Common Agricultural Policy Futures programme
Further update

Prepared by Audit Scotland
June 2017
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Key facts

- Net income from farming: £667 million
- Number of farm holdings covering 5.5 million hectares of land in Scotland: 53,000
- Number of people employed in agriculture in Scotland: 65,000
- Estimated cost of the Scottish Government’s CAP Futures programme: £178 million
- Amount spent to 31 March 2017: £166 million
- Loans paid out since April 2016: £370 million

Summary

Key messages

1. The Scottish Government’s Common Agricultural Policy (CAP) Futures programme started in 2012 and was a five-year business change and Information Technology (IT) programme to deliver CAP reform. We reported in May 2016 that the programme was having significant difficulties and made a number of recommendations to mitigate the risks that remained. The challenges were deep-rooted and the programme has had to resolve them while continuing to process and make payments over the past year. The difficulties encountered in previous years continue to have a significant impact on the processing of current applications and payments.

2. The programme closed on 31 March 2017 but parts of the IT system continue to be developed by the Agriculture and Rural Economy (ARE) directorate. It expects to deliver a system that complies with CAP regulations within the £178 million budget. An independent technical assurance review highlights that the Scottish Government will need to incur additional costs to improve and stabilise the system. Two contracts with existing suppliers, worth a forecast £33 million, have been extended to further develop the rural payments system and maintain existing systems. A disaster recovery solution covering all IT systems has not yet been fully developed and tested.

3. The application process has improved. The rural payments system made payments for 2015 applications and is making payments for 2016 applications two months later than planned. The Scottish Government operated a number of loan schemes in 2016 to get money to farmers quicker; this introduced more risk to the wider Scottish Government budget year-end position and put pressure on payment delivery timescales and staff.

4. There continues to be a risk that the Scottish Government will not deliver its aim to minimise financial penalties charged by the European Commission (EC) for not complying with regulations. The Scottish Government estimates it will incur penalties of around £5 million for missing payment deadlines in 2016. In addition, our audit of the 2015/16 European Agricultural Funds Accounts highlighted weaknesses in controls arising from deficiencies in the rural payments system and the manual workarounds which have been used to resolve problems with the system. This may result in additional financial penalties, subject to an assessment of the specific circumstance by the EC. The Scottish Government has not completed a detailed analysis of the risk of these difficulties encountered in previous years to have a significant impact.
penalties to help prioritise future investment in the system. There are a number of uncertainties, but our updated assessment suggests penalties of up to £60 million are possible. To date, the programme has not delivered value for money.

5 There have been significant changes to leadership and to the directorate organisational structure since the summer of 2016. This brought renewed effort to stabilise the programme and respond to the risks. Management time is still being taken up by responding to short-term risks, but the changes the new management team are making are intended to improve longer-term strategic thinking and capacity. These changes are still being put in place and will need time to embed.

6 Programme activity is moving into the directorate and some contractors will leave. Transferring knowledge from contractors to staff within the business is a significant challenge due to the short timescales and the immediate payment priorities. Management have identified a number of key roles and areas where they rely on contractors’ knowledge, and need to prioritise knowledge transfer over other activity.

7 The process to leave the EU started on 29 March 2017. It is too early to know exactly what this will mean for farmers, crofters and rural businesses. The UK Government has guaranteed to fully fund the EU element of agreed agriculture schemes up to 2020, even if this is beyond the UK’s departure from the EU.

Recommendations

In our May 2016 report, we made four recommendations, and an assessment of progress against these is included at Appendix 3. Three of the recommendations are still in progress, and we have updated the recommendations as follows:

- Complete a detailed assessment of the risk of financial penalties to inform decisions on the prioritisation of further work to improve and add functionality to the system.

- Prioritise time for the transfer of knowledge and expertise from programme staff to staff in the business.

- Develop and test a disaster recovery solution covering the whole IT system taking account of the level of risk that the Scottish Government is prepared to accept.

The Scottish Government is undertaking a range of activity to improve business processes in the longer term. We support this and highlight the following areas we consider important for the Scottish Government to prioritise:

- Put arrangements in place to ensure requirements are clearly defined, including the number and availability of specialist staff with relevant expertise.
• Develop and keep under review processes for monitoring and testing quality.

• Develop a framework to prioritise future investment in the system; this should balance:
  – budget availability
  – customer expectations
  – EC regulations and audit findings
  – IT system requirements.

• Develop a benefit realisation plan to record and monitor all potential benefits and value that the system can provide.

• Communicate clearly the payment timescales and processes to farmers, crofters and rural businesses.

• Communicate clearly with staff about the values and new ways of working of the directorate.

• Ensure leadership operates strategically across the directorate.

Introduction

1. 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 (the programme). The programme’s main aim was to build an IT system that would minimise financial penalties for not complying with European Commission (EC) regulations, enhance customer experience, and make processes more efficient.

2. 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 and identified a number of actions that the Scottish Government should take to address the identified risks. Exhibit 1 (page 8) provides a summary of our reporting timeline on the programme.

3. The Scottish Government formally closed the programme on 31 March 2017. Some parts of the system are still being developed and will be delivered by the same directorate, the Agriculture and Rural Economy directorate (ARE), formerly known as the Agriculture, Food, and Rural Communities directorate (AFRC).

Background

4. The European Union’s Common Agricultural Policy (CAP) began in 1962 with the twin aims of improving agricultural productivity to ensure a stable supply of affordable food, and providing farmers with reliable income. Financial support is provided under two funding ‘pillars’ through a number of agreed schemes. Appendix 2 provides an extract from our May 2016 report setting out the two
funding pillars. Farmers, crofters and rural businesses have to apply to receive funding under the relevant schemes. Pillar 1 payments are also known as direct payments and the main scheme is the Basic Payment Scheme (BPS).

5. 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.

6. The high-level policy is set at a European level but, in recognition of the diversity of the rural economies within the EU, each member state is responsible for deciding how the CAP is applied within its own territory. The Scottish Government’s ARE directorate is responsible for delivering the CAP in Scotland. It is one of the four paying agencies within the UK; the others are England, Wales and Northern Ireland. Each paying agency is responsible for designing the detailed schemes to be applied in the area it covers. The Scottish Government consulted the agricultural sector before agreeing its approach. This led to some significant changes in the schemes, for example the introduction of a third regional classification for land.

