



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Wednesday 30 April 2025**

**Session 6**



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Pàrlamaid na h-Alba

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**Wednesday 30 April 2025**

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**PUBLIC AUDIT COMMITTEE**  
**13<sup>th</sup> Meeting 2025, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

Jamie Greene (West Scotland) (LD)

**COMMITTEE MEMBERS**

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

\*Stuart McMillan (Greenock and Inverclyde) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Stephen Boyle (Auditor General for Scotland)

Alison Cumming (Audit Scotland)

Mark MacPherson (Audit Scotland)

**CLERK TO THE COMMITTEE**

Katrina Venters

**LOCATION**

The Sir Alexander Fleming Room (CR3)



## Scottish Parliament

### Public Audit Committee

*Wednesday 30 April 2025*

*[The Convener opened the meeting at 09:30]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everyone to the 13th meeting in 2025 of the Public Audit Committee. We have received apologies from the deputy convener, Jamie Greene.

Agenda item 1 is a decision on whether to take agenda items 3, 4, 5 and 6 in private. Are we agreed to take those items in private?

**Members** *indicated agreement.*

## Auditor General for Scotland (Work Programme)

09:30

**The Convener:** Our main agenda item this morning is consideration of the Auditor General for Scotland's work programme for the year April 2025 to March 2026, which effectively takes us up to the next Scottish Parliament election.

I am very pleased to welcome Stephen Boyle, the Auditor General for Scotland. Alongside the Auditor General are Alison Cumming, who is an executive director of performance audit and best value at Audit Scotland, and Mark MacPherson, who is an audit director at Audit Scotland.

We have quite a number of questions to put to you this morning, Auditor General, but before we get to those, I invite you to make an opening statement.

**Stephen Boyle (Auditor General for Scotland):** Thank you. I am grateful for the committee's time this morning to discuss and consult you on my proposed work programme.

The audit work that I plan to undertake reflects my overall priorities until the Scottish Parliament elections in May 2026. There is also a forward look at the key themes for scrutiny for the new Parliament after the elections.

As the committee knows well, the current context for the Scottish Government and public services in Scotland remains challenging. Rising demands together with a constrained financial outlook pose risks to the sustainability of public services in their current form. A clear vision and strong leadership are required to drive the reforms that are needed to ensure the sustainability of services into the future.

The committee has explored many of those issues in its evidence taking during the current parliamentary session. It is critical that public money is raised and spent to best effect and that we get the best value from publicly funded services. That includes in relation to the people who deliver services, the land and buildings that are owned by the public sector and the technology that public sector bodies use to deliver those services. That is what drives my thinking about my future programme of audit work.

I want to ensure that public services target resources effectively, that their financial management is effective and that, together with our audit recommendations, public bodies report on their performance more transparently, to drive improvement and have an impact. Public audit has an important role to play in supporting

improvement and highlighting best practice where we find it.

As I have highlighted in many of my audit reports, the scale and pace of the public sector reform that is required to support future sustainability have not yet been delivered. That is why I will continue to focus on how public bodies are enabling change, both individually and across the wider systems within which they operate. That includes by considering how they are empowering people and communities, reducing inequalities and supporting prevention. As I mentioned, it also includes making better use of digital technology. Some parts of the proposed work programme will be familiar to the committee. I will continue to have an interest in local and national public finances, climate change, health and social care and economic growth.

The committee knows that I report on the financial audits of Scottish public bodies and highlight matters of public interest that have arisen through the annual audits in section 22 reports. The number of those varies each year, depending on the issues that are identified through the annual audits by the appointed auditors. At a minimum, I intend to continue reporting annually on the Scottish Government consolidated accounts.

My work programme needs to be flexible. I plan to continue to use a variety of audit approaches and reports to highlight my audit findings. As ever, I am grateful for the opportunity to discuss my programme with the committee. I want to ensure that my work programme considers key areas of interest to the Parliament and that it reflects topics that will add most value to supporting effective parliamentary scrutiny.

The focus of this update is on the reports that I intend to bring forward in advance of the Scottish Parliament elections next year. Work is already under way on some of those outputs, which are included in the work programme, and Audit Scotland staff have been liaising—we are grateful for the committee's time—to ensure that we are planning effectively for the committee's consideration of those key reports in advance of the end of the parliamentary session.

I am at the early stages of formulating the work programme for 2026-27. Today, I have provided the committee with some key themes that I intend to develop further into priorities and likely anticipated outputs thereafter. Your feedback, and any feedback that you may wish to take from across the Parliament, is invaluable and will help me to refine and settle on my priorities and format over the course of the next few months.

Alison, Mark and I look forward to the discussion this morning and to answering any questions that you have.

**The Convener:** Thank you very much indeed.

I will begin by looking at the general picture. At the very start of what you just said and in your written presentation to the committee, you set out pretty clearly the challenges that are being faced by all public bodies, led by the Scottish Government.

You gave a sense that things are not really going in the right direction. You talked about demand for public services rising at the same time as the financial outlook is, in your words, "challenging and volatile". You also talked about the growing gap between budget forecasts and spending plans, and a lack of clarity around that issue and how it will be addressed.

The recurring theme throughout your presentation is around the sustainability of public services—particularly, although not exclusively, their financial sustainability.

You also reminded us that there are still persistent inequalities that are not being addressed, and that the outcomes that people experience show significant variations, based on disability, race, where they live and the extent to which they are living in an impoverished community or in poverty themselves.

All of those things pose big challenges. The big question is, then: how do you think that the Scottish Government is responding to those challenges?

**Stephen Boyle:** I will break some of that down. There are so many variables. Through my work programme, I want to reflect the environment in which Scotland's public services find themselves in relation to the challenges of increasing demand and inequality, and the Government's ambition and priorities, which we will hear more about through the programme for government next week.

That leads me to the point that there are some unknowns in relation to our presentation of our work programme to the committee this morning. As the committee heard from the now former permanent secretary and his senior team when it took evidence in March, next month will be incredibly busy, but also very important, with the Government setting out its position on the medium-term financial strategy and the fiscal sustainability delivery plan, together with the public service reform strategy.

We want to really digest those documents, as I am sure will the committee and many others. We hope to see the clarity of the Government's intention around its deliverables and its view of the financial position, which remains unpredictable. Over the past 100 days, we have seen global factors that will influence Scotland's economic

position, with the imposition of global trade tariffs. It is about what that might mean for public spending in Scotland in due course. In a United Kingdom context, we have the spending review that will take place over the summer. Thereafter, we will have clarity in Scotland.

Alison Cumming might want to say a bit more about what that means for capital projects, with an updated infrastructure investment programme along with the Deputy First Minister's confirmation that Scotland's national performance framework still requires work as a useful tool to properly record how Scotland is performing and whether the Government is delivering its priorities and addressing the inequalities that you mentioned, convener.

It feels as though we are in a diagnosis stage and that work needs to be done to deliver new strategies and frameworks, but we are not quite at the point at which things can flow through definitively so that we can settle on what our programme of work will be after the Scottish Parliament election. That is okay. I am content that we have a programme of consulting with the committee that takes us up to the election and, during the summer months this year, we will be able to take stock of all those Scottish, national and international factors before settling on our programme.

