

Audit Scotland's annual statement on sustainable economic growth for 2019/20

The Public Services Reform (Scotland) Act 2010, section 32(1)(a) requires listed public bodies to publish a statement on sustainable economic growth as soon as possible after the end of the financial year.

This statement sets out the steps that Audit Scotland has taken in 2019/20 to promote and increase sustainable growth through the exercise of its functions. Further information on this and our audit work is contained in our [Annual Report and Accounts 2019/20](#).

Introduction

Audit Scotland is a statutory body that supports the Auditor General and the Accounts Commission in making sure public money in Scotland is used properly, efficiently and effectively by undertaking audits and investigations of Scottish public bodies. To ensure objectivity in our work, Audit Scotland is independent of the Scottish Government and Scottish ministers. The independence, quality and timeliness of audit are essential to the public interest.

COVID-19 statement

The COVID-19 pandemic is a global challenge. It may be months and in some cases years before we fully understand the impact this pandemic has had on us as an organisation. We continue to adapt to the new ways of working and carrying out our responsibilities.

Our own priority as an organisation has been the health, safety and wellbeing of our people. Since closing our offices and instituting our Business Continuity protocols, we have worked to keep our teams informed, supported and connected, and made physical and mental wellbeing and emotional support a clear focus.

For further information visit our [Covid-19 e-hub](#) on Audit Scotland's website.

Sustainable economic growth and contribution to the National Performance Framework

Audit Scotland contributes to sustainable economic growth and the National Performance Framework as an employer. For example:

- Our professional trainee programme attracts 16-24 year olds and we run one of the largest public sector accountancy training schemes in Scotland. We have 43 graduate and school-leaver trainees and staff working towards professional qualifications thereby increasing the skills base of Audit Scotland, and Scotland in general.
- Our workforce is 58 per cent female and 42 percent Male, we have 6.8 per cent of colleagues who have declared their ethnicity as Black, Asian or Minority Ethnic (BAME).
- During 2019-20 nearly one third of our work force work non standard working pattern, helping to balance personal and work lives.
- This year staff received an average of 7.7 days training and personal development to increase knowledge, skills, efficiency and effectiveness.
- We continued to focus management and professional support to staff well-being and attendance. In 2019/20, our sickness absence remains low compared to the public sector average. Our sickness absence was on average 4.97 days which was a small increase on previous year figure of 4.85 days per employee.
- We have offices in Edinburgh, Glasgow and Inverness and have many staff located in audit sites across the country, contributing to their local economies.

- Not all the work that we do is carried out by Audit Scotland staff. We contribute to economic activity by appointing firms of accountants to carry out audits on behalf of the Auditor General and the Accounts Commission and specialists to contribute to performance audits. This amounted to just over £4.5 million this year.

Audit Scotland has an interest in the extent to which the Scottish Government is making progress against the outcomes contained in the National Performance Framework. We do this by carrying out performance, best value and financial audits to provide assurance that money and resources are being used properly, efficiently and effectively and to highlight areas for improvement.

We audit 217 bodies, with a total spend of about £44 billion a year and in 2019/20, we audited 293 sets of accounts and completed 17 performance and Best Value audits.

We are committed to supporting the Scottish Parliament and the public to understand how devolution is changing the landscape for public finances, and how well public bodies are taking on the significant responsibility of managing Scotland's increasing financial powers. Public audit plays a key role in helping the Scottish Parliament and policymakers understand the key issues facing the public sector and how public money is spent.

We have strengthened our engagement with committees, MSPs and the Scottish Parliament Information Centre (SPICe) to better help parliamentarians scrutinise the public sector's performance. For example, we worked closely with the Scottish Parliament to help it implement the recommendations of the Budget Process Review Group (BPRG).

We meet with and give oral and written evidence to a wide range of parliamentary committees and given briefings to MSPs, with a total of 58 parliamentary engagements over the year. This includes presenting to the following committees on relevant audit work: Education and Skills; Equalities and Human Rights; Finance and Constitution; Health and Sport; Justice; Local Government and Communities; Public Audit and Post-legislative Scrutiny Committee; and Social Security.

Strong and effective public services play an important part in ensuring sustainable economic growth. Public audit provides assurance that public money is well managed and that governance arrangements for public services are sound. This helps create a strong and effective system of accountability and transparency which supports the best use of public money in the public interest.

We carry out performance audits across the public sector to help public bodies improve the quality of their services, do more with their money, and find more efficient and effective ways of working to the same or better standards. Our audit reports carry recommendations for public bodies to help them improve.

Audit plays a role in deterring and detecting fraud in public bodies, and in helping organisations prevent the loss of public money through mistakes. Audit Scotland coordinates the National Fraud Initiative, an exercise that matches datasets across the public sector to identify potential fraud and errors such as overpayments. In partnership with Police Scotland, we published [Red flags: procurement](#) (October 2019), a document giving guidance and examples of the signs that could alert auditors to fraud or irregularity in public sector procurement. As part of our audit work, we review whether public bodies have adequate controls in place to prevent and detect fraud. Our [How councils work: Safeguarding public money](#) (April 2019) report highlighted auditors' concerns that systems at councils to prevent money being lost to mistakes and fraud were under strain. We also published an annual [Fraud and irregularity update](#) on cases auditors reported on during 2019/20.