7. Each scheme must follow a number of regulations set by the European Commission. 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
• weaknesses in financial and administrative controls that are considered a risk to EU funds.

8. The effect of these penalties is to reduce the amount of EU funding paid. Most European states incur some disallowance, and as at March 2017 the Scottish Government had incurred around 71 million euros (£52 million) in disallowance for a number of failures in the previous CAP.

9. Our report in May 2016 identified that:
• there was a significant risk that the Scottish Government would not deliver its aim to minimise financial penalties as it was at risk of missing EC deadlines
• the system it was building might not be fully CAP compliant.

10. On 23 June 2016, the UK electorate voted to leave the EU with the process to start negotiations to leave starting on 29 March 2017. It is too early to know exactly what the outcome of this will mean for farmers, crofters and rural businesses in particular. The UK Government has guaranteed to fully fund pillar 1 schemes and the EU element of pillar 2 schemes agreed by 31 March 2019 up to 2020, even if these continue beyond the UK’s departure from the EU.

About this report
11. This report assesses the progress of the programme since our May 2016 report as the programme closes and transfers to the ARE directorate. Part 1 focuses on progress over the last year and on payments to farmers, and what risks remain. Part 2 considers leadership and governance, including the structures in place for planning and delivery, decision-making, review and scrutiny.

12. Significant work is ongoing with critical milestones still to be met. Our report reviews progress up to May 2017 highlighting current and continuing risks to delivery. It focuses on the delivery of pillar 1 schemes and payments. It also considers other schemes for which the single application form applies.

13. Our findings are based on a review of documents, supplemented by discussions with relevant civil servants and CGI, the main supplier of software development services on the programme Appendix 1. We have focused on how the Scottish Government has overseen and managed the overall programme. We will monitor progress as part of our annual audit work on the Scottish Government consolidated accounts and will report to the Scottish Parliament’s Public Audit and Post-Legislative Scrutiny Committee as appropriate.

14. In our May 2016 report we highlighted that we would produce a summary of the lessons learned from the CAP Futures programme along with other similar programmes that we have reported on. We published this summary in May 2017. We used our findings along with those of other bodies from around the world to produce a set of principles for public bodies to consider when undertaking digital programmes.
Part 1
Progress update

Key messages

1. The application process has improved, but the difficulties encountered in previous years continue to have an impact on payments. Single Application Form (SAF) 2016 payments started two months later than forecast. Further development and improvements were required and the Scottish Government wanted to ensure the software releases worked properly before starting payments. The Scottish Government operated a number of loan schemes in 2016 to get money to farmers quicker but this introduced more risk to the wider Scottish Government budget and put pressure on payment delivery timescales and staff.

2. The programme closed on 31 March 2017 but some parts of the system are outstanding and will be delivered by the ARE directorate. The directorate expects that the system will deliver the minimum required scope to comply with EC regulations within the £178 million budget. An independent technical assurance review highlights that the Scottish Government will need to incur additional costs to improve and stabilise the system. Two contracts with existing suppliers, worth a forecast £33 million, have been extended to deliver more functionality and maintain legacy systems. The directorate has not yet fully developed and tested a disaster recovery solution covering all IT systems.

3. There continues to be a risk that the Scottish Government will not deliver its aim to minimise financial penalties. The Scottish Government estimates it will incur around £5 million in penalties as a result of missing payment deadlines in 2016. Findings from our audit of the 2015/16 European Agricultural Funds Accounts highlighted weaknesses in controls due to deficiencies in the system and the use of manual workarounds to resolve problems. This may result in additional financial penalties, subject to an assessment of the specific circumstance by the EC. There are a number of uncertainties, but our updated assessment suggests penalties of up to £60 million are possible. The Scottish Government has not completed a detailed assessment of the risk of disallowance to help prioritise future investment in the system.

4. Our May 2016 report highlighted that the programme would not deliver the wider benefits envisaged. The Scottish Government has reduced or removed some of the anticipated future savings and benefits. The system is not yet working as efficiently as planned and will require significant additional investment. To date, the programme has not delivered value for money.
Basic Payment Scheme payments must be made within the broad annual timetable set by the European Commission

15. Within the current six-year CAP period of 2014-20, EC milestones and deadlines need to be met each year. The EC offered extensions to some of these deadlines for the Basic Payment Scheme (BPS) in 2016 due to difficulties some paying agencies were having implementing the new CAP in its first year. The main milestones and deadlines are set out below:

- Mid-March to mid-May – window for applications to the BPS (extended to mid-June in 2015 and 2016)
- 1 December to 30 June – window for payments to be made without incurring financial penalties (extended to mid-October for 2016).

16. This is an annual cycle, which means that delays to the process in one year cause process overlaps with, and delays to, subsequent annual cycles (Exhibit 2).

### Exhibit 2
Annual timetable for basic payments for CAP 2014-20
The overlap between CAP years has a knock-on impact on the next year.

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<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
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<td>Application window</td>
<td>Application processing</td>
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<td>Single Application Form (SAF).</td>
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Note: All checks and inspections (if required) on an applicant’s claim must be completed before payment is made. SAFs can be accepted after the window closes but the applicant will incur financial penalties.

Source: Audit Scotland
The application process has improved

17. Our May 2016 report highlighted that the system opened on time for applications for 2015 payments, but had performance problems for the first six weeks. System functionality for the 2016 applications improved and no major problems occurred. Online applications for 2017 opened on time on 15 March, and no major system problems were noted over the application period. A problem extracting data from the system for the paper version of the forms meant that these were issued from 5 April 2017. Applicants choosing to complete a paper form had less time to do so than if completing online as the closing date was the same for both, 15 May 2017. Exhibit 3 shows the number of applications received for each year.