Alison Cumming will want to develop some of that.

**Alison Cumming (Audit Scotland):** On the forthcoming infrastructure investment plan and the refresh of the pipeline, we will be looking closely at the methodologies and approaches that the Government is using to prioritise within the capital envelope. The UK spending review should give more multiyear certainty than the Scottish Government has had for a number of years to do that planning over a three-year period at least.

We know that some significant commitments have already been made in indications of the Government's medium to longer-term priorities, particularly on major roads projects such as the A9. The building of HMP Glasgow is another example. As well as considering the prioritisation and evaluation approach to arriving at that capital programme, we will be looking closely to see where the big spend is likely to be. That will help us make an assessment of the risks and the main opportunities for public audit to have an impact on the successful delivery of those projects and the value for money that they deliver for the public.

**The Convener:** What is your anticipated timetable for that? Will your analysis of the major capital projects prioritisation be something that you will do some work on and put in the public domain before the end of this year, for example?

**Alison Cumming:** It is all subject to the Scottish Government's timetable. I believe that, at the moment, we are most likely to see the Scottish Government publishing a multiyear spending plan closer to the budget, rather than alongside the MTFS, because of the timing of the UK spending review. We will take stock when we see it, but it might be that we build that into our plans for after the 2026 election, depending on when it comes out, and depending on the ability of Parliament to scrutinise that work.

**The Convener:** We have had previous conversations with you about the medium-term financial strategy being delayed. It was delayed last year. Is it being delayed this year? Is there going to be a delay in the publication of the major capital projects list? Those are matters of concern to the Public Audit Committee.

**Stephen Boyle:** Indeed, convener. I gave evidence yesterday to the Finance and Public Administration Committee as part of its review of the budget process arrangements in the Scottish Parliament. Audit Scotland responded on those exact themes to the committee's call for views on the range of factors around how the budget operates to support effective scrutiny.

The absence of a medium-term financial strategy is now approaching two years and, in our view, that delay is a barrier to effective parliamentary scrutiny, not to mention the public interest and wider stakeholder engagement. There is a range of reasonable factors behind the delay when looked at in isolation, such as the economic shock or the United Kingdom parliamentary elections. However, it has come to the point at which, nearly two years later, we still have not seen an updated medium-term financial strategy.

I have no reason to doubt the commitments that the committee heard from the director general of the Scottish exchequer in March that May is the intended publication date for the medium-term financial strategy, together with the fiscal sustainability delivery plan. The point that I made to the Finance and Public Administration Committee yesterday was about alignment. Those publications need to be clear about how they operate together and they need to be supported by detailed scenarios that set out how public spending will operate, building on the evidence that the committee took on our report on fiscal sustainability of November last year. I am keen to see that come through.

09:45

**The Convener:** I will bring in Stuart McMillan in a second, but first I want to ask you about an expression that you used earlier. You have just described the consequences for democratic

scrutiny and for some of the decisions that the Government needs to make of the delays to the medium-term financial strategy. You also said in your opening statement that the Government has not yet delivered “at pace” on things such as public sector reform. That is a very mild criticism, is it not? There is an inference that the Government could be pressing ahead at a quicker rate than it actually is.

**Stephen Boyle:** I am comfortable making that comment, based on the evidence that we have seen. I refer again to last year’s report on fiscal sustainability, in which we gave interesting and important examples of where public service reform has successfully taken place. The committee will be familiar with organisations such as Registers of Scotland and Disclosure Scotland as examples of organisations successfully adopting technology.

At the same time, we have not yet seen either the pace or scale of public service reform that will be necessary to support a sustainable fiscal position in Scotland. That is borne out by the evidence that the Scottish Fiscal Commission uses in its forecasts. Alison Cumming may have the most up-to-date numbers, which show that, by the end of this decade, there will be a gap of approaching £2 billion between, on one side, demand and the consequential expenditure that will be required, and, on the other, the public finance that is likely to be available, based on the current arrangements. Public service reform will be one of the key levers in delivering sustainable public services in Scotland.

As the committee heard from the former permanent secretary, it is important that the Government’s ambitions for public service reform are translated into a strategy. He spoke about the spring and went on to say that that would be published in May, so a lot is happening in May.

**The Convener:** That is tomorrow.

**Stephen Boyle:** Quite. Along with the programme for government, May will be a busy month, and an important one in giving clarity about how public services will be delivered in Scotland.

**Stuart McMillan (Greenock and Inverclyde) (SNP):** You spoke about the variables that we are all working with at the moment, and you touched on the global factors. I am keen to have a better understanding of the picture. I know that your audits are based on the past but that you also look ahead, so what forecasting activity will you undertake with regard to service delivery in the light of the global factors and economic shocks that are impacting the Scottish and UK economies?

I have one particular example in mind. When the US President made his recent announcement, financial markets took a hit for a number of days.

They came back a wee bit, but anyone who retired at that point would have seen their pension funds take a hit, which will have affected them, and some of those individuals will then be required to utilise more public services and to do so sooner than they would have planned.

**Stephen Boyle:** That is a relevant factor in anticipating Scottish public finances and in our work. I will bring in Alison Cumming because she will want to say a bit more about how we work with other bodies, particularly the Scottish Fiscal Commission, to capture forecasts and about what that means for our forecasting of the financial sustainability of individual public bodies and of Scotland’s public services as a whole.

I agree with your example of what that announcement means for people who are coming up to retirement and for the money that they will have available from annuities and so on.

The other example that it takes me back to is the committee’s consideration of Scottish income tax over the past few months. This is a hypothetical example, but I hope that it is illustrative. If trade tariffs are imposed on Scottish companies that have the US as a primary export market, which will make their goods more expensive, that might mean that those companies consider their growth forecasts and employment requirements. In some cases, that could mean less money coming into Scotland and fewer well-paid jobs.

I am sure that the Scottish Government, together with the Fiscal Commission, will consider those factors as they work through the forecasts in the next few weeks.

I do not underestimate the complexity of preparing a medium-term financial strategy in this environment. I recognise that, inevitably, there will always be events that mean that a forecast document is not as reliable as we would want it to be, but it is a necessary starting point, together with scenarios and variables, to allow for that level of scrutiny and discussion.

Alison, could you set that out for the committee in a bit more detail?

**Alison Cumming:** Our public finances team works closely with the Scottish Fiscal Commission to ensure that we have a robust understanding of the determinants of the forecasts on income tax. As Stephen Boyle says, that is where there are particular risks to the Scottish budget in relation to volatility.

The other area that the Fiscal Commission is responsible for is forecasting social security spend, which is demand led. There are other demand-led areas of public spend, as you have alluded to, Mr McMillan, particularly in health and



social care. Those areas can be of particular risk in terms of whether the Scottish Government is able to manage any volatility that arises, whether in year or over a number of years, particularly in the case of social security.

