



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 27 August 2020

Session 5



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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
16th Meeting 2020, Session 5

CONVENER

Jenny Marra (North East Scotland) (Lab)
*Anas Sarwar (Glasgow) (Lab) (Acting Convener)

DEPUTY CONVENER

*Graham Simpson (Central Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Neil Bibby (West Scotland) (Lab)
*Bill Bowman (North East Scotland) (Con)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Alex Neil (Airdrie and Shotts) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)
Fiona Diggie (Audit Scotland)
Mark Taylor (Audit Scotland)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

Virtual Meeting

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 27 August 2020

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

Interests

The Acting Convener (Anas Sarwar): Good morning and welcome to the 16th meeting in 2020 of the Public Audit and Post-legislative Scrutiny Committee.

As members will be aware, Liam Kerr is no longer a member of the committee. I pay tribute to him for his contribution to the committee's work over the past few years and wish him well in his new role. We have a new member to welcome: Graham Simpson. I invite Graham to declare any interests that are relevant to the committee's remit.

Graham Simpson (Central Scotland) (Con): I have no relevant interests to declare, convener.

Deputy Convener

09:01

The Acting Convener: Liam Kerr's departure also means that we need to choose a new deputy convener. The Parliament has agreed that only members of the Scottish Conservative Party are eligible for nomination as deputy convener. I understand that Graham Simpson is the party's nominee for the post—he is rising to high office on the committee straight away.

I will assume that all members agree to Graham Simpson being the new deputy convener unless a member indicates otherwise.

Graham Simpson was chosen as deputy convener.

The Acting Convener: I congratulate Graham on his appointment and welcome him to the committee.

Decision on Taking Business in Private

09:01

The Acting Convener: Item 3 is for the committee to decide whether to take in private item 5. Again, I will assume that everyone agrees unless a member indicates otherwise.

Members have agreed to take item 5 in private.

“Covid-19: Implications for public finances in Scotland”

09:02

The Acting Convener: Item 4 is on the implications of Covid-19 for public finances in Scotland. I welcome to the meeting the new Auditor General for Scotland, Stephen Boyle. This is your first formal meeting with the committee, Auditor General, so I formally congratulate you on your appointment. The committee looks forward to working with you and your team. I know that, at some point in the future, we will have a public session to discuss your priorities in your new role.

The Auditor General is accompanied by Mark Taylor, audit director, and Fiona Diggle, audit manager, both from Audit Scotland.

I invite the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Many thanks, convener, for your warm words, and good morning, members.

I am delighted to be joining you this morning as the Auditor General for Scotland. This is my first meeting and I look forward to working with the committee during the weeks, months and years ahead.

In a matter of months, the public health crisis caused by Covid-19 has profoundly affected all aspects of Scottish life. Central to that are the personal tragedies suffered by the thousands of people who have died or lost loved ones. The pandemic is far from over and it remains unclear what impact it will have on us as individuals, on public services and on the economy.

The crisis has required the Scottish and United Kingdom Governments to respond quickly and provide substantial additional funding for individuals, businesses, public services and the economy. In our paper, we set out our initial assessment of the impact of Covid-19 on Scotland's public finances up to the end of July 2020. We analyse the emerging risks to the Scottish Government's budget and the performance of public services. We also outline how public audit is responding to these events.

The Scottish Government has made more than 90 separate spending announcements, totalling £5.3 billion, aimed at tackling the pandemic, and more is likely to come.

Transparency matters more than ever. I welcome the introduction of the summer budget revision to aid Parliament's on-going scrutiny. Similarly, we welcome the Scottish Government's confirmation in the past few days that the deferred

medium-term financial strategy will be published alongside the budget in December this year.

The Scottish Government's spending programme is taking place alongside UK Government spending and taxation measures that apply in Scotland. A key task for all involved will be ensuring that the Scottish Government's responses work well alongside UK Government and local government measures.

The pandemic has brought immediate risks to people, public services and the economy, with some groups in society being disproportionately affected. Risks to people's health and wellbeing will continue over the longer term, and responding to the pandemic will affect the Scottish Government's wider aims and objectives. Public services will need to adapt.

For our part, we are reviewing our forward work programme to reflect the changing context of Covid-19 and its implications for public finances, public services and outcomes for citizens. The paper will support that work. As we look to provide transparency, support parliamentary scrutiny and share good practice and innovation, I will continue to engage with the committee.

I am delighted to be here along with my colleagues Mark Taylor and Fiona Diggle to support the committee's consideration of the paper.

The Acting Convener: Thank you, Auditor General. I put on record my thanks to the whole team at Audit Scotland, who have continued to work in extremely challenging circumstances. Please pass on our best wishes to all your colleagues.

I will open up the questioning on behalf of the committee, and then I will hand over to Colin Beattie. What is the total spend in Scotland in response to Covid-19, not just by the Scottish Government but across the Scottish and UK Governments?

Stephen Boyle: In the report, we look to set out the spend up to the end of July. We have focused in on a figure of £5.3 billion as the spend that has been identified as contributions to Covid-related matters. We also touch on the point that the UK Government has made a range of other spending announcements, and we capture aspects of those announcements too. Local government across Scotland and the UK is also taking steps to reprioritise. All that complexity makes it difficult to say with any degree of confidence or accuracy what the total spend has been so far.

There is undoubted volatility as well, even to the extent that budget funding measures may not necessarily have been spent to date. That volatility makes it quite challenging and difficult to pin down

the total spend. All we can probably do is to continue to track through the year to date and in anticipation of what the year end will show.

My team and I are still auditing all that spend. The challenge, as ever, is timing. Much of the spend that will be reported through audits will have captured only a small part of the figure up to the end of March. Current audits will capture the spend in detail. There is a lot of uncertainty in my response. The report covers some of the significant, unprecedented amounts that have come to Scotland so far.

The Acting Convener: The £5.3 billion that you quote in the report is a ballpark figure. What is the split in that amount between Barnett consequentials arising from UK Government spending and reallocation from existing Scottish Government budgets?

Stephen Boyle: The majority of the additional spending that has come to the Scottish Government has come from Barnett consequentials. We touch on aspects of that in the paper.

The Scottish Government has also taken steps. We refer to a figure of around £855 million that has been reprioritised from within the Scottish Government's own budget after it analysed where pre-Covid anticipated spending patterns would no longer be fulfilled. I will ask Fiona Diggle to give us a bit more detail on the £855 million figure and how that can be best analysed.