Exhibit 3
Number of SAF applications

<table>
<thead>
<tr>
<th>Year</th>
<th>Applications received by deadline</th>
<th>Total applications received</th>
<th>Percentage online</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAF 2015¹</td>
<td>20,724</td>
<td>20,907</td>
<td>65%</td>
</tr>
<tr>
<td>SAF 2016²</td>
<td>20,292</td>
<td>20,374</td>
<td>75%</td>
</tr>
<tr>
<td>SAF 2017²</td>
<td>19,838</td>
<td>20,224</td>
<td>78%</td>
</tr>
</tbody>
</table>

Notes:
1. The application windows for SAFs 2015 and 2016 were extended to 15 June.
2. The SAF 2017 application deadline was 15 May 2017 and the value was taken at this point, but there were some paper forms still to be receipted. Applications can be submitted after the application window closes but the applicant will incur a financial penalty. Therefore, the total number of applications is not known.
Source: Scottish Government

The Scottish Government continues to have difficulties making payments

Payments for SAF 2015 applications were slow but are almost complete 18. Our May 2016 report and September 2016 update highlighted that the programme missed key programme milestones and ministerial targets for payments to farmers, crofters and rural businesses for applications made in 2015. Under EC regulations, in a normal year the majority of payments (95.24 per cent) require to be made by 30 June each year. This applies on a member state basis. Therefore, the UK as a whole needs to meet this target in order to avoid financial penalties. In addition, any funds paid after this date are only reimbursed by the EU on a sliding scale.

19. Due to difficulties experienced across Europe with the first year of the new CAP, the EC offered an extension to the penalty-free period until 15 October 2016 which the Scottish Government opted to use.
20. The Scottish Government reports that it has met the EC regulations, paying 18,327 (99 per cent) farmers £343.2 million by 15 October 2016. As at 22 May 2017, twenty-five 2015 BPS payments to farmers were still outstanding (around £150,000). Currently, the system is not able to make 2015 and 2016 payments at the same time. This is related to the process for recovering loan payments. Outstanding SAF 2015 payments were placed on hold to allow SAF 2016 payments to start.

21. Payments for the pillar 2 Less-Favoured Area Support Scheme (LFASS), claims for which are received via the SAF, did not start until 31 October 2016. These payments usually start in March each year. As at 22 May 2017, around 1,700 payments with a total value of £14 million were outstanding.

SAF 2016 payments started later than planned
22. No timeline or ministerial targets were announced setting out when the 2016 payment round would start. Programme documents indicate that payments should have started in January 2017. This would have been slightly later than the previous year when payments started on 29 December 2015.

23. The first payments were made on 27 March 2017. The system required significant development to be able to make SAF 2016 payments. This was due to a number of factors, including:

- The priority placed on developing the system in the previous year to make SAF 2015 payments meant that decisions were not focused on how the system would be able to make SAF 2016 payments.

- Errors in the system were fixed with short-term measures rather than solving the underlying issues. The system therefore required significant changes this year to fix these issues.

- The addition of functionality for parts of the system that required manual interventions to make SAF 2015 payments.

24. The software required to deliver the functionality needed to process applications and make payments was delayed by two months and software to prepare cases for inspection and report inspection findings took significantly longer than expected. The inspection software was originally forecast to be delivered in December 2016, but the forecast was moved to 19 May 2017, and the software went live on this date. This provided a window of approximately six weeks to complete 2016 BPS payments by the 30 June deadline. Final payments on inspection cases cannot be made without this functionality.

25. Senior management within the ARE directorate also wanted to make sure payments were accurate and so waited until detailed checks were done before starting payments. Similar to the previous year, SAF 2016 payments will be made in two parts, with a first payment at 90 per cent (80 per cent for SAF 2015) of the estimated payment, and the remaining 10 per cent, once the final amount is calculated.

The Scottish Government budget is being used to pay farmers more quickly
26. In our May 2016 report, we reported that the Scottish Government made loans using funds from another part of its budget, to ensure that farmers received money more quickly. Between February and March 2016, the Scottish
Government announced three national loan schemes, with the following amounts available for each:

- a £20 million cash flow loan scheme
- a £200 million national basic payments loan scheme
- a £55 million national pillar 2 Less Favoured Area Support Scheme loan scheme.

27. In September 2016, the Cabinet Secretary for Rural Economy and Connectivity announced the launch of a further national basic payment loan scheme. This was due to anticipated delays in making SAF 2016 payments. Up to £300 million was open to all farmers, crofters, and rural businesses eligible for the basic, greening or young farmer payments as part of the SAF 2016 payment round. This scheme was on an opt-in basis, meaning farmers had to apply, whereas the equivalent scheme for SAF 2015 was on an opt-out basis. Loans were issued at 80 per cent of the estimated payment value.

28. Due to continued delays developing software to make 2016 LFASS payments and forecast delays in making those payments, the Cabinet Secretary for Rural Economy and Connectivity announced a further £50 million loan scheme on 5 April 2017.

29. All loan schemes are funded from part of the Scottish Government’s financial transactions budget which supports loan schemes that go beyond the public sector. Loans are recovered once the actual EU payments have been made to farmers. Exhibit 4 shows the process for the 2016 BPS loan scheme and the current position for recovering all loans.

Exhibit 4
Process for 2016 BPS loan payment and recovery

1. Loan payment from SG to farmer at 80% of estimated full BPS payment
2. Loaned amount is repaid via EU funding once all validation checks complete
3. Interim BPS payment at 90% of estimated full payment (net payment of 10%)
4. Final BPS payment (net payment of 10%)

Note: Steps 2 and 3 happen at the same time.
Exhibit 4 (continued)
Loans paid and recovered up to March 2017

<table>
<thead>
<tr>
<th>Loan schemes</th>
<th>Total</th>
<th>F</th>
<th>M</th>
<th>A</th>
<th>M</th>
<th>J</th>
<th>J</th>
<th>A</th>
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<th>O</th>
<th>N</th>
<th>D</th>
<th>J</th>
<th>F</th>
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<td>£0.02m</td>
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<td>2015 LFASS</td>
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<td>3,485</td>
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<td>2015 BPS</td>
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<td>150</td>
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<td>2016 BPS</td>
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<td>£172m</td>
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Note: 2016 LFASS Loan Scheme started in April 2017. £50 million was made available from the 2017/18 Scottish Government budget.

Net cumulative loans position

Source: Scottish Government
The Scottish Government closed the CAP Futures programme on 31 March 2017

30. The Scottish Government closed the programme on 31 March 2017 as planned. From April 2017, the functions previously provided by the programme were integrated into the ARE directorate, and work will continue across a number of key projects.

The programme had spent £166 million by end March 2017

31. 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.

