

# Education Scotland

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared by Audit Scotland  
June 2022

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# Key messages

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## 2021/22 annual report and accounts

- 1 An unqualified independent auditor's report has been issued for the 2021/22 annual report and accounts.
- 2 Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.
- 3 The performance report, governance statement and remuneration and staff report are consistent with the accounts and properly prepared in accordance with applicable guidance.

## Financial management

- 4 Education Scotland operated within budget 2021/22.
- 5 Covid-19 impacted on the overall 2021/22 outturn but difficulties in staff recruitment also contributed significantly to the underspend.
- 6 The agency has in place effective financial reporting and budget monitoring arrangements.
- 7 There has been appropriate scrutiny and oversight of the digital transformation programme.
- 8 High level systems of internal control operated effectively during 2021/22.

## Financial sustainability

- 9 Education Scotland's core budget for 2022/23 has decreased from 2021/22. Ongoing engagement with the Scottish Government will be required to address known financial pressures.
- 10 The Scottish Government's education reform proposals will impact on the agency's workforce and financial planning.

## Governance and transparency

- 11** Following recommendations from the national review into the future vision for Scottish Education, the Scottish Government announced plans to establish a new executive agency for Scottish education and confirmed any inspection function would sit separately to this. These reforms will have far reaching implications for Education Scotland.
- 12** Effective governance and decision-making arrangements were in place during 2021/22.

## Value for money

- 13** The agency has arrangements in place to promote and secure value for money.
- 14** Education Scotland's new Corporate Plan sets out its priority areas for the coming years but there is a need to improve the data gathering and reporting of the key performance indicators aligned to this.

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# Introduction

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1. The scope of our audit was set out in our Annual Audit Plan presented to the March 2022 meeting of the Audit and Risk Committee.
2. This report sets out our findings from:
  - the audit of the annual report and accounts
  - consideration of the four wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency and value for money), as set out in the [Code of Audit Practice 2016](#).

## Responsibilities and reporting

3. The Chief Executive of Education Scotland, as Accountable Officer, has responsibility for:
  - preparing financial statements which give a true and fair view in accordance with the HM Treasury Financial Reporting Manual (FReM) and the Scottish Public Finance Manual (SPFM).
  - ensuring the regularity of transactions by putting in place appropriate systems of internal control.
  - maintaining proper accounting records and appropriate governance arrangements.
4. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK. We undertake our audit in accordance with International Standards on Auditing, and the auditing profession's ethical guidance.
5. At the conclusion of our audit, we provide an independent auditor's report for inclusion in the annual report and accounts.
6. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
7. Our Annual Audit Report contains an agreed action plan at [appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these. Members of the Audit and Risk Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

## Adding value through the audit

**8.** In addition to our primary responsibility of reporting on the annual report and accounts we seek to add value to the agency by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we aim to help the organisation promote improved standards of governance, better management and decision making, and more effective use of resources.

## Appointment of external auditors 2022/23 to 2026/27

**9.** In March 2022, Audit Scotland wrote to Education Scotland noting that its external auditor would remain Audit Scotland for the period 2022/23 to 2026/27. We will work closely with the new auditor to ensure a well-managed transition.

## New Code of Audit Practice

**10.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**11.** The Code outlines the objectives and principles to be followed by all auditors. The audit of financial statements is covered by auditing standards, so the Code focuses more on the wider dimension objectives and responsibilities of public sector auditors. It is a condition of their appointment by the Auditor General for Scotland or the Accounts Commission that they follow it.

## Auditor Independence

**12.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £37,800, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** This report is addressed to both the Accountable Officer and the Auditor General for Scotland and following the agency's annual report and accounts being laid at the Scottish Parliament, the report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**15.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

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# 1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance.

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## Key messages

An unqualified independent auditor's report has been issued for the 2021/22 annual report and accounts.

Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.

The performance report, governance statement and remuneration and staff report are consistent with the accounts and properly prepared in accordance with guidance.

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## Our audit opinions on the annual report and accounts are unmodified

**16.** The annual report and accounts for the year ended 31 March 2022 were approved for issue by the Accountable Officer following the meeting of the Advisory Board of 6 July 2022.

**17.** We reported in the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared.
- the expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.
- the performance report, governance statement and remuneration and staff report were all consistent with the accounts and properly prepared in accordance with relevant legislation and directions made by Scottish Ministers.

**18.** We are satisfied that there are no matters upon which we are required by the Auditor General to report by exception.

## The unaudited annual report and accounts were submitted for audit in line with the agreed timetable

**19.** We received the unaudited annual report and accounts on 9 May 2022 in line with the agreed audit timetable. The annual report and accounts submitted for audit were of a reasonable standard as were supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly. MyCSP is the agency which administers the Civil Service pension schemes. There was significant delay in MyCSP providing the agency with pension information for inclusion in remuneration and staff report. This information was received on 1 July 2022.

## Education Scotland's 2021/22 performance report complies with applicable guidance but there is scope to make it more user friendly

**20.** HM Treasury Financial Reporting Manual (FReM) requires a performance report to be included in the agency's annual report and accounts. The purpose of a performance report is to provide information on the agency, its main objectives and strategies, and the principal risks that it faces. The FReM specifies that it should provide "a fair, balanced and understandable" analysis of a body's performance to meet the needs of Parliamentarians and other stakeholders.