As well as that detailed work with the Fiscal Commission to get an understanding of the forecasts, the auditor to the Scottish Government looks very closely at the assessment of risk that is undertaken within the Scottish Government. We would expect to see those issues coming through and being reported through the DG assurance meetings up to the Scottish Government audit committee. We will use that information to influence and inform where we take our audit work, based on where we see the risks to the Scottish budget.

**The Convener:** Thank you very much. We thought that it would be useful to have some of those scene-setting discussions at the start of this morning's session, but we now want to get into some of the specifics of the work programme.

First, the section 23 report on national health service governance is coming out in May, or from tomorrow onwards. The Public Audit Committee not just in this session but in previous sessions of Parliament has had some long-standing concerns about the extent to which leadership and governance in the NHS are working as they ought to be. Without pre-empting too much of the report that you are about to publish, do you see signs of improvements being made to leadership and governance in our national health service?

**Stephen Boyle:** Without getting into any detail in advance of the report's publication—though I am grateful to you for setting the scene, convener—I would say that the picture is complex. In a moment, I will ask Alison Cumming, who has been leading on much of this work, to set out in high-level terms some of our findings.

We wanted to do that piece of audit work because of the nature of the recurring themes in our audit reports. The committee has heard about the complex landscape of territorial health boards, national boards and now integration joint boards and how they operate with Scotland's local authorities, and there is also the overarching framework of the NHS in Scotland and the Department of Health and Social Care. Our report looks at that structure, including the decision making and the people who work in the system, and the governance frameworks—the “Blueprint for Good Governance in NHS Scotland” that we have—and asks whether it is possible to navigate through all that and to make important, complex and sometimes life-changing decisions while all of that exists in the system. Alison Cumming can set this out in more detail, but you will not be surprised to hear that we think that that is especially

complicated, not just for auditors and perhaps parliamentarians but for people who work in the system.

We are left with this question: does the NHS need to operate in the way that it does? Is it structured to best effect? We will certainly set that out in more detail over the course of the next few weeks and get into some of those points when we brief the committee.

**Alison Cumming:** I will just develop a few points that you will hear more on. The report will be published towards the end of the month, but we have been looking at the national-level system and developments in health board governance for the past few years now. The Scottish Government has made some quite significant changes to investment in policies and procedures, the “Blueprint for Good Governance” for boards and so on, and there have been self-assessment exercises, which have focused on lessons that have been learned.

As for the scope of the audit, a lot of our work has focused on how fit the governance arrangements are, not just in boards but—importantly—as things come together nationally, to meet the challenges that the NHS now faces in Scotland. In particular, are boards able to deliver the reforms that the Auditor General has identified in the NHS overview and other reports as being really essential to ensuring that services are on a sustainable footing? That is the lens through which we have looked at that complex issue.

In the past year or so, we have seen changes at Scottish Government level, too. For example, one change is the way in which NHS board chief executives come together in a governance group, which we will set out more detail on in our report. Some of the themes that will come through in the report relate to the need to recognise that complexity is inevitable in running the health service. How can we ensure that the right safeguards are in place around decision making? How do we know that we have the right level of independent scrutiny of decision making in place at different levels—at board level, in the health system as a whole and in the Scottish Government, as it oversees NHS performance in Scotland?

**The Convener:** Yesterday, I was reflecting on the fact that Graham Simpson and I are both Central Scotland MSPs, and the two health boards in our area have had quite significant leadership changes in quite a short space of time. Next week, the new chief executive officer of NHS Lanarkshire starts; this is no comment on that individual at all, but they will be the third CEO in two and a half years. If you include the interim CEO, NHS Forth Valley is on to its third CEO in less than two years.

There seems to be quite a lot of turbulence in those leadership positions. Are the underlying reasons for that part of what you are looking at? Are they being given the support that they need? Is one potential facet the revolving door, which means that people just move between health boards? Is that creating an instability in the leadership of territorial NHS boards?

**Alison Cumming:** Perhaps I can manage your expectations of the report, when it comes through, by saying that we have looked at that issue at a fairly high level. We have identified turnover issues and are interested in what the NHS is doing to develop a pipeline of future leaders and to build leadership capacity, which brings me back to the point about the particular period that the NHS is in. How do you have leaders who are able not just to run services but transform them and put them in a more sustainable position?

Turnover is an area of concern to us, and we see that not only in the NHS. Earlier this year, the Accounts Commission produced a briefing and an output on the financial performance of integration authorities that highlighted a very significant turnover of chief officers and chief financial officers, which heightens the risks around delivery and good governance.

10:00

**Stephen Boyle:** I am reminded of evidence that your predecessor committee took on succession planning arrangements for senior leadership roles in the NHS. I will correct this if I am wrong, but there was, I think, the Project Lift programme, which was a mechanism that the NHS devised to support leadership transition arrangements, and the evidence that the previous committee took from senior leaders really illustrated Alison Cumming's point that these are demanding jobs. In our report, we wanted to get under the skin of whether the system is operating in a way that allows senior leaders to discharge their responsibilities as straightforwardly as possible in a complex system. We looked to get into some of that territory, but in an overarching sense of looking at how governance, decision making and accountability are operating in the NHS across the piece in Scotland.

**The Convener:** We look forward to your report.

**Graham Simpson (Central Scotland) (Con):** Will the report look at the number of health boards and the value for money that that represents?

**Stephen Boyle:** No, not directly. The number of health boards is a policy matter and a decision for the Government, and I am precluded from commenting on the merits of policy. We are looking to explore the system as it currently operates.

**The Convener:** Moving on to another area that you will be reporting on—the adult disability payment, which is administered by Social Security Scotland—I note that, in your presentation, you very tactfully said that,

“Social security spending is increasingly outstripping Barnett consequentials in Scotland.”

My reading of the UK Government's recently published green paper suggests that that situation is going to get a whole lot worse. If I have read correctly what is being proposed, there are the cuts to universal credit and the eligibility criteria for that, but what will have a more direct bearing on the adult disability payment are the proposed changes to the personal independence payment. As I read it, an aim in the green paper is to cut eligibility. Assessments are based on scores; I think that the score thresholds to qualify for PIP will rise, and the Office for Budget Responsibility has estimated that 800,000 people will face a minimum cut of £4,200 per annum.

The effect of that on the consequentials for the Social Security Scotland budget is quite profound, is it not? Do I read it correctly that the pressures that you have identified in relation to where we are now are likely to be exacerbated significantly in the future, never mind the individual consequences for the outcomes for people in receipt of those payments?

**Stephen Boyle:** It is fair to say that it is a significant risk to the Scottish Government's financial position. What our audit really looks to do, as I think that we mention in our blurb accompanying the planned output, is to look at the Scottish Government's policy decision to make some of the eligibility criteria processes that clients—I think that “clients” is the terminology used—use to access the adult disability payment, which you have referred to, distinct from how the Department for Work and Pensions operates the personal independence payment. It is very clear that Social Security Scotland's culture is one of respect.