Undoubtedly, the majority of the additional spending has come through from Barnett consequentials, but Fiona can tell us a wee bit more about how the Scottish Government's money has been allocated.

Fiona Diggle (Audit Scotland): On reprioritisation, we know that a sum of £255 million was set out in the summer budget revision. That was mostly funding that had been redeployed from spending that could no longer be undertaken because of Covid. The Cabinet Secretary for Finance mentioned in a letter to the UK Chief Secretary to the Treasury a further £600 million that could be reprioritised. We do not know much more detail on that at the moment but we expect to get more information at the autumn budget revision next month.

The Acting Convener: Do you wish to add to that, Auditor General?

Stephen Boyle: No—although I note that we are effectively seeing a real degree of uncertainty and volatility in spending at present. In the round, the vast majority of additional spending that has come through to the Scottish Parliament and the Scottish Government has flowed from the Barnett

consequentials of UK Government spending choices.

The Acting Convener: What do you see as the long-term impact of that on the Scottish budget?

Stephen Boyle: It is hard to give you a prediction for the long term with any degree of confidence. We say in the report that the Scottish Government will have to make some real spending choices in future, as it considers its primary requirement to balance its budget annually. We expect that, in doing so, it will need to continue to closely analyse its spending plans and reprioritise its programmes.

The committee will be well versed in the existing financial challenges, some of which relate to pre-Covid days. In particular, there are the implications of forecasting differences between the Scottish Parliament's spending and its income as a result of the new powers. The Government was already dealing with some of those challenges, which will affect the budget in future years. They are still there and, given the confines of the existing powers, there will be some additional challenges in balancing the budget. I ask Mark Taylor to expand on that point.

Mark Taylor (Audit Scotland): Good morning, everyone. I will pick up on the point about Barnett consequentials and then touch on some broader issues for the future. Barnett consequentials of £6.5 billion have been guaranteed for the current year. There is still a bit of uncertainty around the make-up of those, which is important, given what the Scottish Government has said about passing on the health consequentials. Those amounts are guaranteed in the current financial year, but it is less clear how that might affect next year's budget. Of course, we will not know that until we get to the UK budget in the autumn, when the Chancellor of the Exchequer sets out his overall fiscal policy and what that means for borrowing and public spending. As the Auditor General said, there is a huge amount of uncertainty, not just around how the rest of this year will go, but how things will flow into next year.

The Scottish Government needs to deal with uncertainty as it moves towards its own budget in December. As the Auditor General said, it also needs to take account of the challenges that were already there before this year, in particular the expectation that some large tax reconciliations will be required in the 2021-22 budget. We currently expect those reconciliations to amount to approximately £550 million, which would involve a reduction in next year's budget. Again, however, there is uncertainty around that, because the actual amounts will not be known until HM Revenue and Customs is able to publish the outturn for the relevant financial year.

All those things, including the management of the reserve and existing borrowing, need to be factored in as the Government looks towards next year's budget, but there is a long way to go as it manages through this year.

The Acting Convener: I see that Graham Simpson has a supplementary question.

Graham Simpson: It is about Barnett consequentials. Earlier in the year, we had a situation in which Barnett consequentials for local government were announced but it was some time before that money actually came through. Some of us were calling for the Scottish Government to pass on money that it did not actually have yet. Do the witnesses know whether all the consequentials that have been announced have come through yet?

Stephen Boyle: I will start on that, and then ask Fiona Diggle to come in on the flow-through of funds from the Barnett consequentials. Some areas are more straightforward than others. It is our understanding that the national health service Barnett consequentials have largely been passed on directly to the NHS, but some of the other funding streams are a bit more complex. Fiona Diggle can pick that question up.

09:15

Fiona Diggle: We are not close enough to the detail of how the money is flowing through to the Scottish Government. I highlight that £800 million of the £6.5 billion of Barnett consequentials that were confirmed in late July is a guarantee that is not connected to any UK spending as yet, so we do not know what the make-up of that money will be. That gives the Scottish Government some uncertainty in working within that guarantee.

The Acting Convener: Will the Auditor General remind us how many jobs and businesses in Scotland have been supported by the different packages that have been put in place by the UK and Scottish Governments through Covid-19?

Stephen Boyle: I will do my best to set out the analysis that we have. We cover aspects of that in exhibit 2 in our briefing paper. The table gives numbers that are more to do with the spend and allocated budget, as distinct from the number of jobs or businesses that have been supported. There is lots of uncertainty—that is coming through in some of our answers. We still need to track through the process of how the money is being spent, and that forms part of the work that we will bring back to the committee. In our briefing paper, we do not form any judgments about how much has been spent or what value has been derived from that spending.

We say that the Scottish Government has allocated about £3.3 billion to support business measures, which range from the £10,000 small business support grant to the £25,000 grant for hospitality and leisure businesses. At paragraph 36 of our paper, we connect that to the impact of UK Government schemes such as the furlough scheme and the self-employed income support scheme. We draw on UK Government figures on the impact on jobs that such schemes have had in Scotland. According to the UK Government's numbers, about 890,000 jobs have been supported by the furlough scheme and the self-employed income support scheme.

Those are very significant figures. Again, it is clear that there is more volatility around the timing of the furlough scheme. Those are the numbers that we have drawn on, and we will continue to track those and report back to the committee as our work progresses.

The Acting Convener: What are 890,000 workers as a proportion of the total workforce?

Stephen Boyle: That number is split between workers who have been helped by the self-employed scheme and employed workers who have been helped through the furlough scheme. I would need to draw on other analysis and come back to the committee on the ratio between that number and the total number in paid employment—

The Acting Convener: The ratio that I have heard mentioned is that the jobs of one in three workers in Scotland are being supported by one scheme or another. Some analysis on that would be welcome.

Stephen Boyle: It is clear that a very significant percentage of the overall Scottish workforce is being supported.

The Acting Convener: Covid will undoubtedly have had an impact on many parts of the Government's programme, including its legislative programme and the things that it is trying to do around the country. There will also be an impact on some of the Government's targets in relation to what it wants to achieve in sectors such as health, infrastructure and transport. Will you keep track of what was genuinely impacted by Covid—things that were delayed, did not work or failed due to Covid—and things that were off track or failing pre-Covid?

Stephen Boyle: That is a very important question. All auditors have been alert to the fact that, collectively and individually, the Scottish Government and public bodies in Scotland were facing challenges before Covid. We have touched on aspects of those challenges that relate to the overall financial position, such as the impact of forecasting reconciliations from previous years

already having an impact on the overall public finances. We are also clear that individual challenges in some public bodies already existed. We are mindful that Covid cannot explain all the challenges, as and when circumstances arise.