[The National Fraud Initiative in Scotland](#) (July 2020) identified £15.3 million of fraud and error across the public sector with 124 public bodies participating.

The National Fraud Initiative (NFI) compares electronic data about individuals held by different public bodies, such as councils and NHS boards, to help identify fraud or error. Matches resulted in an estimated £18.6 million of outcomes since the last report in 2016. This figure includes future losses prevented by the work carried out.

The latest exercise in Scotland has led to:

- £4.9 million of overpayments being recovered to date
- 4,588 council tax discounts reduced or removed
- 280 occupational pensions stopped or reduced
- 3,215 blue badges stopped or flagged for future checks
- 1,238 housing benefit payments stopped or reduced

There is strong evidence that most bodies take advantage of the opportunities provided by the NFI. One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants for the 2018/19 NFI exercise helped other public bodies, both within and outwith Scotland, to identify 884 outcomes worth £1.7 million. This is an increase of £0.6 million from 2016/17.

Education sector reports included, our [Scotland's colleges 2019](#) (June 2019), [finances of Scottish universities](#) (September 2019), and [Early learning and childcare follow-up report](#) (March 2020).

The [Scotland's colleges 2019](#) (June 2019) recommended colleges should agree their underlying financial position with the SFC prior to finalising their accounts; improve data collection and response rates for student satisfaction and publish results ;use How good is our college? effectively to drive improved performance and enhance the quality of service provision.

Health sector reports included the [NHS in Scotland 2019](#) (October 2019), [Delay to the opening of the Royal Hospital for Children and Young People](#) (December 2019), [NHS Workforce planning – part 2](#) (August 2019), [Drug and alcohol services: an update](#) (May 2019), and [General Medical Services contract in Scotland: a short guide Drug and alcohol services: an update](#) (May 2019).

The [NHS in Scotland 2019 report recommended](#) The Scottish Government in partnership with NHS boards and integration authorities should develop a new national health and social care strategy to run from 2020, develop and publish the national, integrated health and social care workforce plan and guidance, to inform future workforce planning; improve the quality and availability of data and information and incorporate the principles of the Community Empowerment Act within communication and engagement strategies.

Local Government sector included the [Local government in Scotland Overview 2020](#) (June 2020), [Safeguarding public money: are you getting it right?](#) (April 2019) and [Scotland's City Region and Growth Deals](#) (January 2020).

The [Local government in Scotland Overview 2020](#) found that the COVID-19 pandemic brings unprecedented challenges across communities and public services. The effect on the health and wellbeing of our communities, as well as the financial difficulties and increased levels of poverty, will be significant. The impact on the economy, on national

finances and on local public services will also be considerable. This report was compiled before the escalation of the pandemic and is an overview of local government in 2019. But its messages remain relevant. The pandemic multiplies the challenges for local government further and so the need to do things differently to meet the needs of communities more efficiently and effectively is even more important.

[Safeguarding public money: are you getting it right?](#) (April 2019) found an effective system of internal controls and risk management helps councils to safeguard their finances; ensures they implement their policies; and helps them to deliver high-quality services. Controls include procedures for paying the right sum of money to the right person at the right time; keeping confidential data secure; and minimising a council's exposure to fraud and corruption.

There are signs from councils' internal auditors and the work of councils' external auditors that standards of internal controls may be strained. Some recurring weaknesses are becoming apparent among councils and the consequences could be serious, including the loss of significant amounts of public money, impacts on services and reputational damage.

[Scotland's City Region and Growth Deals](#) (January 2020). City deals have been positive for Scotland's economy, but the government does not have a plan to measure their overall long-term success. City Region and Growth Deals have enabled economic development projects across Scotland that may not otherwise have gone ahead and sparked increased collaboration between councils and their partners. Eight deals worth £5.2 billion, mostly around infrastructure improvements, have been signed or agreed in principle, with more in the pipeline.

Central Government sector reports included [Social security: implementing the devolved powers](#) (May 2019), [privately-financed infrastructure investment](#) (January 2020) and [Self-directed support: 2017 progress report](#) (December 2019)

The [Social security: implementing the devolved powers](#) (May 2019) found the Scottish Government had done well in delivering the first devolved benefits but that the real challenges were still to come. Our review of [privately-financed infrastructure investment](#) (January 2020) found that it had enabled more buildings and roads to be built but the Scottish Government needed to be clearer about how and when it used private finance.

The [Self-directed support: 2017 progress report](#) (December 2019) included recommendations for improvement that were accepted and actions put in place by the Scottish Government, COSLA and partners. Authorities have yet to make the transformation required to fully implement the SDS strategy, although further steps have been made to progress on our recommendations.