The Scottish Fiscal Commission, whose work we will draw on in the audit, has highlighted some of the financial risks of such an approach. As you have mentioned, the context is evolving quite rapidly in relation to some of the decisions that the UK Government might take on its funding of the personal independence payment and what that might mean for Barnett consequentials. Clearly, the Scottish Government has choices to make about how it spends its budget—for example, on the proportion that it allocates to social security and what tax responses it might or might not implement as a consequence of all that.

In the round, our audit looks to assess how well the adult disability payment, which is the largest of

the devolved benefits in Scotland, has been managed, as well as the financial and non-financial consequences of the programme. We also consider the extent to which the adult disability payment is contributing to the wider efforts to improve outcomes. Although there are timely factors with regard to the UK context, I think that it builds on the system that was already operating, whereby, through deliberate policy choices, Scotland was already paying more for the adult disability payment. We are looking to capture how effectively all of that is operating in the round, both on an individual basis and with regard to some of the fiscal aspects.

It has just come back to me that one of the key parts of the fiscal sustainability delivery plan will be around social security and how that will be managed in the future. That feels very timely.

**The Convener:** Thank you. I have a question on a minor point. When you have undertaken these kinds of pieces of work in the past, you have often spoken to people with lived experience. So, in the work that you are doing and which you plan to do on Social Security Scotland, the adult disability payment and so on, will you speak to people in receipt of that payment to understand how they are affected by the way in which it operates?

**Stephen Boyle:** We endeavour to bring people's experiences into the process. In the programme that we are discussing, we might have had to speak to representative bodies rather than individuals, because of some of the time constraints that we have been operating to. Alison Cumming can confirm whether that is the case and say a bit more about the scope and methodology.

**Alison Cumming:** For this audit, we are not doing any primary audit work on lived experience, for a few reasons. We absolutely recognise the importance of understanding the human impact of various approaches, particularly in relation to Social Security Scotland's stated values of dignity, fairness and respect, but we are also conscious that the Scottish Government has commissioned a review of the effectiveness of adult disability payment, which Edel Harris is leading. It is due to report this year; we did not want to duplicate work that was already going on, so our focus has been a little different.

We also have an advisory group for this audit, which includes various organisations that represent people with lived experience. I should apologise, as I do not have their names to hand today, but they have been helping us shape the audit's scope to ensure that, although we are not undertaking that primary audit work, all our audit judgments are informed by a good understanding of the existing evidence and the work that has

been undertaken by those organisations and by the Scottish Government on the impacts on people and communities of the different approaches that have been taken by Social Security Scotland.

**The Convener:** Okay. This is the start of a consultation process, and I know that other committees of the Parliament might also have a view on what best, or optimum, practice might be when it comes to the work that you are doing on some of these areas.

We will now move on, and I invite Colin Beattie to put some questions to you.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I think that the document is good and quite strong overall, and it picks up on a lot of areas that the committee will be interested in. I will ask about one or two of those.

When the committee has discussed integration authorities with you in the past, we have always been concerned about the funding for them in respect of staffing and the commitment behind that, and we have heard anecdotal evidence that points to a possible unwillingness on the part of the NHS to pay its share into the IJBs. Can you tell us a bit more about the work that you are planning to do on the financing and performance of the IJBs?

**Stephen Boyle:** I will start, then pass to Alison Cumming, who can set out more of the detail—I will bring in Mark MacPherson on other topics shortly.

I am very pleased that we are doing this work. The committee will know that IJBs are local government bodies. The Accounts Commission has published extensive reports on them but because of the nature of accountability arrangements, those reports do not always filter through to this committee, which receives either joint reports from me and the Accounts Commission or reports that Audit Scotland has prepared on my behalf. We all produce a joint work programme, and the Accounts Commission has its own work programme that sits alongside what we do.

The chair and members of the Accounts Commission and I reflected that preparing an isolated report on IJBs could restrict our ability and, indeed, the ability of this committee, to see how the system is operating in the round. I think that it is a positive development and that it will give me, the committee and the Parliament more of an opportunity to comment on the position of IJBs. It will also allow me and the Accounts Commission to make recommendations across the whole system in a single audit report. I am enthused about how that will develop and I look forward to presenting any reports to the committee should you wish to receive them in due course. Alison

Cumming can talk in more detail about how the work will unfold.

**Alison Cumming:** We see this as one of the areas where we will have the advantage of Audit Scotland's team supporting both the Auditor General and the Accounts Commission, because we will be able to look across the whole system in a single report. It will allow us to build on the work that the commission has undertaken in recent years, which, by necessity, has had to focus more on the local government dimension or the specific performance measures by which the IJBs are held to account. We will be able to bring in more health indicators, recognising that primary care is a huge factor in how the overall health and social care system operates.

We are also taking quite different approaches with the presentation of the integration authorities' work. With the commission, we developed a more interactive form of reporting on IJB finances, which was published in March this year. It allows us to look more closely at the performance of an individual IJB alongside the exhibits that show the comparative national position. When the Auditor General and the Accounts Commission undertake their work, we are considering where we could overlay our interactive financial tool with performance information so that we can more clearly illustrate some of the connections and drivers between financial and operational performance.

The Accounts Commission probably considers social care to be its top service area risk in its work plan and programme. Subject to how the Auditor General wants to proceed with his work programme in future years, I would see this being an area of continued joint interest that would feature quite significantly in our audit work over the coming years, which is illustrated by the joint performance audit on delayed discharge that will be published in early 2026. In that report, we will be able to complement the system-wide approach and report on performance by examining in more detail delayed discharge, which is one of the wicked issues that is facing health and social care. We will be able to bring to life how some of those challenges are having an impact on the efficiency of services and, significantly, the outcomes for individuals and their families who are affected.

**Colin Beattie:** Certainly, the IJBs are key for primary and local healthcare, which are under increasing strain. It will be interesting to see what comes out of that work.

**Stephen Boyle:** I recently published a report on the general practitioner contract in Scotland and will give evidence to the committee on it in the next couple of weeks.

I think that what Alison Cumming is illustrating and looking to capture in the programme is the interconnectedness of the issues—whether that is NHS governance, how GP services are operating or IJBs—and the practical realities of that, for example with the delayed discharges in Scotland's hospitals. We see that as a programme of work that will continue our overview of the NHS's finances and performance. I am supportive of the fact that social care remains the Accounts Commission's top priority, and that reads across our wider programme, too.

10:15

**Colin Beattie:** That sounds fair enough. To move on slightly, fiscal sustainability is a big thing—you touched on it earlier. I note that you intend to look at the tax policy and the opportunities and risks of using tax as a way to achieve fiscal sustainability.

There is a problem, of course, with tax, in that it is kind of one-sided. We do not have all the levers, and it is difficult to balance tax across the economy when we do not have that control. Can you tell us a bit more about your planned work on fiscal sustainability, particularly in relation to tax, and how it will support the work of the Parliament and particularly that of the Finance and Public Administration Committee, for which it will be of interest?

**Stephen Boyle:** I will kick off. Alison Cumming will say a bit more afterwards because she will be actively involved in some of that activity. You are right, of course, to say that not all the taxes that are applied in Scotland are under the control of the Scottish Parliament. In our audit report, we want to set out how all that operates and assess whether it does so effectively and clearly. For those taxes that are devolved to Scotland, we will inevitably touch on parts of the fiscal framework—a theme with which the committee is very familiar.

