error has happened only when it is identified. You are just talking about estimates. Are they figures that we should be concerned about? Are they figures that have somehow have to be accounted for? How does it work?

Stephen Boyle: As Michael Oliphant confirmed, you can be confident that the figure is robust. The 1.5 per cent to 5.2 per cent is a range that applies to a different range of benefits. It is not a scale that applies to one category of benefits; there is a number of different benefits within that.

The quality of the information about a person comes from the quality of the disclosure that the person makes when they enter the benefits system and claim benefits. There is no 100 per cent pre-verification check when people claim benefits, and that means that the DWP, and now Social Security Scotland, have to accept a level of risk when they award benefits. Perhaps it is the same as payments to businesses, Mr Beattie, in that money from the benefits system needs to get to claimants as quickly as possible. Social Security Scotland has stated that, as part of its compassionate ethos, money should get to where

it is needed quickly. That also means a level of risk.

To answer your question directly, I do not think that you should be concerned about it. What matters is that the amounts are disclosed correctly and that, when an overpayment of benefits is identified, effective and robust arrangements are in place to recover that, certainly when it is attributable to fraud.

Colin Beattie: Do we have an actual figure for how much is written off? We are not talking about a write-off figure here; it is just an estimate of what the losses might be, based on past experience. Do we have an actual figure for that? We obviously have figures for sums recovered and actions taken, but some is irrecoverable. How do we identify that?

Stephen Boyle: I do not have a figure immediately to hand. Michael Oliphant or Helen Russell might have that number at their fingertips. If they do not, we will come back to the committee in writing with how much is written off each year. However, you are right to say that the estimated £65.4 million is not a write-off; it is an estimate of likely fraud. The process of arriving at a write-off takes many years of attempts at engagement, recovery terms, and trying to locate people. There will always be amounts that cannot be recovered, whether that is because of benefit claimants passing away or leaving the country, or because their financial circumstances will never lend themselves to repaying those benefits. That is just the nature of it—these organisations have to absorb that level of risk.

Again, I will pause and invite Michael Oliphant or Helen Russell to say whether they know the number that Social Security Scotland has written off.

Michael Oliphant: It is not a number that I have to hand but, if it is available, I am sure that we can provide it to the committee. As the Auditor General mentioned, there is a time lag involved in that, because it takes time to identify an overpayment in individual cases, and there is an investigation into whether that overpayment was made in error or because it was a fraudulent claim that requires police action. Sometimes, those can be very sensitive cases because of the nature of the payments, so there is an important aspect about how the agency would go about recovering that amount, particularly from those who are among the more vulnerable in society.

Colin Beattie: I would certainly be interested in seeing the write-offs figure, and I am sure that the committee would be, too.

I will turn to a different subject. The European structural funds programme is in suspension. That is not a new thing; going back over the years,

those European structural funds programmes have been put in suspension quite frequently. The reclaim payments are obviously still done through the European Commission. A risk has been identified that, once the suspension is lifted, the payments might not be able to be reclaimed in full. There is a fairly chunky write-off in 2021 of £16 million and a provision of £28.7 million in relation to future underrecovery of payments. I am a bit concerned about the fact that the programme is going to end in 2023 as a result of the UK leaving the EU. Can you summarise the issues that led to the European structural funds programme being suspended? What issues remain to be resolved in order for the suspension to be lifted?

Stephen Boyle: I am happy to start and I invite colleagues to supplement my response. Unfortunately, that is not a new issue with regard to the European structural funds and the Scottish Government's arrangements to comply with the European Commission's guidelines and requirements.

Colin Beattie: My understanding is that it is notoriously difficult to comply with some of the European Commission's requirements, and that a lot of countries hit that problem.

Stephen Boyle: I think that that is true. I am a former auditor of the common agricultural policy, and the requirements to receive European grants—as was—were onerous but, at the same time, they were very clear and specific. Effectively, if you wish to receive European grants, you have to follow the European Commission's rules. The Commission regularly sent its own auditors to sample check compliance for the payments and they found that the Scottish Government and, particularly, some of its partners—a wide network of bodies who were involved in the distribution or were claimants of the European structural funds—were not following the rules, to put it simply as that. That led to suspension arrangements. At that point, the Scottish Government took a decision to continue to pay some of the funds out of its resources, while it took significant steps to enhance the arrangements, so that they met the Commission's requirements. Following subsequent audits and suspensions being lifted, we have got to the point where, as we said in our report, there has been the write-off of £16 million and a further provision, as Mr Beattie noted, of £28.7 million of potential underrecovery. Therefore, significant amounts of public spending will not be recovered or are at risk of not being recovered.