32. Exhibit 5 shows the actual spending for the five years of the programme. The 2016/17 figures are estimates and will be confirmed through the annual accounts process. Most of the money was spent on developing the rural payments system. As at 31 March 2017, around £113 million had been paid to the software development supplier CGI. These costs are for CGI staff including contractors. Contractor numbers have remained relatively stable over the last 12 months, at around 200 (Exhibit 6, page 17).

Exhibit 5
Actual and forecast spending per year of the programme

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual spending</th>
<th>Cumulative spending</th>
<th>Forecast spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13</td>
<td>£1.8m</td>
<td>£25.8m</td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td>£26m</td>
<td>£51.8m</td>
<td></td>
</tr>
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<td>2014/15</td>
<td>£61.6m</td>
<td>£113.4m</td>
<td></td>
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<tr>
<td>2015/16</td>
<td>£37m</td>
<td>£150.4m</td>
<td></td>
</tr>
<tr>
<td>2016/17</td>
<td>£40m</td>
<td>£190.4m</td>
<td></td>
</tr>
<tr>
<td>2017/18</td>
<td>£11.6m</td>
<td>£202m</td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1. Figure subject to audit as part of the 2016/17 Scottish Government consolidated accounts.
Source: Scottish Government
The Scottish Government forecasts it will deliver an EC compliant system within £178 million budget

33. We reported in May 2016 that the scope of the programme had been significantly reduced from the original plans. The Scottish Government aims to deliver a system that complies with EC requirements. The following were removed from the programme scope:

- Integrate remaining pillar 2 schemes with the rural payments system.
- Improve business processes including electronic records management.
- Improve customer and user experiences through enhanced reporting and functionality.

34. The Scottish Government expects that the minimum scope will be delivered within the programme budget estimate of £178 million. There was significant work in April and May on two critical software releases to enable functionality for inspections selection and findings to achieve CAP compliance (paragraph 24). In addition, three key systems are still being developed and the remainder of the budget has been set aside to complete work on these during 2017. The remaining costs are summarised in Exhibit 7 (page 18).

35. The three systems need to be delivered for the whole system to be CAP compliant (Exhibit 7). Currently, the functionality is delivered by legacy systems. Now that the programme has come to an end these systems will be developed and delivered within the Information Systems Division of the ARE directorate. Specific projects have been set up to manage the development of these three systems. Until these systems are in place there is a risk that the overall system will not deliver the EC requirements within the timescales and budget.
The Scottish Government will continue to incur costs related to the rural payments systems

36. The Scottish Government recognises that the system will still require upgrades and additional functionality over the 2017 payment cycle. The ARE directorate budget will need to meet the costs of this. While some upgrades and changes for new or amended regulations are always to be expected, it is likely that, in the short term at least, development work will be more than would normally be expected.

37. Further functionality will have to be developed or redesigned to ensure the rural payments system is CAP compliant. Examples include functionality:

- to process SAF forms and make payments in relation to pillar 1 livestock schemes
- to process pillar 2 Less Favoured Area Support Scheme
- for the overall audit trail.

38. Ten software releases are currently planned between July 2017 and January 2018 including releases for SACAMS and LPIS (Exhibit 7). During 2016, the functionality to process pillar 2 claims was deprioritised in favour of pillar 1. This means there is now a backlog of work to continue the development needed for pillar 1 and pillar 2 claims. All this is being done in parallel to the processing of SAF 2015 and SAF 2016 payments, recovering loans, and processing SAF 2017 applications. In addition, the ARE directorate will have to manage the transition of the programme to be delivered by the business.

39. For the reasons set out above, it is likely that the rural payments system will not be functioning as anticipated until SAF 2018 at the earliest. This means there is a higher risk of weaknesses in system and administrative controls existing if not all parts of the system are in place until then.

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**Exhibit 7**

Remaining programme costs

<table>
<thead>
<tr>
<th>Forecast costs to 31 March 2017 and beyond</th>
<th>£166.4m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Development of new customer management system (Scheme Accounting and Customer Account Management System - SACAMS)</td>
<td>£2.6m</td>
</tr>
<tr>
<td>2) New land-mapping IT system (Land Parcel Information System – LPIS)</td>
<td>£4m</td>
</tr>
<tr>
<td>3) Pillar 2 capital claims to payments functionality for agri-environment schemes and the forestry grant scheme</td>
<td>£1m</td>
</tr>
<tr>
<td>Software releases for inspections selections and findings</td>
<td>£1.9m</td>
</tr>
<tr>
<td>Resolution of defects and other costs</td>
<td>£2.1m</td>
</tr>
<tr>
<td><strong>Total budget</strong></td>
<td><strong>£178m</strong></td>
</tr>
</tbody>
</table>

Note: Figures subject to audit as part of the 2016/17 Scottish Government consolidated accounts.
Source: Scottish Government
The contract with CGI has been extended for two years

40. The directorate recognises that it cannot deliver all the systems development work in-house and requires support and resources from an external partner. The original four-year contract with CGI to deliver the rural payments system started in March 2013. It included an option to extend the contract for a maximum of two years. The initial contract period was due to end in March 2017 in line with the end of the programme. With key parts of the system still to be built the programme team assessed its options, holding workshops and negotiations with CGI from July to August 2016.

41. On 15 September, the CGI contract was extended for two years with a forecasted value of £29 million. It included the following conditions:

- CGI invests in employing 38 permanent staff in Scotland.
- Day rates were fixed from 1 February 2017, with contractors above agreed rates replaced by permanent CGI staff or by CGI meeting the cost.
- CGI commits to a reduction in contractor staff numbers over time. For example, it committed to reducing headcount by 25 per cent by April 2017.
- The reintroduction of a financial penalties and reward scheme.

42. The contract will continue to operate largely as a time and materials contract, where the Scottish Government is billed on the number of hours worked by contractors with different rates for different skills levels. This is because the Scottish Government is still unable to clearly define requirements for the systems that it needs. We identified this as a key issue in May 2016. Reasons for this include:

- not having enough specialists within the directorate who understand the complex requirements
- the programme’s inability to fully integrate these specialists with the software developers at key points in the development process owing to other work commitments.

43. The Scottish Government has also had to extend a contract with another supplier, worth £3.5 million for one year. This is to ensure that its legacy systems, which are still operating and are essential for making CAP-compliant payments, are still supported and can work with the rural payments system being developed. These systems have had to be used for longer than planned because the rural payments system being developed is not currently able to provide all the required functionality. The ARE directorate will need to cover this additional cost.