I agree with you—indeed, we hope that many of our reports are of use and of interest not only to the Public Audit Committee but also across parliamentary committees. As I mentioned, I was at the Finance and Public Administration Committee yesterday; I brought that planned work to its attention as part of its interest in fiscal sustainability and the budget scrutiny arrangements in the Scottish Parliament. We are at the scoping stages for that work, but Alison will give you a bit more detail.

**Alison Cumming:** Part of the reason for the selection of taxes as the focus for a piece of work on fiscal sustainability this year is the recognition that it almost completes the work series that we undertook last year on overall arrangements for sustainability and public service reform.

Recognising tax as one of the three pillars in the 2023 medium-term financial strategy that the Scottish Government published allows us to consider how the fiscal risks and opportunities around tax policy are being managed.

We will build on some of the work that we undertook in the assurance report on Scottish income tax this year, drawing heavily on the work of the Scottish Fiscal Commission, which is the independent forecaster and the expert in modelling and forecasting those impacts. We will look at the risks for the Scottish budget and how they are managed. By value, the vast majority of the devolved taxation revenue is Scottish income tax, which will be a major focus.

In this report, we will also consider the distinct arrangements in the fiscal framework for the operation of the fully devolved taxes—the land and buildings transaction tax and the Scottish landfill tax. We will look more closely at those taxes and the plans for further devolution of tax powers. For example, the Parliament has been considering legislation for the Scottish aggregates tax.

The UK Government undertook a consultation on devolving powers to the Scottish Parliament to legislate for a building safety levy, under the powers in the Scotland Act 1998, as amended. That will be the first time that the powers will be used to enable the Scottish Parliament to legislate for a new tax, as opposed to replacing an existing UK tax.

As part of our report, we will look at that, probably at quite a high level, given that that work is at an early stage. The report will have a strong focus on the budgetary implications in the short term and how the medium-term risks are manifest and being managed.

**Colin Beattie:** According to your overview, you expect to publish that report in November 2025.

**Alison Cumming:** Yes, that is correct. We thought that it was important to time this audit and the audit of the adult disability payment so that we are ready to support the Parliament's scrutiny of the draft budget. That is what has influenced our timing in seeking to publish the work on taxes in November.

**Colin Beattie:** I will move on slightly. You are going to produce a briefing on education and skills reform, which will help to inform, or to provide scoping for, audit work after the election. I have a specific question about colleges in that regard, because they have been very much in the news for a long time, particularly with regard to their fiscal sustainability, but I noticed that, in your plans, you talk about publishing a briefing in October this year. A briefing is not an audit, and yet the colleges are such an important element of what we are looking at. Is there a possibility of

upgrading the briefing in order to take a more comprehensive approach to looking at colleges?

In previous parliamentary sessions, we have had a very comprehensive audit across the whole span of colleges, including all the link-ups between colleges and information on how they are all doing. Rather than seeing them one by one, we saw them altogether and could therefore understand the whole issue around colleges and what they face, because one size does not fit all and not all colleges are in the same state.

**Stephen Boyle:** I will bring Mark MacPherson in on that, because he is leading much of our work on education and colleges especially.

First, as I mentioned in my opening remarks, we like to retain a degree of flexibility with regard to the style of audit output that we produce, depending on the variables that we encounter as we do the work or that we know that we will encounter during the audit. A good example of that—we might have spoken about this relatively recently, Mr Beattie—is that, in the past couple of months, the Accounts Commission and I published a joint briefing on additional support for learning. We chose a briefing for that output because we knew from our earlier work that the data was not strong enough to make the sort of strong audit judgments that you would typically see in a performance audit.

On education and skills reform, the approach that we will take perhaps captures what we are beginning to see, which is that there have been many statements of intent or ambition in relation to education and skills reform but that we have perhaps not yet seen the progress that was intended and that might lead to a performance audit. Where a new policy has been implemented, more typically an audit will be done retrospectively and will make judgments that are based on evidence. We do not think that we are quite at that stage with education and skills reform because of where the system currently operates, so a briefing lends itself more to that situation. As ever, there is an opportunity for sequencing, because a briefing can lead, as it has done many times over the years with audit work, to a more detailed performance audit in due course, if there is a timeline of anticipated implementation and evidence to support those judgments.

Mark MacPherson might want to speak more about the colleges and the history of some of our work. The Public Audit Committee is familiar with Scotland's colleges and it is aware, as a result of many of the evidence-taking sessions that it has had, of the scale of the challenges in the sector.

We are witnessing some of those challenges through our audit and reporting work and can see that capacity constraints and the difficult decisions

that Scotland's colleges are having to make have meant that the traditional timeline of audit reporting is out of sync. Audits are not yet being completed at the pace that we were used to, due to a range of factors, and that is influencing whether we have a complete suite of evidence to do what you are referring to as the more traditional sectoral overview report on Scotland's colleges.

We remain committed to auditing and reporting on Scotland's colleges and want to ensure that we find the right way of doing that as part of our work programme.

**Mark MacPherson (Audit Scotland):** Your comments are timely, Mr Beattie. As you will see from the paper, we are still finalising the scope of the work. At the moment, we have reports from 17 of the 19 colleges, so the timelines have caught up a little and I hope that we will have a more comprehensive picture. We are also considering the extent to which we will comment on how the financial situation may or may not be impacting performance and what the longer-term impact might be for the sector and more widely.

It is worth noting that the timing of the reports is such that, by the time we bring our report to you, the financial year end that we will be talking about will be for the previous financial year—2023-2024. We have to make a judgment about how much work we can squeeze in before that work might be past its best, so to speak, so there is a bit of time pressure built into the schedule. We have been in discussion with the Auditor General about how we might shift the focus of the colleges output in future years and I hope that, for this year, we will have a more comprehensive picture for you.

**Colin Beattie:** It would be useful to see the picture right across the board, as opposed to having snapshots of individual colleges. Those are useful and important, but we would like to see the overall financial health of the whole sector and to know what the performance is, because reporting is about performance as well as finance.

**The Convener:** Graham Simpson has some questions.

**Graham Simpson:** Auditor General, I notice that one of the audits that you are due to publish in May will be on the Scottish National Investment Bank, which, since it was formed in November 2020, has had two permanent chief executives and an interim one. The current chief executive is about to retire, which means that the bank will soon be on its fourth chief executive in less than five years. That is an issue.

I know that you cannot tell us exactly what will be in the audit, but I wonder what level of detail it will go into. Are you looking at individual investments made by the bank and the value for

money that they represent? Is that the kind of thing you are looking at?

**Stephen Boyle:** We picked that audit topic, because we felt that it was a significant development in the application of public funding in Scotland. When "the bank"—as they like to be called—was created, the trajectory was for up to £1 billion of capitalisation. That was a significant use of public money so, perhaps not surprisingly, we wanted to take an audit perspective on whether that was on track and whether the structures, the governance, the decision making and the accountability arrangements that you referred to were operating effectively. Given that the environment is evolving, in terms of the leadership arrangements and some of the bank's aspirations for the activities that it can do, and given that the regulation to which it is subject is changing, we have sought to explore much of that through the performance audit that we have undertaken.