There has been a difficult story for the Scottish Government in relation to its compliance, the audit and the suspension, and it is now looking at the non-recovery of tens of millions of pounds of public spending. What happens next involves the

community renewal fund and levelling up, and the associated arrangements for compliance. The Government must be able to have in place the arrangements to demonstrate compliance so that it does not bring any further exposure or risk to public spending.

Michael Oliphant has also been closely involved in this issue and might want to say something.

Michael Oliphant: I have a little to add. Mr Beattie mentioned the problems that arose with regard to the structural funds, which arose from the very strict rules of the European Commission. It had concerns about the implementation of the management and control system and whether the expenditure was valid after weaknesses were found in validation checks. The Scottish Government has had to undertake a long process to reassess those claims to ensure that the weaknesses are addressed and that the validation checks will satisfy the European Commission auditors and the Commission itself. Once there is that level of satisfaction, there will be a process to go through for the Commission to lift the remaining fund—the European social funds—out of suspension.

The Scottish Government is part of the accounting around that. It needs to be realistic about the likelihood of being able to recover those amounts. That is why the amounts that have been mentioned have been written off or earmarked for future write-off in this year's accounts.

Colin Beattie: From memory, in past circumstances where there have been similar suspensions, it has turned out to be the delivery agency that has failed to comply, and the Scottish Government has been left to sort that out. Is that the case again?

Stephen Boyle: That has been a feature of some of those suspensions. The Scottish Government and its partners have been agencies and, when the Commission's auditors have looked at the situation, they have not confined themselves only to the Scottish Government but have also looked at some of the cases that the agencies have been involved in. That was part of the story of why they were not satisfied that the rules had been followed sufficiently, which led to the suspension, so it is not only a Government issue.

Colin Beattie: What are the implications of the ESF programme ending in 2023? If the Scottish Government has not been able to clean it up and reclaim any funds, does it simply become a dead loss? If so, are there other financial implications behind that?

Stephen Boyle: We can answer only so far on the longer-term implications. It will perhaps be for the Government to better explain its understanding of how the arrangements will end in 2023.

However, it has written off the £16 million so far and provided a further nearly £29 million, which indicates that there is real uncertainty that it will recover those amounts.

Looking to the future, whatever the UK arrangements are for stepping into the space that the structural fund occupied, I am sure that the Government will want to be satisfied that it has the assurance and compliance arrangements solidly in place so that it does not fall into the circumstances in which it found itself in relation to the European funds.

Colin Beattie: You have touched on my final question, which is about the new UK Government funding programmes. In the past, you have said that there was a lack of clarity about responsibilities for the replacement funds and that you were in discussions on that. Has there been any progress? Do you have a better understanding of what your role will be in monitoring those funds?

Stephen Boyle: I am not able to give the committee the precise clarity in relation to the roll-out of the successor arrangements that you or I would have hoped for at this stage.

It is also important to note that, as part of its arrangements, the UK Government will give grants directly to local authorities, including some Scottish local authorities. We are still in discussion with the Government and the other UK audit agencies to confirm how the associated assurance and audit arrangements will work, so I am not yet able to answer on how they will operate. It is safe to say that the audit regime will not replicate precisely the one that the European Commission sought for the distribution of structural funds and agricultural funding. That is an appropriate thing to say. There has to be a reasonable level of assurance and audit activity around that, but it does not necessarily need to mirror what went before.

11:00

Colin Beattie: Given the timing and the fact that some funding has already been made available, it seems inappropriate that we have no idea about what the audit requirements will be in connection with the matter. Do you have any timescale?

Stephen Boyle: As the committee knows, my role is to audit the funds that are approved by the Scottish Parliament. Our audit role for European funding was part of a syndicate and agency arrangement on behalf of the National Audit Office to audit European agricultural funding in Scotland. That is not a statutory component of my role, so I will be led in part by the discussions for the distribution of the successor arrangements that take place between the Scottish Parliament,

Westminster and the respective Governments, which will be the larger driver behind the associated audit and assurance arrangements.