Where there are Covid-related matters, we intend to make that distinction through our reporting back to the committee. We also intend to follow through on some of the statutory reporting that my predecessor brought to the committee in previous years, in order to make sure that that awareness and transparency continue through audit work.

Finally, it is equally important for public bodies and for the Scottish Government in particular to have that public reporting about the impact that Covid has had on their plans, in order to reinforce the importance of the national performance framework and to track outcomes, how public money has been spent and what it has achieved across society.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Auditor General, I also welcome you to the hot seat and wish you every success in the years to come.

I have a question about budgets, which is probably not a surprise. The briefing comments on “the speed at which the financial changes have had to be made due to Covid-19”.

It highlights that

“the Scottish budget, announced on 6 February, included no reference to the pandemic”,

whereas

“the UK budget, on 11 March, included spending of £12 billion to tackle Covid-19.”

Would you have expected to see any reference to Covid in the Scottish budget in February?

Stephen Boyle: Among all the reviews that will take place, I am sure that there will be an assessment, with some degree of hindsight, of levels of preparedness or awareness. This past week, I was reading about the pace of the virus from when the first cases were identified in Scotland to when the first individual tragedies for some families occurred, as the first deaths were announced. Those events took place in a short period between February and early March. I am not sure whether it is reasonable to say that, in February, those events were enough to suggest that there needed to be the fiscal response that we are now seeing through budgets. As you touched on, what I can see is the pace with which spending changes have happened since the scale of the crisis became clear.

Colin Beattie: Certainly, the UK budget was announced later than the Scottish budget, so the

UK Government would have had some indication that problems were coming down the line. Compared to what was eventually needed, £12 billion turned out to be a drop in the ocean.

To continue on the same theme, the pandemic has come at a point when the Scottish budget is

“complex, volatile and uncertain ... As a result of the new tax, social security and borrowing powers”.

The briefing also notes that

“maintaining a balanced budget will be more difficult than in previous years”.

Are you able to give any indication of the scale of the impact of the pandemic on the budget, with regard to the complexity?

Stephen Boyle: I will do my best. Mr Beattie is right, as “complexity” is undoubtedly the best word to describe the circumstances that we are in.

In the briefing paper, we tried to capture the pace of some of the changes that have taken place over recent months. We have mentioned a couple of times already that, up until the end of July, there have been 90 separate spending announcements by the Scottish Government. We also touch on the fact that there has been a separate summer budget revision. I cannot recall whether we have ever had one before; if we have, it was many years ago. That illustrates the sheer scale of complexity and pace. The committee will be aware that budget revisions usually take place in a formal context in autumn and spring. We welcome the summer budget revision; we think that it has been an important step to recognise the scale and improve the transparency of the budget setting process.

As well as the budget in year, the briefing paper touches on the medium-term financial strategy. As we look into the future, that is also a key component of budget setting. The Scottish Government reasonably took the decision to defer the medium-term financial strategy, which was due for publication at the outset of the pandemic. Within the past few days, the Government has confirmed that it plans to republish an updated medium-term financial strategy, alongside the draft budget in December. We also think that that is a welcome commitment to transparency and the best way of supporting scrutiny in times of complexity.

Colin Beattie: Basically, at this point we do not have any idea what the Scottish budget will look like on the back of the pandemic and what impact that will have on so many of its aspects. We come back to the word “complexity”.

Stephen Boyle: You are right. This is a real moment of decision and choice for the Government over how it intends to respond to the pandemic, what choices it will make about its

priorities and spending, and what outcomes it will look to achieve for the people of Scotland. I reiterate that, if we recognise that the pandemic's impacts have not been felt equally across society, those outcomes feel even more important.

As committee members will know, my predecessor often made the point that not enough connection was being made between public spending and its associated outcomes—*[Inaudible.]* Sometimes there is a need for simplicity and for us to be able to say what money was spent and what was intended to be achieved from it, and to track that through to the outcomes associated with such public spending.

Colin Beattie: Is it correct to say that it is too early to make any assessment of that?

Stephen Boyle: Yes. Value for money is a key part of Audit Scotland's responsibilities, and it is a theme to which we will return through a broad suite of work.

I have already touched on the fact that we are in the midst of reviewing our forward work programme, which will capture an interim assessment of how some of that money has been spent. One of the many outputs that we will bring will be the NHS overview report in early 2021, which will take stock of the impact that Covid has had on the health service and of its response to the pandemic. Alongside that will be our section 22 report, in which we will build on the paper that we are discussing by setting out how the Scottish Government's finances have been impacted and how it has spent its resources.

Value for money is a key part of our work. However, where we are at right now in the process—in the middle of the financial year—it is something that we will have to return to rather than try to make judgments on at this stage.

Colin Beattie: We are talking about complexities and so on. Clearly, the pandemic has added quite a bit of complexity to Audit Scotland's activities. In the interests of keeping the committee advised, will you be able to maintain your previous schedule of audits, or will those now have to be changed—I would say "reprioritised" rather than "compromised"—on the back of that? Will we see an entirely different programme?

Stephen Boyle: Mr Beattie, through your role as chair of the Scottish Commission for Public Audit, you will already know about the steps that Audit Scotland has taken in response to the pandemic. I will therefore perhaps touch briefly on our performance audit activity.

It is true that we decided to pause our performance audit—or value for money—programme at the start of the pandemic. That was the right thing to do. We needed to consider

whether some of the public audit work that we had planned was the best response, given where we were with the pandemic. We are coming towards the end of reviewing that programme. I and my colleagues at the Accounts Commission who oversee local government audit have fed into that process and are due to receive an updated performance audit programme in the next couple of weeks. We have been engaging with the committee's clerks in the expectation that we will bring that formal consultation to the committee some time in October.

As for our financial audit work, all our auditors—both those who work for Audit Scotland and those who work for the firms to which we contract the auditing of public bodies—are working remotely. Some of those audits have been signed off and completed remotely, although we were ever mindful of the need to maintain quality standards. However, others have taken longer than was originally expected. Most of our NHS audits that would have been due to complete at the end of June will be done by the end of September. Other central Government bodies, which tended to complete from early summer through late autumn, are due to complete on a range of timetables through to the end of December.

The key document that the committee will be familiar with is the Scottish Government's consolidated accounts, which gather up all the central Government and NHS spending. They will also be a bit later this year. They usually come out around the end of September, but we are hopeful, albeit with some challenges still to overcome, that they will be out at the end of December. The consolidated accounts will be a useful stocktake of how audit has been performing and some of the judgments that you will want to see that auditors are making across the piece.