When we came to structuring the work and setting out its scope, we stepped back—for good reason, which Alison Cumming can say more about—from looking at individual investments. Our experience of auditing Scotland's enterprise agencies shows that it is inevitable that there will be some unsuccessful investments; we see from reporting by the enterprise agencies that there is a degree of risk and reward associated with those investments, and that some are unsuccessful, which means a loss of public money. Those that are successful go from start-ups to successful businesses in the longer term and produce a return through high-paid jobs for Scotland in the years to come. That said, we set out in the report some case studies of high-profile investments that I am sure will be of interest to the committee.

10:30

We also set out how decision-making processes operate within the bank and the important role played by the investment committee in the organisation, who is on the committees, the information that they get, the structures and the processes. I hope that the operation of this important piece of investment and public sector architecture in Scotland will be a matter of interest both to the committee, and more widely.

Alison, is there anything that you want to add?

**Alison Cumming:** I would just emphasise that we have been looking more at the overall system and at the arrangements that are in place to ensure that investment decisions are robust and give an assurance that there has been due consideration of value for money and the use of public money, while recognising that, as Stephen Boyle has said, the nature of the bank's

undertakings means that the risk factor is always different than it is for other public bodies.

You will see a range of case studies in the report. One particularly interesting issue is that the bank, as an organisation, brings together a public service culture with a financial services and financial services regulation culture. It has been particularly interesting to look at how financial services governance practices have come into play, and the rest of the public sector might learn lessons from their application.

**Graham Simpson:** Thank you. I am looking forward to seeing that piece of work.

Moving on to something else, I note that you are doing an audit of resilience in flooding. That will certainly be of interest to other members; I know from chatting earlier that Mr Beattie has a case study that he might want to mention, and Mr McMillan has a case study on his patch, too. Indeed, the convener and I have a great interest in the big scheme that is being planned for Grangemouth.

What level of detail will you be going into in that piece of work? Will you be looking at individual schemes such as Grangemouth, for example, which is going to use a lot of public money? How will the work link with your planned work on climate change? Will you be looking at case studies and examples of work that has already been done, and will you be looking at things that you think have worked and things that have not?

**Stephen Boyle:** The report on building resilience to flooding is part of our programme of work on climate change. It reflects the fact that, whatever efforts we make to mitigate the effects of climate change, it is with us, and the question, therefore, is the extent to which Scotland's communities are prepared to prevent and recover from flooding events.

The report primarily looks at how the system operates in Scotland through the relevant public bodies. The Scottish Government, together with Scotland's local authorities, the Scottish Environment Protection Agency and Scottish Water are all key organisations in how the system works. We have case studies that explore some of the dreadful events that we have witnessed in recent times, especially what happened in Brechin, which is perhaps the most recent example of a community being impacted by flooding. We set some of that out in the report.

With some of the high-profile flood prevention investments that have been made, we look to step back slightly and ask how all that is operating. The committee will be familiar, through our audit reporting, with not only flood defence schemes but other large capital investment projects that have seen cost growth in recent times through, for

example, build cost inflation and supply arrangements. Again, that is a feature of our report.

As ever with our performance audit reports, we make a number of recommendations to the Scottish Government and public bodies on how the system might better operate to ensure that Scotland is more prepared to prevent, and recover from, flooding in the future. As for the timeline, we expect to publish the report at the end of August, shortly in advance of Parliament returning from summer recess.

**Graham Simpson:** Okay. As I said earlier, these schemes can use up an awful lot of public money. Is your report going to look at who is responsible for spending that money and developing the schemes?

**Stephen Boyle:** Alison Cumming might want to say a bit more about that, but we are absolutely looking at where the money has come from and the growth in the cost of some of the flood defence arrangements. We will go into more detail on that when we brief the committee in due course, but Alison might want to add something now.

**Alison Cumming:** The report will be a comprehensive study. One particular aspect that is driving the timing is that the national policy approach is moving from one of management and prevention to one of resilience, and we are looking at what that means as flooding events become even more serious and significant. There is a limit to which those events can actually be prevented from causing damage, but the approach is about how we in Scotland move to being more resilient to such events. The Scottish Government has recently published its "National Flood Resilience Strategy", so we will look at the approach that it sets out.

As the report is a joint piece of work with the Accounts Commission, we have done some case studies with individual local authorities, which has helped us look at how local government is an actor, and the respective roles and responsibilities. We are also planning to publish some additional case studies outwith the report, simply because we have gathered some really interesting pieces and there is more there than we could put in an easily digestible report. As a result, further resources will be made available with the publication of our main report that will go into more detail on some specific areas.

**Graham Simpson:** Before I move on, convener, I wonder whether other members want to come in.

**The Convener:** Indeed. I will invite Colin Beattie first, and then Stuart McMillan, to raise some questions with the Auditor General in that area.

**Colin Beattie:** As Graham Simpson has mentioned, I have an interest in my own area in the Musselburgh flood protection scheme—I do not know whether you have looked at that at all. It was a relatively small scheme that is now, depending on how many options are taken, costing well over £100 million, and Government finance appears to be uncertain, or at best indicative.

The scheme has taken about three years to get to where it is, mainly as a result of objections that were raised locally. The whole process has been quite byzantine in its complexity when it comes to things progressing through the system—and, indeed, has been quite controversial, in that interested third parties have been part of the decision-making process. That has been subject to objections, too. I do not know whether you have looked at the scheme, but it is certainly one of the more complicated ones on the go at the moment, both financially and technically.

**Stephen Boyle:** I am happy to respond briefly, and Alison Cumming might want to say a word or two.

We do not have a case study per se on Musselburgh flood prevention arrangements, but many of the circumstances that you describe are consistent with what we have seen across Scotland in respect of how flood prevention investment is operating. Those include the complexity, the duration and the number of different bodies involved, and also the lack of clarity around roles and responsibilities, which is—not to give too much away—likely to be a key theme of our report.

Another issue is the degree of urgency that is now required to resolve those arrangements, especially given the pace of climate change. It would be a dreadful set of circumstances if a flooding event took place in the midst of protracted delays to a flooding scheme.

I am keen, therefore, that our audit report has impact, and I hope that it acts as a useful tool to resolve some of the issues that you might have seen borne out in the circumstances in Musselburgh.

**Colin Beattie:** I look forward to seeing the report.

**Stuart McMillan:** Have you looked at any case studies of what has taken place in Inverclyde? Usually, when I come to the committee, I have something to complain about, but I just want to highlight the excellent practice that has taken place in the Scottish Water flood prevention scheme along the A8. Given the amount of joint and partnership working that Scottish Water had to undertake with the local authority, Transport Scotland, Amey and others, that is probably a

good model to look at and potentially to replicate across the country.

**Stephen Boyle:** I am grateful to you for highlighting that to us. As Alison Cumming has said, we are sometimes presented with too much material to capture in a single report, and with such output, we have to find additional ways of conveying circumstances. We will take that example away, do some further research on it and look for a way to set it out in our reporting.