We will, of course, continue to stay in touch with the other UK audit agencies on whether we will be requested to undertake audit when the funds are UK led. However, at the moment, I do not have clarity as to how that will unfold, unfortunately.

Colin Beattie: The committee will be interested in those arrangements when the matter is resolved. Perhaps you could come back to us when you have some clarity so that we also understand what is happening.

Stephen Boyle: I am happy to make that commitment.

The Convener: We now have some questions on a—[Inaudible.]—area of governmental roles, responsibilities and policy, which relates to resource and capital borrowing.

Craig Hoy: I will start by focusing on capital borrowing. In 2020-21, the Scottish Government borrowed £200 million against its capability of £450 million. There was a similar picture with the use of that leverage in 2018-19 and 2019-20. Could the Scottish Government make fuller use of its capital borrowing powers to help to achieve its capital investment priorities?

Stephen Boyle: As you note, Mr Hoy, the Government borrowed £200 million against an annual cap of £450 million during the 2020-21 financial year. Clearly, there was additional headroom left for it to borrow in that year.

Ultimately, it is for the Government to determine how it wishes to structure its borrowing arrangements. We noted in the report that, consistent with previous reporting, it is not immediately clear how the capital borrowing has been used and whether it is identifiable against one particular project or another. Instead, the Government's response is that it is allocated in totality against its capital borrowing arrangements. We note that there are no specific details about how the capital borrowing was used, but there was headroom for the Government under the confines of the fiscal framework borrowing caps.

Craig Hoy: On your point about how the borrowing is accounted for, would it be realistic for the capital borrowing figures to be supported and detailed in the consolidated accounts or as part of the major capital projects updates?

Stephen Boyle: That is a helpful suggestion for Government. We are always advocating for additional clarity and transparency on how the money has been used.

Michael Oliphant might want to say a bit more about that, but it is not just the disclosures that you

see in the consolidated accounts. There are also associated disclosures in the Scottish consolidated fund account, which is the mechanism that is used to receive funding from the UK Parliament, through the Scotland Office and into the Scottish Parliament's approved budget. That also makes some disclosures in relation to the capital borrowing arrangements. There are a couple of places where disclosures are noted, but we are also keen to see additional disclosures against particular projects, and Mr Hoy's suggestion about the major capital projects is a good idea.

Michael Oliphant might want to come in for a moment to comment on how that works in relation to the consolidated fund.

Michael Oliphant: I will comment on the point about more details in relation to projects. The rules and framework for the Scottish Government's capital borrowing powers are outlined in the fiscal framework. The Scottish Government can usually borrow for a term of 10 years, but sometimes for more than 25 years. The underlying assets—in this case, of the projects—define the length of loan and the timescales that are applied.

As we have mentioned in previous reports, we are keen for the Scottish Government to give more disclosures about the specific projects that its loan funding is for. Quite often, the Scottish Government decides close to the end of the financial year how much it is going to draw down against its annual limit. That is a financial management decision that is based on the amount of traditional capital spending that has gone out, the progress of other projects within the capital spending programme and how best the Government can ensure maximum value from the borrowing that it draws down. At the end of the day, it is borrowing and it has to be paid back, so that side of the equation also needs to be factored into the Government's decision.

Craig Hoy: Finally, I have a three-part question about resource borrowing. Can you give us a flavour of how effective the Scottish Government has been in utilising its resource borrowing powers? Has the pandemic highlighted any concerns about the scale of those powers? Looking back to 2017-18, there was an overestimate of income tax, which meant that the Government could borrow in relation to that. If, year on year, we find ourselves with the same problem, at what point does a forecasting problem become a structural problem? If we continue not to meet the income tax receipts that the Government suggests, do you have any concern that using resource borrowing to balance shortfall might become a structural issue, rather than a forecasting issue? Do you have any concerns in relation to income tax?

Stephen Boyle: Some of the factors that you describe will be under close consideration as part of the review of the fiscal framework arrangements that the two Governments will be undertaking shortly.

You mentioned resource borrowing. This is the first year that the Government has undertaken resource borrowing under the existing fiscal framework. As you suggest, Mr Hoy, that is to cover for an underrecovery of income tax receipts, relative to a forecast that was made for the 2017-18 financial year. It is safe to say that there is always bound to be variability from one year to the next, especially in some of the earlier years of the estimates from the Scottish Fiscal Commission. As those estimates have become refined and even more reliable, I think that we will see less volatility. However, events happen, such as a pandemic, and they will change the nature of likely income tax receipts, because there is more volatility in the job market.