09:30

Colin Beattie: The committee has had expectations about when follow-up audits and so on will take place. It would be useful if, as and when you are able to do so, you could update the committee on that so that we can adjust our expectations.

Stephen Boyle: Absolutely. To go back to some of the convener's questions, some matters will be Covid related, and some will not. It is important that, where the committee has had a strong interest in a particular body or subject, we are able to support and help to track the improvement process in those public bodies through our public reporting. We are very clear on that and we will capture that in the programme of work that we will bring back to the committee.

Colin Beattie: Thank you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning, Stephen, and welcome to the committee.

Could you give us a flavour of what international borrowing to get countries through the crisis is looking like, and whether what we are borrowing is enough? I am sure that other members of the committee will agree with me. A number of businesses in my constituency were closed during the lockdown and they are not reopening because of the situation. The question that has to be asked is whether the Government is borrowing enough money to get us through this crisis. I know that the European Union is borrowing €750 billion, and New Zealand is borrowing 50 billion New Zealand dollars. Where do we sit in the context of that amount of international borrowing, and is it enough?

Stephen Boyle: Thank you for the question, Mr Coffey, and I appreciate the welcome.

I will ask Mark Taylor to come in in a moment, because he has led a lot of our work on borrowing arrangements and can update the committee on how the Scottish Government borrowing powers and plans have progressed, and perhaps he can touch on aspects of UK Government borrowing.

Before I do that, it is worth talking about the relative powers and the scale of borrowing that exists in the Scottish Government relative to the UK Government. It is not my role to say whether the Scottish Government has or has not got powers in the right place as it relates to the fiscal framework and the powers that exist within it. We know, as the committee does, that conversations have been had and the Scottish Government has made requests to the UK Government for an extension of those arrangements in light of Covid. As far as I am concerned, that is a matter for the Governments to resolve and for public audit take a view on and respond to thereafter, depending on how those powers evolve.

I will hand over to Mark Taylor to speak to the specifics of the borrowing powers and where they relate to Scotland.

Mark Taylor: Figures came out this week showing that overall UK borrowing has reached record levels. Over the piece, the UK Government and Governments across the world have significant levels of borrowing. Indeed, they are well in excess of the levels that were present during the 2008 crisis. Borrowing has been a tool in the box of Governments around the world, and that flows through to the £6.5 billion in Barnett consequential that we talked about earlier. The UK Government judgments around that fiscal policy are a key influence on the Scottish budget in turn.

As the Auditor General said, that is not our remit or role. We work on the Scottish Governments borrowing powers and the extent to which it is able to use and deploy them. We highlighted in the paper that those powers are already committed to a significant extent, which gives limited flexibility going forward. The challenge for the Scottish Government in managing all the complexity that Colin Beattie talked about earlier is to make sure that all those moving parts come together in a way that allows it to manage a balanced budget. That is a significant challenge, and in our paper we set out the risks and the challenge and difficulty around that. As the Auditor General says, we will keep a close eye on that through our audit work and will continue to report to the committee on how that is managed.

Willie Coffey: On the flipside to that, we can see from your report that around £54 million-worth of business grants has not been taken up from money that was made available to local businesses in Scotland—that is quite a surprise to me. Do you have any idea why take-up is so low? I am sure that other members would agree that there are businesses in their constituencies still crying out for financial help and assistance, so I am surprised to hear that money in a particular funding stream is not being taken up in full.

Stephen Boyle: You are right. We also paused on some of those numbers to think about why some of the grants had not been taken up yet. We reached the position that it is due to a timing difference. We recognise in the paper that it is only a snapshot at the end of July. In some ways, the agility and the pace at which money was being passed out at the height of the crisis was absolutely the priority to support individuals, businesses and public services. We are also conscious that that was not an encouragement for the necessary, but not overkill, extent of checks and balances to take place alongside, making sure that the money was going to the right place. I cannot give you the level of detail or assurance that I think you are looking for about what the individual circumstances are at this stage. Our sense, which we touched on in one or two places in the paper, is that the issue is due to a timing difference.

There is also a broader point to make about why all the budget that was allocated has not been spent. We expect that the vast majority of it will be, but even some of the programmes that have been identified or introduced in the light of Covid will span over more than one financial year, so it is inevitable that not all the budget will have been spent as had been anticipated as we progress over the course of the year.

Willie Coffey: Your briefing tells us that there are immediate risks to people, public services and

the economy and you mentioned the disproportionate effects of those in your opening remarks. The Government will need to be clever with the financial measures that it implements in response to changing circumstances. Are particular sectoral groups struggling more than others, such as groups that are not yet allowed to come out of lockdown? Do you anticipate that support will be needed over a longer period of time to assist the groups that are at risk?

Stephen Boyle: We all recognise that the pandemic has not been equally felt, whether it is the disproportionate impact of the tragedy affecting some of our care homes and our older people, the disproportionate number of deaths in our black, Asian and minority ethnic communities, or how it has been felt by our younger people through school closures over the height of the pandemic. We see that in some of the statistics, but it is also relevant to public spending—which is the point that Willie Coffey makes—and the choices that Governments across the world and closer to home, including the Scottish Government, will have to make about how they plan to renew and rebuild public services through the spending choices that they make. It is clearly a question for Government and Parliament to answer as to how to respond to groups that have been disproportionately affected and what outcomes are expected from public money.

I repeat my point: our sense is that the national performance framework provides a route map that shows how public spending aligns with the outcomes that the Government aims to achieve for its citizens. There is a clear connection between spending and outcomes.

The Acting Convener: I have a quick supplementary to Willie Coffey's question about borrowing, and then I will go to Neil Bibby, who also has a supplementary.

How does borrowing during the pandemic compare with borrowing in response to the economic crash?

Stephen Boyle: I will kick off on that, then invite Mark Taylor in to support my answer.

My instinct is that the borrowing numbers are perhaps not so close—again, we can come back to the committee with more analysis on areas that our report does not touch on. We have seen the scale of the impact on gross domestic product at the height of the pandemic, relative to the impact of the financial crisis; the dip has been considerably greater during the pandemic. Mark Taylor will be able to give you a better flavour of the relative responses to the economic crash and the pandemic, as they relate to UK borrowing.

