

## News release

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### IT project for rural payments ends but significant issues remain

**The legacy of an IT programme set up to deliver financial support to rural businesses still presents significant risks and costs for the Scottish Government.**

Audit Scotland has reviewed the progress made in resolving serious issues with the Common Agricultural Policy (CAP) Futures programme, created to enable the Scottish Government to provide financial support to farmers and rural businesses in line with European Commission (EC) reforms.

The Scottish Government oversaw the £178 million IT and business change programme, which closed at the end of March. Over the last year, significant changes in leadership have been introduced which have brought about a renewed effort to stabilise the programme. However, to date the programme has not delivered value for money or planned benefits for applicants.

The applications process has improved, but there are still problems with making payments. The Scottish Government will need to incur further costs to develop the IT systems used for payment applications and maintain existing processes. There is not yet a fully developed or tested plan for recovering the systems in the event of a breakdown.

The Scottish Government has used loan schemes to get money to farmers more quickly. Payment delays for 2016 applications meant loans took longer to recover than planned, which introduced more risk to the wider Scottish budget and put pressure on payment timescales and staff.

There is still a risk of fines if the payments system doesn't comply with EC regulations, for example by missing deadlines or weaknesses in controls. The Scottish Government is still to carry out a detailed analysis of what penalties it may face, so it can decide where to focus future funding to ensure the system is compliant. Audit Scotland's latest assessment is that fines of up to £60 million are possible.

The Scottish Government is making changes to improve longer-term strategic thinking and capacity. These will need time to embed and management time is still being taken up by responding to short-term risks. Transferring knowledge from programme contractors to government staff is also essential, but will be a challenge due to short timescales and immediate payment priorities.

Caroline Gardner, Auditor General for Scotland, said: "The challenges of building a complex rural payments system mean the Scottish Government is juggling multiple demands on its time and resources. This has had an impact on its progress over the past year.

"It's crucial that knowledge is effectively transferred to staff so the system can be maintained and payments made on time for 2017. The Scottish Government also urgently needs to fully understand the financial risk it faces, so that it can target funding at ensuring the system is compliant and secure."

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#### Notes to editors

1. The EU reforms the CAP about every seven years with the current regulations starting in 2014. The Scottish Government estimated that it would pay around £4.5 billion to farmers and rural businesses under the two funding pillars over the current CAP period up to 2020.

2. In 2012, the Scottish Government started a five-year programme to improve its business processes and IT systems to implement the European Union's Common Agricultural Policy (CAP) reforms from 2015 onwards. This was known as the CAP Futures programme and its main aim was to build an IT system that would minimise financial penalties for not complying with European Commission regulations, enhance customer experience, and make processes more efficient.

3. The programme has faced significant problems from the start and the Auditor General for Scotland and Audit Scotland have provided updates on the programme's progress since October 2014. In May 2016, we reported in detail on the programme difficulties and identified a number of actions that the Scottish Government should take to address the identified risks.

4. The Scottish Government closed the Futures programme on 31 March 2017 as forecast in the original plans. Last year, we reported that the Scottish Government was working within the £178 million set out in its April 2015 business case. As at 31 March 2017, the programme had spent £166 million. Exhibit 5 shows the actual spending for the five years of the programme. While the programme ceased at the end of March, work will continue across a number of key projects and parts of the IT system continue to be developed. The ARE directorate expects to deliver a system that complies with CAP regulations within the £178 million budget. Two contracts, worth a further £33 million, with existing suppliers have been extended to further develop the Futures IT system and maintain existing systems.

5. The EC can charge financial penalties, known as disallowance, if it considers there are weaknesses in the administration and control of CAP payments. Examples include: failing to make the required payments within set timescales; misinterpreting or breaching regulations; and identifying weaknesses in financial and administrative controls that are considered a risk to EU funds.

6. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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