Contract management has improved

44. Since February 2016, the programme improved contract management and cost controls. This meant it had a clearer picture of staff and overtime levels and could challenge and review these.

45. Under the terms of the new contract agreement (paragraph 41) the Scottish Government can withhold 2.5 per cent of monthly CGI invoices for development work if software is not successfully delivered by the agreed timescales. The Scottish Government has withheld £100,000 from CGI since 1 November 2016. CGI did not meet agreed timescales for delivering the functionality required to start making payments to farmers in January 2017 for 2016 SAF applications.
46. Through the contract negotiation with CGI, rates were renegotiated and CGI agreed to cover the additional cost of any contractor rates above those agreed in the framework. Since 1 February 2016, CGI has incurred costs of £200,000 for these above-framework rates.

47. The new contract with CGI forecast that the number of contractors would be reduced by 25 per cent by April 2017. However, the Scottish Government and CGI agreed that this reduction would not happen due to the level of systems development work that was urgently required for the SAF 2016 payments. This means that the forecast cost will also not decrease.

An independent technical review found that the system needs significant further investment

48. The Scottish Government commissioned an independent technical assurance review in December 2016 to help assess the capability and stability of the parts of the rural payments system that had been built to that point. The final report was presented to the main programme governance boards in April 2017. The review found that the system’s design and infrastructure was fundamentally sound but significant investment would be needed to develop, rewrite and redesign parts of it. It also noted that the lack of a fully tested and coherent disaster recovery plan put the system at risk.

49. The review noted that the time pressure the programme was working under and the decision to make payments quicker had meant some governance practices, such as system documentation and quality controls, had been sacrificed. It also highlighted that failure to have detailed requirements right from the start and throughout the programme had led to delays and increased cost of development. There are differences between the documentation explaining how the system is designed and operates and how the system has actually been built. This increases the risk to the future stability of the system and increases the reliance on key staff and suppliers.

50. The findings indicate that while the system is functioning it is likely to cost more to operate and maintain than was originally envisaged, and future enhancements and upgrades may also be more complex and cost more. The Scottish Government is working with the review’s authors and CGI to develop an action plan and to determine the value of investment needed to address the issues highlighted in the report. The directorate budget will also need to meet the cost of this additional work on the system.

There are still no disaster recovery arrangements covering the whole of the rural payments process

51. Our May 2016 report highlighted that there were no robust disaster recovery arrangements in place for some of the related IT systems, for example legacy systems such as LPIS. Legacy systems are still being used to support the rural payments system. The recent technical assurance review noted this as a risk that needed to be addressed. Currently, both the new rural payments system and some legacy systems that are reaching the end of their life, are used to process applications and make payments. This exposes the system to risk as there is still no fully tested disaster recovery plan in place.
52. Any data in the rural payments system could be recovered if the system failed. The Scottish Government estimates it would be able to get the rural payments system running again within four hours of any disruption, although this has not been tested. Arrangements are in place to prevent loss of data from legacy systems but it could take weeks to get these fully operational again if a disruption occurred.

53. The directorate has started to consider what arrangements are needed to mitigate the risk arising from the current lack of disaster recovery plans. It needs to assess the level of risk it can accept at key times in the payment cycle, and how long it can tolerate the systems being unavailable for.

The Scottish Government continues to face significant risks from the programme

54. In our May 2016 report, we highlighted four main risks arising from programme delivery and decisions made on payments and loans. These risks remain:

- Failure to meet EC deadlines.
- Disallowance will not be minimised.
- Risks to the wider Scottish Government budget.
- The full range of benefits will not be achieved.

The Scottish Government met the extended deadline for SAF 2015 pillar 1 payments

55. The Scottish Government reported that it achieved the target of making 95.24 per cent of payments by the extended penalty-free payment deadline of 15 October 2016 (paragraph 20). However, it missed the deadline for sending out final letters of entitlement by 1 April 2016. In addition, 46 BPS claims were still to be paid when the extended penalty-free period ended on 15 October 2016. The Scottish Government has estimated around £5 million in financial penalties as a result. Based on the value of payments between July and October, we estimate financial penalties of up to £15 million could have been incurred had the EC not offered an extension to the penalty free period. However, there are a number of uncertainties affecting this assessment and the Scottish Government may have made payments differently had the extension not been in place.

56. There is a risk that the Scottish Government will not meet this year’s end of June deadline for SAF 2016 pillar 1 payments. Management are forecasting that they will be able to make 95.24 per cent of payments by the 30 June deadline (paragraph 24). The delay to starting payments increases the risk that this deadline will not be met. Governance board papers highlight the risk that the delays to delivering inspections software (paragraph 24) will reduce the ability to pay inspection cases by the June deadline. There is very little contingency time if the software releases do not function as planned.

Recent audit findings mean there is a risk of significant financial penalties

57. Our May 2016 report highlighted the risk that the Scottish Government might face financial penalties for not meeting EC regulations. Financial penalties can be imposed for failing to meet deadlines or for weaknesses in the controlling and administering of EU funds.
58. Audit Scotland audits the European Agricultural Funds Accounts (EAFA) in Scotland as part of the UK consortium led by the National Audit Office (NAO). There are separate accounts for both pillar 1 and pillar 2 payments. We provide an opinion on these accounts covering:

- the completeness, accuracy and veracity of the annual accounts
- the effectiveness of the internal control system
- the legality and regularity of the expenditure declared to the funds.

59. In order to continue to make payments under the CAP schemes, paying agencies must meet standards of internal control set by the EC known as accreditation criteria. On an annual basis, we assess compliance with these criteria and provide accreditation scores for the paying agency’s (ARE directorate) management of both funds. This provides the EC with an assessment of how securely a paying agency is managing and administering EU funds. We submit a report to the EC (through the NAO) every February. It is then up to the EC to decide if any action, for example in the form of financial penalties, is required. Financial penalties are subject to negotiation and the final amount may differ from the one originally notified.

60. Our 2015/16 EAFA audit was affected by delays in the system information being provided, and a proper audit trail not being available. We concluded that the accounts themselves were an accurate reflection of the amounts paid. However, we identified a number of issues in relation to how the system was operating and weaknesses in the controls:

- The incremental nature of developing and implementing the rural payments system has affected the quality of the audit trail during 2016. The paying agency’s focus on delivering core compliance functionality has meant that the audit trail is not always easy to see or access.