Mark Taylor: We can come back with specific figures—for example, from the data that the Bank

of England has published over the past couple of weeks. As the Auditor General said, our overall sense is that the economic effects of the pandemic, and therefore the borrowing requirements and the response, have been greater. It was announced this week that overall borrowing levels are at a record high: higher than they were during the 2008 crash. We can come back with detail on that.

I will say a wee word about the Scottish Government's borrowing. Since the introduction of new borrowing powers, borrowing has inevitably been accumulating through time, as the Scottish Government takes advantage of the powers that it now has. It is difficult to relate that directly to Covid, but plans are already in place to make use of the powers and—[*Inaudible.*]*—*balance over that time.

We can come back to you on the specifics of the UK borrowing figures.

The Acting Convener: Thank you. That would be appreciated. You make the point that the pandemic has had an impact not only on health, but on livelihoods. Your understanding is that there has been a greater reduction in our GDP and much greater borrowing during the pandemic. There have been much higher levels of unemployment, job losses and business closures as a result of the pandemic than there were as a result of the economic crisis. It would help to have a sharp focus on that deep impact and the hole in which we find ourselves, and on our collective responsibility to try to get ourselves out of it. It would therefore be helpful if you could provide that information.

Neil Bibby (West Scotland) (Lab): Good morning, Auditor General. I will follow on from Willie Coffey's question about the disproportionate impact of the virus. It is clear that Covid has not affected us all equally, and that it has affected different parts of Scotland in different ways. It is also clear that in some areas, higher levels of Covid deaths and infections have resulted in greater pressure on local authority spending on services.

Sadly, according to the most recent National Records of Scotland statistics, Inverclyde, in my region, had the highest Covid death rate in Scotland, followed in second place by West Dunbartonshire. East Dunbartonshire was in fourth place, Renfrewshire in fifth place and East Renfrewshire in seventh place.

You referred earlier to money going to the right places. I believe that the worst-affected areas should receive additional resources, for the reasons that I have given. Are you able to say whether the Scottish Government, in allocating extra resources for councils, has recognised that

and compensated the areas that have been hardest hit? Did those areas receive the highest additional support per capita from the Scottish Government? If so, by how much?

Stephen Boyle: I am not yet in a position to give the kind of detail that you seek on the spending choices that the Government has made. Indeed, the Government has probably not yet decided on its own financial allocation model for spending on local authorities.

There is a fairly well-established model in place for allocation of council budgets, through the grants that local authorities receive from the Scottish Government. Ultimately, the Government will have to decide, in consultation with its partners in the Convention of Scottish Local Authorities, whether to modify that model in the light of the different Covid-related impacts in local authorities. At the moment, that question is more for the Government, which would be better able to say what its plans are.

Neil Bibby: I thank the Auditor General for that answer.

09:45

Graham Simpson: I welcome Stephen Boyle to his new post.

I want to follow up on Willie Coffey's question. In Audit Scotland's report, you say that there has been

"lower than expected take-up for some business grants",

but you do not say what those are. Will you give us more detail on that? There is a gap of £54 million that has not been claimed. My understanding is that the Scottish Government brought forward the deadline for claiming some of the grants, which might explain why take-up has not been as great as was expected? Do you know how that money will be allocated?

Stephen Boyle: I will do my best to address that, but I might ask Fiona Diggle to come in to support my answer.

In our briefing paper, we have tried to capture a snapshot of the allocation of budget and spending up to the end of July. It is, undoubtedly, an evolving picture. In my earlier answer to Mr Coffey, I talked about the suggestion about the need for process in the grant-giving arrangements that recognises that speed is essential, given how acute the circumstances are for Scotland's businesses. However, that is speculation from us, at this stage.

Fiona—are you able to expand on that?

Fiona Diggle: Yes, I can say a little more about where there has been reduced take-up. For

example, only £11.2 million of the newly self-employed hardship fund, which had an original budget of £34 million, has been taken up. On the flipside, the pivotal enterprise resilience fund had a budget of £120 million, but that funding has been topped up, I think, at least twice. That shows that there is an attempt to target money at different places and to determine need at speed. The figures vary, but we should get more information in the future. Some of the funds are closed, but others, including the newly self-employed hardship fund, are still open. It is very much a changing picture.

Graham Simpson: If you could keep the committee informed as details emerge, that would be useful.

On page 9 of the report, you say:

"at the end of July, comprehensive information on the amounts paid out to third parties by public bodies was not available to us."

What do you mean by "comprehensive information" and "not available to us"? I presume that the information exists somewhere.

Stephen Boyle: You are right that we make an observation at paragraph 21 about how spending has been broken down across organisations and bodies. I will draw a distinction: it is not that we think that the information does not exist or could not be collated. Our audit response, in the round, would normally be an audit report that would take us many months to collate. However, we recognised that our audit response needed to be as flexible as the spending that was taking place.

In our briefing paper, we do not go as far as we would normally go in relation to the range of sources and evidence, but we felt that it was important that we contribute to understanding of how public money is being spent while recognising all the change and volatility. We expect, in due course, to capture that level of analysis in future public reporting, which we will provide to the committee.

Graham Simpson: Okay. That is fair enough; I get that.

I will refer to page numbers to make it easier for you. On page 10—I think that Fiona Diggle mentioned this earlier—you say that

"the UK Government has confirmed a further £1.915 billion of funding",

which includes

"an additional £800 million not attached to any specific spending announcement."

You say that

"This is the first time the UK Government has provided guarantees of block grant levels in advance of spending

commitments being made, and it is unclear how this guarantee will align with eventual Barnett consequentials.”

Will you expand on that point?

Stephen Boyle: I suppose that we included that as an illustrative example of the somewhat unusual patterns that we are seeing, relative to how block grant and funding announcements and the flow of funds have typically taken place between the UK and Scottish Governments, through Barnett consequentials. The purpose of the example, I guess, is to illustrate that some of the typical processes and procedures have—rightly, in my view—been set aside in order to get money to individuals, public services and businesses at the pace that is necessary to support the response to the pandemic.

We do not think that that will always be unclear. Also, it is probably illustrative of the fact that the Scottish Government has already made its own 90 spending commitments. We have had a summer budget revision and are due to have an autumn budget revision, along with the UK Government’s spending review. That sense of pace and change in the processes will rightly bring additional transparency, at various stages.

As I said, the example is really just a snapshot illustration, but we expect additional clarity. Most important is that we know that Scottish and UK Government officials are in regular communication about Barnett consequentials. Clarity was not available at the time of publication of our report, but we expect that it will be.