It is for the Parliaments and Governments to determine the nature of the relative powers of the fiscal framework. As many others have said—and I will limit my remarks to this—the fiscal framework was not designed with a pandemic in mind, and the extent to which that translates to fiscal powers increasing, decreasing or staying the same will be decided through discussion, as the Governments go through the consultation and review of the fiscal framework.

Colin Beattie: Thank you.

The Convener: Before we finish, Auditor General, I highlight that the committee's attention was attracted by your judgment that it was necessary to spotlight the Crown Office and Procurator Fiscal Service in your report on the Scottish Government's consolidated accounts. You identify special payments to the tune of £40.2 million that the service had to make in the financial year 2020-21, £40 million of which were payments to individuals following legal action against the Lord Advocate

"in connection with the acquisition and administration of Rangers Football Club".

By my calculation, 99.5 per cent of those special payments went to those individuals. From an audit perspective, we are interested in finding out whether that gives you fundamental concerns about the service's financial position.

Stephen Boyle: I will bring in Helen Russell to say a word or two about Audit Scotland colleagues' audit judgments in respect of that matter, but I thought it necessary to include its financial implications in the Scottish Government section 22 report for a couple of reasons. First, it represents a significant amount of public spending, given that the Crown Office and

Procurator Fiscal Service accounts are consolidated with the Scottish Government accounts. I have taken no firm view on whether I will undertake any dedicated reporting on the matter, because, as you know, there is to be a judge-led inquiry into some of the circumstances surrounding the events and the associated payments. However, for the sake of transparency, public awareness and the committee's interest, I thought that it was necessary to include the issue in the report on this set of accounts.

As for the scale of the case and its implications for the service's overall financial position, we partly note that in the report. However, I invite Helen Russell to say a bit more about that.

Helen Russell (Audit Scotland): The £40 million refers to money that has already been spent plus accruals made in the Crown Office's accounts that have been brought into SG accounts. Just to bring you up to date on the facts, I point out that there are six cases. Two have been fully closed and completed, a third has been settled, and, as I am sure that you will have read in the press, a fourth case has been thrown out by the courts. As a result, two cases remain on-going.

As for the amount that has been spent, £24 million was spent in cash terms during 2020-21, and obviously there has been a lot of news in the press about that. There is also £16 million of accrued moneys to cover legal costs and the costs of the on-going court cases. That makes up the £40 million. I agree with the earlier comment that it is a significant amount of money and note that the cases are on-going.

I hope that that is helpful.

The Convener: Thank you. Are you in a position to give us an estimate of the outstanding exposure to the cases being litigated, given what you have said about one of the cases being settled, two being closed and others still on-going? Do you have a sense of the value of those cases?

Helen Russell: Unfortunately, I am not able to do that. I do not have that kind of detail to hand. Obviously, as cases continue, are looked at and work through the actual court processes, the costs will add up. If it would help, we could make inquiries of the auditor of COPFS and the Crown Office itself about whether they have any more thoughts about the actual costs.

11:15

Stephen Boyle: Perhaps I could make a comment, convener. Helen Russell is right, but I would also point out that, as has been mentioned, before some of the more recent developments in the cases, there was a provision of £16 million to cover future costs. As ever, events are unfolding,

and that figure will have been reliable when the accounts were signed off late in the autumn of the year. The on-going audit of the Crown Office and the audit of the Scottish Government present an opportunity to report publicly. We will continue to do that, but, as ever, we are mindful of the judicial inquiry into the circumstances of these cases and when we will therefore be best placed to comment further.

The Convener: That is understood, but your door is still open to further inquiry from an audit perspective into what has happened.

Stephen Boyle: That is right, convener. We will publicly report on the matter where it adds value and increases transparency, and we will keep an open mind on how things are progressing.

The Convener: Thank you very much indeed.

I bring this part of our proceedings to a close by thanking Helen Russell, Michael Oliphant and the Auditor General for their evidence this morning. As I mentioned at the start of the session, the audit of the Scottish Government's consolidated accounts is an important piece of work, and there are many aspects that we have not had a chance to talk about and put questions on. I hope that, with your co-operation, Auditor General, we will be able to do so in the very near future, because the report contains some very important issues of public concern.

With that, I close the public part of the meeting and move into private.

11:17

Meeting continued in private until 11:42.

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