**The Convener:** That was useful. I come back to Graham Simpson, who has a couple of other issues that he wants to raise with you.

**Graham Simpson:** Just one more, actually. It relates to your planned audit on best value in policing, Auditor General, which you are going to do in conjunction with His Majesty's Inspectorate of Constabulary in Scotland. Our predecessor committee, in its legacy report, said:

“The Committee is strongly of the view that there needs to be a full and comprehensive review of police governance and accountability arrangements.”

Will you look at that, and how will you work with HM Inspectorate of Constabulary in Scotland?

**Stephen Boyle:** I recall clearly the predecessor committee's view that there needed to be an urgent review of police governance and accountability arrangements, and I remember saying very early on in my tenure that I wanted to take a bit of time before undertaking more detailed audit work on the Scottish Police Authority and Police Scotland. My reason for doing so was that I had seen signs of stability in some of the decision-making arrangements and the relationships between Police Scotland and the SPA, and I am satisfied that that has been borne out.

In many of the audit reports that have been produced through the work of the external auditors, we have seen confirmation of the fact that policing will always be complex, hugely important and uniquely placed in terms of its powers. However, as some members of this committee who were on the predecessor committee will recall, we were in a cycle of annual section 22 reporting on policing in Scotland. At that time, there were challenges with relationship issues, governance and leadership concerns and financial position concerns, all of which deserved annual scrutiny from what was the Public Audit and Post-Legislative Scrutiny Committee. I remember that well, given that, at the time, I was the appointed external auditor of the Scottish Police Authority.

Now feels like the right time, together with what the Police and Fire Reform (Scotland) Act 2012 requires of me, to work with the chief inspector of constabulary on a wider piece of work that will capture governance and accountability,



performance, use of resources, financial planning and financial sustainability. We will come back to the committee with a much broader, more rounded piece of work on how policing is performing and how well placed the service is to respond to the needs of communities into the future. That will include how the service is managing its finances and the plans for its estate, together with the use of technology.

I look forward to that work progressing. We are engaging regularly with HMICS on that, and we have an experienced audit team that is working closely with the chief inspector's team and engaging with both the SPA and Police Scotland. I expect, again, that the report will be published in January 2026.

10:45

**Graham Simpson:** Okay. So you will be looking at things such as the condition of the police estate, and what are, in a lot of cases, crumbling police stations—

**Stephen Boyle:** Perhaps not directly. Ownership of the estate is a matter for Police Scotland, and ultimately for the SPA as the oversight organisation. We want to see what their plans are—in, say, the example that you have just given—for how they will deliver policing in the future, and what that will mean.

Recently we have seen the police setting out specific plans for some of the estate, including where they will invest and where they will dispose of certain elements, and a part of our audit will look at how they have gone through that process and how that links in with their service requirements and the financial position in the round. That will be part of our work, and we will perhaps undertake our own condition analysis in that regard, but we are content that it is a matter for the police themselves.

**Graham Simpson:** But when you have looked at colleges, for instance, you have looked at the condition of the estate, too. You have mentioned that in previous reports.

**Stephen Boyle:** To avoid any confusion, I clarify that we will do the same things. With the work on colleges, the colleges themselves have undertaken estate condition surveys, and the same principle will apply to policing. Does the organisation know how it is going to deliver policing services? What are the demands of the local population? Those are the factors that we will consider as the hallmarks of best-value arrangements in the round.

**The Convener:** Thank you. I invite Stuart McMillan to put a final series of questions to the Auditor General.

**Stuart McMillan:** Everyone will be very much aware of the work that Audit Scotland has undertaken with regard to the Glen Sannox and the Glen Rosa. You are also planning to produce a performance report in February next year. Can you provide further information with regard to the specifics that you will be looking at in that future work?

**Stephen Boyle:** Yes, very much so. I will bring in Alison Cumming to set that out in detail for the committee.

That work is the continuation of a long-standing commitment that I made to the Public Audit Committee that I would produce a performance report on the completion of both vessels. We have commented regularly on progress and the challenges that have arisen, and we have seen the launch of the Glen Sannox, which is now in operation. We want to produce a report that captures the totality of lessons on investment that can be learned and applied, and we will do that when the Glen Rosa is complete.

I have no insight—certainly not beyond that of the Public Audit Committee—as to timescales, but I note that there is perhaps some uncertainty around whether that report will be published in February. Given that some of the timescales for the completion of vessels have changed over the years, we want to ensure that we are not premature in committing to a publication date if the completion date of the vessel changes. We will keep track of that closely, and we will keep the Public Audit Committee updated.

I will bring in Alison to say a bit more about where our work might take us in that regard.

**Alison Cumming:** The audit is still being planned and scoped, so no final decisions have yet been taken on exactly what it will cover.

As we have highlighted in our slides, we are particularly interested in looking at the final costs and the lessons learned and in recognising the lessons learned for the Scottish Government and the wider delivery partners, including CMAL and Transport Scotland. While this audit is on-going, the forensic review that the Scottish Government has commissioned will be under way, so we will take account of that work, too, and we are likely to produce a separate output for the committee on the review. We cannot say any more about that at the moment, because that work has not been precisely scoped. Phase 1 is about to complete. That was about ascertaining what data was available in order to be able to ascertain the nature of the work—the forensic analysis that could then be undertaken on the payments. We will look to comment on the phase 2 analysis. However, we will be looking at that in the round.

This work feels a bit different for us on the audit teams, because we are doing it in real time, responding to the events as we get further clarification on the timings for the Glen Rosa. We are obviously very interested in what the committee would like to consider before the end of the parliamentary session, how we build that into our plans, what we are able to share with the committee and your ability to then scrutinise that. However, events outwith our control might mean that we are unable to undertake the full audit work and report on it until after the 2026 election.

**Stuart McMillan:** Thank you. That is very helpful. With regard to the finances and the lessons learned, I am not sure whether this work is already due to take place as part of the forensic analysis—I hasten to add that I am not making any accusations; I am just referring to where money has been spent—but it would probably be worth looking at the contracts that were signed with external contractors. Quite a range of external contractors have been involved in the building of the Glen Sannox and the Glen Rosa. Given that the Glen Rosa is still being worked on, whereas the Glen Sannox clearly is not, if you were to look at that aspect with regard to the Glen Sannox in the first instance, that would probably help in relation to the lessons learned if such a piece of work is later undertaken in relation to the Glen Rosa.

**Stephen Boyle:** That is very helpful. Thank you. As well as making recommendations with regard to the lessons learned, we are keen to see the evolution of practice and arrangements within Ferguson Marine Port Glasgow in relation to both vessels, especially in the period since the completion of the Glen Sannox and what that means for the processes for the Glen Rosa, so that is a useful steer. Thank you.