Graham Simpson: We need to be clear in our heads about what is going on, here. The UK Government said, “You’re going to get £800 million.” At the moment, that is not allocated to anything specific. Are you saying that we will get the detail on that, at some point?

Stephen Boyle: Yes—that is my understanding. It is to do with the pace and scale of change. Officials in the UK and Scottish Governments discuss progress on Barnett consequentials, and the Scottish Government is sometimes able to anticipate consequentials in advance, before UK Government spending announcements.

We need to remember the volatility and complexity of the circumstances that we are in. The fact that we are talking about such large numbers makes it necessary to shine a light on the pace, but we expect clarity very shortly, if we do not already have it.

Graham Simpson: In paragraph 28 on page 11, you say that moneys have been transferred from energy efficiency loans to fund £100 million of emergency loans for house builders, and £5 million of emergency loans for private sector landlords. What has take-up of those been? My

understanding is that take-up of the fund for private sector landlords has not been anywhere near £5 million. Do you have figures?

Stephen Boyle: I will ask the team to come in, in a second. We understand that the Cabinet Secretary for Finance has written to the committee in the past few days to provide a greater breakdown of the £255 million reprioritisation. I am not sure that we are yet in a position to say what uptake or spending have been, against those budget heads. The team might be able to give more detail.

Fiona Diggle: Unfortunately, no; we have no more information to share with the committee on that, at the moment.

Graham Simpson: Will you be able to—
[Inaudible.]

Stephen Boyle: Yes—we will continue to track it through our audit work. If we are able to come back to the committee, we will. The committee might also wish to explore that line of questioning with the Scottish Government on its analysis of how moneys have been spent and its assessment of uptake of the new budget heads.

Graham Simpson: Thank you.

My final question relates to paragraph 52 on page 17, about infrastructure spending. It refers to “delays in ... infrastructure spending”. Have you more detail on which schemes have been delayed?

Stephen Boyle: I think that we drew on delays in infrastructure spending in the public sector context. However, I recall that at the height of the pandemic, a number of house building and commercial infrastructure schemes were paused because of the requirement for social distancing. It was inevitable that some planned infrastructure could not be progressed. Planned school and additional required childcare and early years provision infrastructure has also been impacted.

Fiona Diggle might be able to offer some specific examples, over and above that.

Fiona Diggle: Thank you. We cannot point to specific examples of infrastructure projects that have been delayed, but I highlight that, when the cabinet secretary identified £600 million that could be reprioritised, £450 million of it was from capital spending. That highlights the scale of the funding that has been delayed, and re-emphasises the Auditor General’s point.

Bill Bowman (North East Scotland) (Con): I cannot see whether my microphone is working. Can you hear me?

The Acting Convener: It is working, Mr Bowman. Please continue.

Bill Bowman: Thank you very much.

It is good to see Stephen Boyle in his new role. I want to build a little on one of Colin Beattie's points, and to talk about the impact of Covid on your work. Most reports that the committee has had from the Auditor General have been historical in nature, either from financial audit or from work that you have done in the past. When we look at them, we try to deal with them, but quite often resolution might lie in the future, when you next do an audit or one of your cyclical reports.

In a pandemic, however, information comes at us monthly, weekly, and sometimes even daily, and key decisions are taken on that basis. The Scottish Government might have quality controls over what it says and the information that it issues, but can Audit Scotland be more involved in real time, to give us some independent comfort on the information that is coming out?

Stephen Boyle: Thank you, Mr Bowman. That is a really interesting question, about where the role of audit is positioned, alongside the spending choices and decisions that public bodies and the Scottish Government are taking.

I think that the answer to your question is that we can do so up to a point. Committee members will be aware that one of my responsibilities, in addition to being Auditor General, is the function of comptroller, to oversee and sign off the financial draw-downs that the Scottish Government requests from the Scottish consolidated fund. That is an overarching check that spending over the whole Scottish Government is consistent with the amounts that are approved by Parliament for the overall budget.

On decisions at the more granular level, it is not the role of auditors to approve the Government's individual spending choices. Mr Bowman is right that audit has historically been positioned such that it comes a number of months or years after the event, and expresses judgment about how well money has been spent and the value for money that has been achieved. There is still a place for that.

10:00

However, Audit Scotland, in its response to the pandemic, has tried to think about the agility of public audit in responding and providing support not only in relation to value for money, but to where improvement is required. Auditors across Scotland are doing just that.

We touched on earlier on the fact that our audits relate entirely to financial years. That means that the 2019-20 audits, most of which are still happening, and some of which have already concluded, will capture only one month, or a

number of weeks, of Covid-related activity and spend in March. In theory, therefore, we would have had to wait until well into 2021 before auditors would express judgments about what Covid has meant for public bodies.

However, that is not the case; we are already seeing, through audit reports, auditors making assessments and judgments about public bodies' responses to the pandemic from March to the present day. Auditing has responded through reporting and making judgments on the impact that Covid is having on public bodies. The approach has been varied.

We touched earlier on the pausing of the performance audit programme, with a revised programme to be published in the next month or so. I want that programme to be about where public audit is now focusing. We have taken views on whether work that we had previously planned is necessary, and on whether we need to refine its scope. Equally, we have looked at bringing in some new areas of activity in response to the pandemic. We are seeking to take a considered and measured approach, which I have seen in the work that the auditors are undertaking.

Bill Bowman: I have a final question. We know that information has a time value. If you were a Government in a pandemic situation, what key measures and performance indicators would you look at to see how well you had dealt with it?

Stephen Boyle: I am sure that you will want to explore that line of questioning with the Government as well, with regard to the specific steps that it has taken on key performance indicators. We know that all public bodies have taken many decisions around the decision-making process and governance in that regard. We have highlighted that there is a need for money to be spent quickly, but not at all costs; the right level of internal control, governance and record keeping still needs to take place during a pandemic.

With regard to key performance indicators, it depends, in truth, on what is being spent. Again, we come back to the importance of outcomes and what the pandemic has meant. We have already touched on the disproportionate effects of the pandemic and how those are being felt, as well as the spending commitments that Governments across the UK and around the world are making and the need for them to have a feel for the impact that those moneys have had.

Beyond that, it is difficult for me to speculate or be specific about individual KPIs and how public bodies would want to respond to those. What is clear is that the basis of your question is absolutely right: there needs to be an assessment of all public bodies in order to have a proper

understanding of the impact of how public money is being spent.

Bill Bowman: Thank you, Auditor General—I cannot tease something out of you. I suppose the objective of saving lives should be in there somewhere.