- Delays in delivering the new system impacted significantly on the paying agency’s planned programme to make BPS payments to farmers, crofters and rural businesses.

- The paying agency relied on inefficient processes to draw together the accounting information it needed to submit to the EC. This placed a significant burden on the paying agency’s finance team, increased the risk of error and omission and delayed the process for preparing accounts.

- We were unable to conclude on the accuracy and reliability of the control statistics required by the EC. It was not possible to determine if the information extracted from the system was correct.

61. Using manual workarounds for some processes was identified as a weakness in controls. Manual workarounds are sometimes necessary to solve an issue with the system that cannot be fixed quickly. They should be used only when there is no other option and provided effective checks and controls are built in.

62. The audit concluded that the system of internal controls was working only partially and there were deficiencies. Risks were addressed to a limited extent by controls but these were not always working as intended. This was a weaker assessment than in previous years. At the time of reporting the EC had not decided what action it would take against the Scottish Government in response to the audit findings.
63. These weaknesses mean that the risk of significant financial penalties relating to the SAF 2015 payments has increased. It also increases the risk of financial penalties for future years unless prompt corrective action is taken to improve controls.

64. The funds are also subject to audit directly from EC auditors and the European Court of Auditors who audit the EC accounts. They focus on how specific CAP schemes are implemented and how controls are applied. The Scottish Government reported that 12 such audits on various schemes had taken place between October 2014 and March 2017. Financial penalties can be incurred as a result of these audits.

The Scottish Government has not completed an assessment of the risk of financial penalties

65. Our May 2016 report recommended that the Scottish Government complete a detailed assessment of the risk of disallowance based on delivering the minimum scope. Action against this recommendation is still in progress. An overall assessment would help decisions on prioritising activity and allow the Scottish Government to understand the level of accumulated risk across all schemes and how best to mitigate this risk. The directorate considers the risk of disallowance in determining immediate priorities. This is at a high level with no detailed analysis about accumulated risk across all schemes and linking risks to decisions about future system functionality.

66. The risk of financial penalties as a result of audit findings and missed deadlines has been included as a set item on the CAP Strategy and Delivery Board agenda since March 2017. The Scottish Government has assessed the risk of penalties due to missed deadlines as £5 million for 2015 (paragraph 55), but has not updated its risk arising from weaknesses in controls. In our May 2016 report we highlighted that financial penalties could be in a range of between £40 million and £125 million. There are a number of uncertainties but our updated assessment suggests penalties of up to £60 million are possible.

The loan schemes put the Scottish Government budget under pressure

67. The loan schemes introduced by the Scottish Government to get money to farmers more quickly, (paragraph 26) were funded from its financial transactions budget, which was £368 million in 2016/17. The Scottish Government recovers the loans once the farmer’s claim has been validated and checked by the system and money reimbursed by the EU (Exhibit 4, pages 14) and 15.

68. The Scottish Government made two loan schemes (for 2015 and 2016 BPS loans) from the 2016/17 financial transactions budget, putting this budget under additional pressure. In total, £370 million of loan payments were made in 2016/17 with £239 million recovered by 31 March 2017. The Scottish Government used the money recovered from previous loan schemes (2015 LFASS and 2015 BPS), supplemented by additional budget identified from underspends in other areas, to make 2016 BPS loan payments (Exhibit 4). The 2016 LFASS loan scheme is being funded from the 2017/18 financial transactions budget.

69. The Scottish Government has had to manage in-year loan funding within its overall financial position to minimise the risk of its 2016/17 capital budget being overspent or there being less capital budget available to carry forward into 2017/18 than planned. Recovering loan payments has put pressure on payment delivery timescales and staff, as they had to maximise loan recoveries by year-end. The 2016/17 Scottish Government consolidated accounts are in the
process of being prepared for audit. We will report on the Scottish Government’s final position in our annual report on the audit of the Scottish Government consolidated accounts in the autumn.

70. The majority of the financial transaction budget was not originally intended to be loaned to farmers, crofters and rural businesses, but to other schemes to stimulate the wider economy. By lending this money to farmers throughout the year, and as loans were repaid at a slower rate than anticipated, the Scottish Government temporarily lost the opportunity to use the money for other purposes.

Using manual workarounds for calculating loans caused errors and duplicate payments

71. We reported in May 2016 that manual workarounds had to be put in place to complete inspections, and also to make loan payments. The Director General Economy and the Permanent Secretary provided evidence to the PAPLS committee that errors had been made in calculating some loan payments due to an error in a spreadsheet. For the 2016 BPS loans scheme, in total, errors valuing £1.2 million were made, including duplicate payments, of which £0.9 million has been recovered. The ARE directorate worked with the Scottish Government’s Internal Audit division to ensure processes were improved.

72. Programme documents also indicate that the loan schemes slowed the pace of programme delivery due to staff having to prioritise the administration of loans over other activities.

A number of benefits have been reduced or delayed

73. Our May 2016 report summarised the Scottish Government’s risk assessment of delivering planned benefits as at February 2016. This showed that a number of benefits could be delayed or would not be fully delivered due to delays and the need to reduce the scope of the programme (paragraph 33).

74. The programme team last reassessed anticipated benefits in December 2016 and as a result changes were made to when some benefits would be realised. For example, the anticipated financial benefit from reducing the level of spending on existing IT systems and contracts was reduced. £2.9 million of expected benefits in 2016/17 and £3.4 million in 2017/18 were reassessed as not being achievable due to the contracts for legacy systems being extended (paragraph 43). Over the course of the benefits realisation plan, up to 2022, the ARE directorate now only expects to achieve an overall saving of £16 million for this benefit, reduced from £22 million.

75. The value to be realised from restructuring the Field Inspection System (FIS) team has also been revised. This has been reassessed partly due to the added complexity of the mapping requirements under the new CAP and partly to delays in implementing the new land-mapping system (LPIS). The overall saving for this benefit is now expected to be £2.6 million, a reduction of £5.1 million.