**Stuart McMillan:** In Scotland, the process is about best value, not what is cheapest. I do not imagine that you have somebody who has worked in shipbuilding working in Audit Scotland—you will know the answer to that; I do not—but I genuinely think that, with regard to the best-value approach, you will be looking at contracts not solely in terms of the numbers but with regard to the number of staff contractors who have been brought in and who have been let go, as well as the range of salaries that were on offer. We all recognise the additional costs that have been borne by the taxpayer—for the building of the Glen Sannox, certainly, but now also for the Glen Rosa. The lessons learned element is hugely important in that regard, and looking at the external contractors would be a good starting point and worth while.

**Stephen Boyle:** Thank you.

**Stuart McMillan:** You are also looking at the sponsorship arrangements with the Scottish

Government. The committee is keen to get a bit more information about that range of activity, too.

**Stephen Boyle:** I am happy to start on that question. How well the sponsorship arrangements are working within the Scottish Government and its bodies has been a long-term shared interest of mine and the committee's, and we have returned to that theme in a number of our reports over the years. The committee will recall that it has seen some of the consultant reports that the Scottish Government has taken and how well those recommendations have been implemented. It has also had an update from the former permanent secretary on how those have been applied. We want to take a view on that, and we intend to do so during the annual audit of the Scottish Government by exploring the effectiveness of those arrangements with public bodies.

The Scottish Government's governance arrangements have evolved a number of times. Alison Cumming has already mentioned some of the director general arrangements and the escalation to the executive board of the Scottish Government, the Scottish Government assurance and audit committee, and so forth.

We are now three years on from Eleanor Ryan's 2022 "Progress Review of Scottish Government Relationships with Public Bodies" report and recommendations. It therefore feels timely to look at whether those recommendations have been implemented. During this piece of work, we want to look at whether governance and sponsorship arrangements are operating effectively within the Scottish Government and its sphere of public bodies. We will report on that to the committee in October.

**Stuart McMillan:** One element that has come up in the short time since I have been back on this committee is the issue of people coming and going within those bodies. I understand that there are a wide range of factors as to why someone leaves a particular role and moves on to a different role. It is also very common within the civil service for staff to be shuffled around. However, in relation to sponsorship arrangements and the folk who work purely in that sphere, I would be keen to explore whether there could be some mechanism whereby, if staff have built up an expertise and are considered to be high performers in that area, the normal rules would not apply and they would see out a particular project instead of moving on to something else. Personal circumstances will obviously dictate that as well, but we would want folk who are doing a very good job to remain in that role and see a project through.

**Stephen Boyle:** I am very keen to look at that through this work. As you alluded, civil servants moving from one policy area to another in order to gain a rounded experience is absolutely a feature

of how the civil service operates. I do not suspect for a minute that that will change; it is simply a feature of how the civil service operates. However, the other part, in relation to sponsorship operating effectively, is equally true. One of the points captured in Eleanor Ryan's report was that there had been a significant turnover of sponsorship responsibilities within the Scottish Government and that people were new in their posts.

As you said, change happens for a variety of reasons. However, the architecture around that change has to be robust enough to cope with it; people have to be properly inducted, trained and supported; and the right experience has to be applied. The committee heard about risk analysis from, for example, the director general for net zero. He talked about some of that in relation to sponsorship arrangements for the Water Industry Commission for Scotland, which had not operated effectively.

I am keen to explore whether the Scottish Government is resilient enough to cope with change and training arrangements and how that is operating. You have made some very relevant points, which we will explore through the audit.

**The Convener:** Before we finish up this morning, let us go back to the Ferguson Marine situation. I should know the answer to this question, but I will ask it nonetheless. In relation to the forensic audit of FMEL in the pre-nationalisation period, have those forensic auditors been appointed? If so, who are they? If they have been appointed and we know who they are, what stage are we at? You mentioned a scoping exercise and the need to gain an understanding of what documentation is available and so on. It would be helpful to learn, on the record, a little bit more about that and about when you anticipate that they will report.

**Stephen Boyle:** The Scottish Government has appointed a firm of forensic accountants, Grant Thornton, to undertake that work. I ask Alison Cumming to give some detail of the sequencing of it.

11:00

**Alison Cumming:** We understand that the engagement will be in two phases. Phase 1 is due to conclude at the end of April—today—and is to ascertain what data and information were available on the payments. The contracted firm will then provide a proposal for the work that it will be able to do, based on the data and evidence that will have been uncovered and gathered.

We do not know the timeline on which it will produce that work—that will be dependent on the scope. There are still a lot of unknowns in relation to what that work will be. We anticipate that it will

take at least another two or three months for that work to conclude, but we have not had any confirmation of the timeline. That is because the conversations between the Scottish Government and Grant Thornton about it cannot take place until Grant Thornton has considered the phase 1 report and output.

Our intention is to produce an output for the committee that is based on the phase 2 work. I say “output” because, as has been said, we are not yet entirely sure of what it will look like, and we will not know that until we know what work will be done in phase 2. We will consider the scope of the work that has been undertaken and the type of assurance that we can provide to you, and we will update you when we receive further clarification from the Scottish Government.

**The Convener:** Audit Scotland has described it as an assurance exercise on the work that has been commissioned to be done by an external firm of accountants.

**Stephen Boyle:** You will recall, convener, that there was much to and fro about how the work would be undertaken. The Scottish Government engaged with us and with this committee, and it confirmed that I did not have the powers to do that work, because Ferguson Marine Engineering Ltd was not a public body—it had gone into liquidation. Bringing it back as, effectively, a newly created public body would have been cumbersome, and it is not certain that that would have delivered the outcome that we were all looking for, which was an assessment of the money that was spent and what it was spent on. The mechanism that we have, whereby forensic accountants are undertaking work that was commissioned by the Scottish Government, with additional assurance from Audit Scotland, will, I hope, provide the Public Audit Committee with the opportunity to explore the conclusions of that work.

**The Convener:** This is my final question—you may not be able to answer either the first or the second part of it. First, is the work purely a desktop exercise, or will people such as Jim McColl, the former owner of the yard, be interviewed?

**Stephen Boyle:** I do not know the detail of that. It is something that, as Alison Cumming said, we will probably find out in the next phase of the work. It also depends on what you define as “desktop” work. The accountants have access to the financial records, so they are undertaking that activity. That probably rubs up against the extent of our engagement and detail at the moment.

**The Convener:** Okay. This is the final part of my final question. This morning's discussion has been about the work that Audit Scotland is able to

carry out before we hit the buffer of March next year, when the Parliament is dissolved and we go into election mode. Is it your working expectation that the assurance that you will be able to provide on the pre-nationalisation phase of Ferguson Marine will be available before we hit that buffer?

**Stephen Boyle:** All that I can say is that we hope so. I would not want to be definite, given that it is others, not us, who are carrying out the work.

**The Convener:** Thank you for your co-operation with that final round of questions and all the other questions that we have put to you this morning. It has been extremely useful for us.

I thank Mark MacPherson, Alison Cumming and the Auditor General for being available this morning to give us insight into their work programme. It is a consultation process and we will need to consider how best to canvass the views of other parts of the Parliament and to feed back their views on the indicative work programme.

The committee will now move into private session.

11:04

*Meeting continued in private until 12:13.*

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