The Acting Convener: We move to questions from Alex Neil.

Alex Neil (Airdrie and Shotts) (SNP): I offer Stephen Boyle my best wishes for his new job—it is nice to see you taking over, Stephen.

I will start right at the beginning—in fact, before the beginning. About four years ago, there was apparently a report produced—I have not seen it; I believe that there was one report for the Scottish Government and another for the UK Government—which set out a plan for dealing with a pandemic. Have you seen that report? If you have, did it include plans for dealing with the financial emergency that a pandemic creates?

Stephen Boyle: I can answer that question quite straightforwardly, Mr Neil. First, I thank you for your good wishes; it is good to see you, too.

I have not seen that report. As many other people have done, I have heard about plans and preparations for pandemics having taken place. As part of our work on the NHS overview report, my colleagues and I have been in discussion with the Scottish Government's health and social care directorate to enable us to form an assessment of the preparations that took place. We will come back to the subject once we have completed our audit work, but our current understanding is that, pre-Covid, many preparations and activities for a pandemic or national emergency were designed around the possible impact of a flu pandemic. We are not yet sure of the detail of that, or of whether it was an appropriate comparison with how the Covid pandemic has turned out. We and others will form judgments about that, and many reviews will undoubtedly take place.

The second part of your question was whether any of those plans contained sufficient detail on the financial response to a pandemic or crisis of this scale. I do not yet have that detail, but we will continue to follow that up as our work progresses.

Alex Neil: There is a difference between the normal planning for contingencies that the health service does—which, as a former health secretary, I know is done constantly—and what is in the reports to which I referred. I understand that those were cross-Government reports that looked at the implications of a pandemic on a multidisciplinary basis; they were not just about the preparations on the public health side.

I suggest that you get a copy of the specific report that I mentioned and see whether it covers

the financial planning aspect. I say so for two reasons. The first is that if it does cover that, you will have a benchmark against which to measure performance and to check whether the report's recommendations were appropriate and sufficiently robust. If it does not cover finances, I would have thought that there was a lesson in there, which is that we should undertake such pandemic preparation reports much more regularly and that they should be done more robustly. They need to be ready to be taken off the shelf when we are hit by a pandemic, and they also need to cover financial contingencies as well as the public health, educational and other contingencies that, as we have seen, have been needed during the current pandemic.

Stephen Boyle: I am grateful for that, Mr Neil. You are quite right: any preparations for a pandemic certainly ought to cover not just its public health implications, but how wider aspects such as public services, the economy and the fiscal response should be set out in the round. As and when the time is appropriate to make an assessment of any lessons that need to be learned from the current pandemic, we and others will have a strong interest in the country's preparedness for it and how best to prepare it for another such response.

If I may touch on the financial planning aspect that you mentioned, that goes back to our earlier discussion about the medium-term financial strategy's having a key place alongside the shorter-term budgets. Such a strategy should provide the sense that, within it, there are sufficient and extensive scenario and sensitivity plans. Whether those would apply to another Covid-related event will be a choice for the Government to make. However, there exist plans that can be pulled down as and when they are required. I guess that the presence therein of a medium-term financial strategy that allows the Government to support responses—whether they be to a pandemic event or otherwise—has shone a light on how crucial such transparency and forward planning documents are.

Alex Neil: Absolutely. That is particularly the case, given that a number of internationally renowned organisations are predicting that we are likely to see more pandemics more often. It is around 100 years since we had anything on this scale, but some are predicting that we will have the next pandemic within 20 years. Therefore, it seems to me that we will have to be permanently on our guard and well prepared.

I will move on to the funding of the pandemic programme. There are three streams of funding. The first is the Scottish Government's own resources, which it is maxing out as best it can in order to deal with the pandemic; the second is

Barnett consequentials; and the third is the Scottish Government's borrowing capacity and powers.

I have two questions. We covered borrowing earlier in the discussion. First, is the current capacity of the Scottish Government's borrowing powers sufficient to deal with the challenges of the pandemic without forcing massive public spending cuts in other parts of the budget in future years?

Secondly, the Scottish Government, unlike the UK Government, cannot currently borrow directly from the Bank of England. Looking back at the profile of the money that the UK Government borrowed from the Bank of England to deal with the previous crash, it is likely that the UK Government will pay no interest to the Bank of England on the massive amount of money that is being borrowed as a result of the pandemic. It is essentially the Government's money anyway, and there is no repayment schedule. The debt could take 300 years to repay, and it could be written off by the UK Government, as it has the power to do that.

In contrast, if the Scottish Government needs to borrow more, and if it is given the power to borrow more than is currently allowed, it will not be borrowing from the Bank of England, and it will therefore—even with low interest rates—have to repay a massive amount of money over the next 20, 30 or 40 years. Should we not be allowed to borrow directly from the Bank of England? Would that not make more financial sense?

Stephen Boyle: I refer you to my earlier response to Mr Coffey. It is not for me to take a view on the relative powers of the Scottish Parliament and the UK Parliament as they currently exist; if any change in those powers were to arise from conversations between the two Governments, it is at that point that we would be able to assess what the impact might be.

To return to the point of your question, the Scottish Government's borrowing arrangements under the existing powers have been used to date. I will ask Mark Taylor to set out in more detail how that has transpired thus far. The Scottish Government is close to the cap for borrowing in individual years and in totality. In the absence of any additional scope for borrowing powers, the Scottish Government will, if it wishes to maintain a balanced budget on an annual basis as it is required to do, be required to make some spending choices within the confines of its existing arrangements.

As you touched on in your question, it is difficult to square spending choices relative to borrowing powers. Given the current situation, the Scottish Government will be faced with some difficult

spending choices as it looks to rebuild and renew the country post the Covid pandemic.

I ask Mark Taylor to provide more detail on the position that the Scottish Government has reached with regard to the borrowing powers.

Mark Taylor: I refer Mr Neil to exhibit 5—I know that he is aware of it—in the report, which sets out the headroom in the borrowing powers and the reserve powers in the current financial—*[Inaudible.]*

Taking into account the decisions that the Scottish Government has already made to allocate those powers, there is restricted headroom available, and that needs to be part of the overall package of measures that the Government thinks about as it goes forward.

There are restrictions on when those borrowing powers can be used. They can be used for forecast reconciliations and cash management, and they can be used in the event of a Scotland-specific shock. However, they are there to smooth out volatility, not to bring in additional spending power.

The system as it is—as the Auditor General said, we can comment only on the system as it is—provides fiscal borrowing powers at a UK Government level, which flow through the Barnett consequentials; we talked about those numbers earlier.