76. The Scottish Government forecast that the largest programme benefit would be avoiding financial penalties for pillar 1 and pillar 2 schemes in each year of the programme. The value of this benefit has not been reassessed, but the ARE directorate is in the process of updating it. The programme was also forecast to reduce the cost of any work required to respond to audit recommendations. This was based on the estimated cost of setting up task forces to deal with issues. This benefit is also being reassessed.
77. Due to changes to the management team within ARE between September 2016 and March 2017, two of the benefits had not been reassigned to new owners at the point of the December 2016 review. It is important that all benefits have owners so that they can be monitored and there is accountability. It is also important for benefits to be reviewed throughout a programme lifecycle and to identify any new benefits or penalties. The programme ended on 31 March 2017. It remains important to:

• continue to monitor progress against the original programme business case benefits, alongside the wider ARE business benefits

• recognise any interdependencies between these and the overall investment in the system.

78. The directorate is planning to review the value of the system and what additional benefits it could provide that were not originally anticipated. One example is how the Scottish Government could make best use of the customer and land-mapping data it contains.

The programme has not yet achieved the anticipated value for money

79. We concluded in our May 2016 report that the programme will not deliver the full value of the anticipated benefits, will only deliver a minimum scope, and will cost substantially more than originally estimated. The system also requires significant further investment to ensure that it can continue to make further payments. This investment will not deliver any new or additional benefits. To date, the programme has not delivered value for money.
Part 2
Leadership and governance

Key messages

1. There have been significant changes to leadership and to the directorate organisational structure since the summer of 2016. This brought renewed effort to stabilise the programme and respond to the risks. Management time is still being taken up by responding to short-term risks, but the changes the new management team are making are intended to improve longer-term strategic thinking and capacity. These changes are still being put in place and will need time to embed.

2. The governance structure has changed, with improvements made to the recording and transparency of decision-making. The new structure should also help to provide stability through the end of the programme and its integration into the business. These arrangements are new and the directorate plans to keep them under review to ensure they meet its changing needs.

3. The quality of the system code has improved but remains an issue. Programme planning is still optimistic and the pressure to meet the timetable has squeezed development and testing time.

4. Transferring knowledge from contractors to staff within the business is a significant challenge. The programme has identified 20 roles and areas where they are heavily reliant on contractor staff. The pace of knowledge transfer needs to increase and there is a risk that the focus on payments will not allow enough time for it to take place.

A new leadership team is in place

80. There have been significant changes to the leadership team and structure within ARE and to the Futures programme team in the past year. Many key people in the programme team, such as the programme director, and the head of the Information Services Division left over the summer of 2016 as their contracts came to an end.

81. A new director of ARE started in September 2016. Since then the leadership structure has been reviewed, and during March and April 2017 areas of responsibility were agreed and finalised. All these changes have come during a very busy period for the programme and as it moves into the business delivery stage.
82. This presents both opportunities and risks. The programme has come to an end but delivery will continue under a new structure and new leadership. This provides an opportunity to draw a line under what has gone before and ensure that the new business delivery model is fit for purpose and meets overall objectives of the directorate and not just the Futures programme. It also creates additional capacity at senior level to create the space and time within the leadership team for longer-term strategic planning. This is a priority, as previously the focus was on short-term actions to deal with issues as they arose.

83. This is happening at a time when the programme is trying to:

- deliver payments to farmers, crofters and rural businesses
- recover loans
- process SAF 2017 claims
- continue to develop and test the rural payments system.

84. A change of personnel and structure could take focus away from delivering the system, and it can also be unsettling for staff. It will be important that the new structures and reporting lines are clearly communicated to staff.

**Governance structures have been revised to transfer programme activity into the directorate**

85. We reported in May 2016 that programme governance had not been operating effectively with strategic decisions taking too long and significant decisions being made outwith programme governance structures. It was also not clear when a problem had been referred, or escalated, from one level of governance, for example operational level, to a higher one, such as the programme board.

86. The programme team reviewed governance arrangements over summer 2016 and improved procedures for logging and acting on decisions. It is now much clearer where and when decisions have been made. Issues that have been escalated are also clearly documented.

87. The new leadership team revised governance structures in November 2016 to take account of the programme coming to an end and responsibility for delivering CAP and the rural payments system moving into the wider ARE directorate. **Exhibit 8 (page 28)** sets out the governance structures and escalation routes in place up to May 2017.

88. The Executive Steering Committee (ESC) met for the first time in January 2017. It has a strategic role in ensuring the programme integrates into the needs and priorities of the wider directorate, and that outcomes and benefits are delivered. The Futures programme board has been replaced by the CAP Strategy and Delivery Board. Both these boards have appointed independent non-executive directors with experience of major IT projects.

89. The ARE directorate is keeping the new structure under review. It is considering whether other governance boards might be required underneath the ESC to allow it to take more strategic decisions rather than decisions about
detailed tasks and short-term actions. Ensuring that members of each committee and board are clear about their roles and responsibilities, particularly as the programme ends and delivery moves into the business, will be important.

Exhibit 8
Agriculture and rural economy governance structure for delivering CAP futures

Quality has improved but remains an issue
90. The quality of the software being developed continued to be an issue throughout 2016. There were a number of reasons for this. For example, the period of time for testing has often been shortened due to delays in developing the software and the pressure to release it. Another reason is the lack of fully integrated teams, with software developers often working in isolation from the people using the system (in area offices), scheme teams, and service delivery. Product Owners (POs) have a key role to play in this by interacting with software developers, people using the system and other stakeholders ensuring the requirements are clear and that user needs are met. The programme has not had enough POs throughout and a shortage remains.

91. Programme documents and the independent technical assurance review in 2017 (paragraph 48) indicate that quality is improving but remains an issue. The new leadership team is taking action to improve quality and monitoring. For example it is working with CGI to improve how to track and analyse issues and defects to better understand their causes. It has implemented a series of daily and weekly meetings involving representatives from different user and business groups, such as area offices, service delivery and IT, to ensure issues are identified and dealt with quickly. In addition, a full-time testing manager has been employed to oversee testing.

Source: Audit Scotland
92. These are welcome changes but come late in the process. The new governance and leadership structures have a vital role in ensuring quality improves. It will be important to keep reviewing the processes for monitoring and testing quality until a consistent level of performance is achieved.

Managing the transition of the programme and knowledge transfer will be challenging

93. Finding the space and time for people within the existing programme team and the wider business to smoothly move delivery into the business over the busy summer period will be challenging. As we have set out, during this period three key systems remain to be delivered (paragraph 34), alongside continuing to develop the system and make payments, process claims and recover loans. It will be crucial to set aside adequate time to allow people who know the system in detail, and who may leave, to share and document their knowledge.