I should make the point that the UK Government, in its borrowing, is reliant on the financial markets. Without getting into the intricacies of fiscal and monetary policy, financial markets need to be able to provide cash that the UK Government can draw on. Those rates are currently very low, and the UK Government is able to take advantage of that, but there needs to be a balance between those low rates and the overall stock of debt.

Under the current arrangements, the UK Government makes judgments around setting its own fiscal policy, and the Scottish Government then manages the downstream consequences of those decisions through the Barnett consequentials and by using the borrowing powers that have been agreed through the fiscal framework.

10:15

Alex Neil: I will correct Mark Taylor. If we look at an analysis of the UK national debt prior to Covid, at the beginning of March, 23 per cent of the debt was owed directly to the Bank of England. The UK Government does not rely entirely on the financial markets. If we look at what the Bank of England has made available since the start of the pandemic, we can see that it brings the total

amount that the UK Government owes directly to the Bank of England to £745 billion; therefore, the Bank of England—not the markets—has been by far the biggest source of money for tackling the pandemic.

My question is very relevant. Why on earth are we not allowed to borrow directly from the Bank of England? I know that you cannot answer that because it is a political question, but the point is that we are being put at a severe disadvantage by not being allowed to do so, because the borrowing that we do inevitably carries with it an interest payment and strict repayment schedules. What difference would it make financially to the Scottish Government if we were able to borrow on the same terms that the UK Government borrows from the Bank of England, whereby it pays zero interest to the Bank of England and, if it so desires, can repay the money over 1,000 years?

Mark Taylor: It is difficult for us to speculate on how that system might work; that is a much broader question. The broad point is that, in managing the overall economy and the role that the independent Bank of England has, those powers, as Alex Neil says, lie with the UK Government at the moment. Currently, the Scottish Government needs to manage the downstream implications of that through the fiscal policy that it has chosen and the Barnett consequentials that flow from that.

Alex Neil: You might not be the right guys to provide the answer, but how much money would the Scottish Government save if it was allowed to borrow directly from the Bank of England on the same terms and conditions that the UK Government does?

Mark Taylor: As Mr Neil recognises, the specific detail of that is not a question for us. What is clear to us is that, at the moment, the Scottish Government manages the impact of the fiscal framework arrangements as they currently exist. The main message in our report is on the need for the Scottish Government to be able to manage its overall finances in very difficult circumstances within those arrangements.

Alex Neil: I will ask one question about headroom. The Scottish Government has a rule that, in any one year, no more than 5 per cent of its current revenue can be spent to finance interest payments on borrowed money. How much headroom is left on that 5 per cent—for next year, say?

The Acting Convener: Is that question for Mark Taylor or the Auditor General?

Auditor General, I will come to you; you get the easy ones.

Stephen Boyle: I am not sure that we have the specifics of that to hand. I will pass over to Mark Taylor in a minute to see whether we can give you the detail just now. If we do not have it and Mark is not able to supply it, we can come back to the committee in writing after the meeting.

Alex Neil: Do we agree that there are two headrooms to be measured? One is the headroom left on the borrowing powers and the other is the headroom left on the 5 per cent rule.

Stephen Boyle: The focus is to illustrate the challenge with the headroom that is available on the existing borrowing powers, while being mindful that previous years' reconciliations are already eating into it. The key point for us is about the scale of the challenge and the volatility.

As the question relates to the 5 per cent rule, we will check the details and come back to the committee on that.

Alex Neil: That would be helpful.

I have a final question, which is more at a project level. I have heard anecdotal evidence—I stress that it is anecdotal, because I have absolutely no hard evidence—that with regard to some of the money that has, rightly, been put out quickly, there are some scams going on; in particular, I have heard that about the resilience fund. My question is, regardless of whether that is true, will the Auditor General look specifically at funds such as the resilience fund to make sure that there have been no scams, or unfair or even illegal use of those funds?

Stephen Boyle: On the risk of fraud and irregularity around some of the Covid-related spending, there is no doubt that the risk of fraud has increased during the course of the pandemic. Whether that relates specifically to the additional schemes that have been created or the pace at which the money has been spent, the pandemic has increased that risk.

The risk has also increased more generally during the course of the pandemic. Money is being spent more quickly, and people are working in a more pressurised environment. Externally, as we have seen at a number of points in the pandemic already, there are those who seek to take advantage of the uncertainty, whether through phishing email scams or other, more sophisticated, arrangements that target public bodies and individuals.

We are keeping a close eye on how money is being spent. We know that public bodies have the onus on them. Each accountable officer in public bodies has a responsibility to ensure that money is being spent properly and to maintain the right level of control environment, with checks and balances. Risk and audit committees have an important role

in supporting the governance around some of the spending.

You are quite right: as and when we understand that there has been fraud or irregularity, we take a close interest in that, and we will report back to the committee, as necessary.

The Acting Convener: I have a request for a supplementary question from Graham Simpson.

Graham Simpson: This is more of a request. I wonder whether, at some point, we can get figures on social security spending in Scotland in relation to Covid—both UK Government spending and Scottish Government spending, as we have our own benefits here. When can we get those figures?

Stephen Boyle: [*Inaudible.*—of the things that we are continuing to—

The Acting Convener: I am sorry, Auditor General—could you please begin your answer again? We lost your first few seconds.

Stephen Boyle: Apologies. I hope that you can hear me now.

We expect to pay close attention to the impact that Covid has had on social security spend, although less so, as regards our own responsibilities, in relation to Department for Work and Pensions expenditure, which is a reserved matter and one that is subject to its own arrangements for audit and reporting. As it relates to the Scottish Government and Social Security Scotland, we know that Covid has had an impact, and we are continuing to audit that.

The 2019-20 audit, on which my colleague Mark Taylor is leading, is on-going, and it will report later in the year. It will capture only a small amount of Covid-related expenditure. We will also cover what impact Covid has had on Social Security Scotland's figures for 2020-21 as we progress our work over the year ahead. Interim reporting before then will not necessarily be audited, but it is an important insight, which the committee could perhaps get directly from the Scottish Government and Social Security Scotland.

The Acting Convener: Thank you, Auditor General. Did you have any other questions, Mr Simpson?

Graham Simpson: No, convener. Thank you.

The Acting Convener: I do not think that members have any other questions. I thank the Auditor General, Mark Taylor and Fiona Diggle for their evidence this morning.

10:24

Meeting continued in private until 10:54.

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