94. A significant number of contractors are involved in developing the system and managing the programme (Exhibit 6, page 17), including some leadership roles. The ARE directorate reviewed all contractors in January and February 2017 to identify any potential ‘single points of failure’. This means identifying people with valuable knowledge of the systems and business who, if they left, could cause delivery to fail because the people who remain do not have that knowledge. This review identified around 20 contractors with a pivotal role in delivering the programme.

95. The ARE directorate extended contracts where appropriate and put mechanisms, such as job shadowing, in place to help the transfer of knowledge from the contractors to Scottish Government staff. This was included in the ARE directorate transition plan and roadmap. Identifying the right people with the right skills to take on new roles and allowing them time to learn is vital to keep the service running in the longer-term. There is a risk programme roles are added on to the existing roles of ARE directorate staff and that they will not have time or ability to do this. The risk of lost knowledge is increased due to the lack of system documentation highlighted at paragraph 49.

There is a continuing risk of staff burn-out

96. Staff from across the business have shown a great level of commitment in challenging circumstances. The remainder of the programme continues to be delivered at a fast pace with continuous deadlines to meet and backlogs of work to be done. Staff have been under enormous pressure for a number of years, and we do not see this changing in the near future. The leadership team recognises this and, as we set out earlier, is reviewing structures and processes. Members of the leadership team have regularly visited area offices to try and improve staff engagement and morale. The staff survey results for the directorate in 2016 showed an improved engagement score from previous years. Good communication with staff in all areas of the business will be particularly important during this transitional period and beyond.
Endnotes

1. EC regulations require paying agencies to have an Integrated Administration and Control System (IACS) in place. This includes having a Land Parcel Information System (LPIS), and Scheme Accounting and Customer Account Management System (SACAMS).

2. The European Agricultural Funds Accounts (EAFA) consist of the European Agricultural Guarantee Fund account (covering pillar 1 schemes) and the European Fund for Rural Development (pillar 2).

3. Control statistics provide assurance to the EC and the directorate (the paying agency) that the control system in place to ensure the legality and regularity of expenditure has, as a whole, worked as intended.

4. Letter from Permanent Secretary to Public Audit and Post-Legislative Scrutiny Committee, 7 December 2016. [www.parliament.scot/S5_Public_Audit/2016_12_07_Perm_Sec_additional_ifno.pdf](http://www.parliament.scot/S5_Public_Audit/2016_12_07_Perm_Sec_additional_ifno.pdf) and, Public Audit and Post-Legislative Scrutiny Committee evidence session, 8 December 2016.
Appendix 1
Audit methodology

We reviewed a range of information during our audit, including the following:

- Papers from the ARE Futures governance boards, and other relevant management documentation (such as business cases and programme plans).
- Independent technical assurance review.
- Papers from the Scottish Parliament’s Public Audit and Post-Legislative Scrutiny Committee and the Rural Economy and Connectivity Committee.
- Papers from the Scottish Government Audit and Assurance Committee.
- Audit working papers and findings from the Audit Scotland European Agricultural Funds Accounts (EAFA) certification body audit.

We spoke to representatives from:

- The Scottish Government.
- Futures governance boards.
- CGI.
Appendix 2
The Common Agricultural Policy in Scotland

The Scottish Government distributes European Union CAP funding under two pillars.

**Pillar 1**
- approx. £3.3bn 2014-20
- approx. £390m in 2015/16

**Pillar 2**
- approx. £1.3bn 2014-20

**Basic payments**
Paid on area basis based on land quality
Three payment regions

**Greening payments**
Mandatory component supporting practices beneficial for the climate and environment (30% Pillar 1 budget)

**Voluntary Coupled Support (VCS)**
- Scottish Suckler Beef Support Scheme (£40m)
- Scottish Upland Sheep Support Scheme (£5m)

**National Reserve**
- Young farmers scheme
- New entrants scheme

**Scottish Rural Development Programme 2014-20**

- Less Favoured Area Support Scheme (LFASS): (£459m)
- Forestry Grant Scheme (FGS): (£252m)
- Agri-Environment (AECS): (£350m)
- Beef Efficiency Scheme part of AECS: (£45m)
- Support for Co-operative Action Fund: (£10m)
- New Entrants Support: (£20m)
- Crofting Support Scheme: (£14m)
- Small Farms Support Scheme: (£6m)
- Food Processing, Marketing, and Co-operation: (£70m)
- LEADER: (£86m)
- Knowledge Transfer and Innovation Fund: (£10m)
- Advisory Service: (£20m)
- Broadband: (£9m)
- Technical Assistance/ Scottish Rural Network: (£15m)

**Key**
- Single Application Form (SAF)
- Fully EU funded
- Co-funded by EU and Scottish Government

Source: Audit Scotland
### Appendix 3
### Assessment of progress

<table>
<thead>
<tr>
<th>May 2016 Recommendation</th>
<th>May 2017 Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete a detailed assessment of the risk of financial penalties for all remaining</td>
<td>Not completed. Work in progress</td>
</tr>
<tr>
<td>elements of programme scope, to enable informed decisions on prioritisation if the</td>
<td>See paragraphs 65 to 66</td>
</tr>
<tr>
<td>remaining budget cannot cover all the elements required for CAP compliance.</td>
<td>Further recommendation at page 6</td>
</tr>
<tr>
<td>Ensure there are appropriate governance arrangements for all decisions made</td>
<td>Completed</td>
</tr>
<tr>
<td>concerning the programme and payments to farmers.</td>
<td>See paragraphs 85 to 89</td>
</tr>
<tr>
<td>Develop a clear plan for the transfer of knowledge and expertise from the programme</td>
<td>Work in progress. Plan in place but knowledge transfer still significant risk</td>
</tr>
<tr>
<td>staff to staff in the business.</td>
<td>See paragraphs 93 to 95</td>
</tr>
<tr>
<td>Develop and test a disaster recovery solution covering the whole IT system</td>
<td>Not completed. Work in progress</td>
</tr>
<tr>
<td></td>
<td>See paragraphs 51 to 53</td>
</tr>
</tbody>
</table>

Source: Audit Scotland