**21.** Overall, we concluded that the performance report complies with the applicable guidance but could be further improved to provide a more user-friendly view of the agency's performance. The report could be enhanced by using infographics together with more concise narrative. Additionally, the key performance indicators (KPIs) require better data gathering, target setting and overall presentation in the performance report. Further comment on the KPIs is included at [paragraphs 90 to 92](#) of this report.

**22.** Management should consider whether the performance report reflects good practice as set out in Audit Scotland's guidance, ['Improving the quality of central government accounts – performance reports.'](#)

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## Recommendation 1

The agency should consider reviewing the presentation of information in the performance report for future years.

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## The annual governance statement provides a good level of disclosure on the agency's governance arrangements during 2021/22

**23.** The FReM requires inclusion of a governance statement in an annual report and accounts. The Scottish Public Finance Manual (SPFM) sets out guidance on the content and minimum requirements of the statement but does not prescribe a format. The agency's annual governance statement complies with SPFM guidance and presents a good explanation and assessment of Education Scotland's governance arrangements for the year under review.

**24.** The governance statement discloses details of the updated governance arrangements that the agency put in place in response to the education reform announcement made by the Scottish Government in June 2021. Further comment on the education reform announcement is included at [paragraphs 75 to 81](#) of this report.

### **The audited part of the remuneration and staff report was consistent with the annual accounts and has been prepared in accordance with applicable guidance**

**25.** The FReM requires Education Scotland to include a remuneration and staff report within its annual report and accounts that includes details of:

- the agency's remuneration policy,
- details of the remuneration of senior officers, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year,
- the number and cost of exit packages approved during the financial year, and
- a median pay disclosure and a range of other information on staff costs, numbers, and related activity.

**26.** We have no issues to report in relation to the information included within the remuneration and staff report in the agency's 2021/22 annual report and accounts.

### **Our audit testing reflected the calculated materiality levels**

**27.** Materiality can be defined as the maximum amount by which auditors believe the annual report and accounts could be misstated and still not be expected to affect the perceptions and decisions of users. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

**28.** Our initial assessment of materiality for the annual report and accounts is undertaken during the planning phase of the audit. On receipt of the unaudited annual report and accounts, and following completion of our interim audit testing, we reviewed our original materiality calculations and concluded that they remained appropriate. Our materiality levels are set out at [exhibit 1](#).

## Exhibit 1

### Materiality levels

Materiality level	Amount
<b>Overall materiality:</b> This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022.	£0.415 million
<b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 65% of planning materiality.	£0.270 million
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been set at 5% of planning materiality.	£0.020 million

Source: Audit Scotland

## Our audit identified and addressed the significant risk of material misstatement together with the other areas of audit focus reported in our 2021/22 Annual Audit Plan

**29.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified one significant risk of material misstatement which could impact on the annual report and accounts. [Exhibit 2](#) sets out this risk together with the work we undertook to address it and our conclusions from this work.

**Exhibit 2**

## Significant risk of material misstatement reported in the 2021/22 Annual Audit Plan

Description of risk	Audit response to risk	Results and conclusion
<p><b>1. Risk of management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	<p><b>Results:</b> We assessed the design and implementation of controls over journal entry processing. No significant issues were noted.</p> <p>Journal adjustments were tested, and no indications of management override of controls were found.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>We reviewed transactions during the year – no issues were highlighted of significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p><b>Conclusion:</b> No issues identified</p>

Source: Audit Scotland

**30.** Our 2021/22 Annual Audit Plan also noted other risks of material misstatement to the annual report and accounts. Based on our assessment of the likelihood and magnitude of the risk, we did not consider that these represented a significant risk. The other areas of audit focus were:

- Value Added Tax provision
- Dilapidation provision
- Intangible assets

**31.** We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, other than [exhibit 3 - issue 2](#), there are no significant matters which we need to bring to your attention.

## **We identified misstatements of £0.083 million that were adjusted for in the annual report and accounts**

**32.** We identified two misstatements, with a gross value of £0.083 million in the unaudited annual report and accounts. These were not above our performance materiality level. As a result of these misstatements, we considered the need for additional audit testing but there was no significant change to our audit approach required.

**33.** Management have adjusted for these errors. These adjustments have contributed to the comprehensive net expenditure decreasing by £0.083 million, with a corresponding increase in net assets. Further details of these adjustments are included in [exhibit 3 - issue 2](#) and [paragraph 37](#).

## **We have significant findings to report on the annual report and accounts**

**34.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to “those charged with governance”. Significant findings are summarised at [exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan in [appendix 1](#) has been included.

**35.** The qualitative aspects of the agency’s accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate to the agency.

**36.** In addition to the issues set out below, and in accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

## Exhibit 3

Significant findings from the audit of the annual report and accounts in line with ISA 260

Issue	Resolution
<p><b>1. Consideration of going concern</b></p> <p>The annual report and accounts have been prepared on a going concern basis.</p> <p>On 22 June 2021, the Cabinet Secretary for Education and Skills announced the intention to replace the Scottish Qualifications Authority (SQA) and to take forward reform of Education Scotland, including removing the function of inspection from the agency. Professor Ken Muir was appointed to act as an independent advisor on the reform proposals.</p> <p>He published his report on 9 March 2022. Later that same day, the Cabinet Secretary confirmed that there will be a new qualifications body, a new national agency for Scottish Education and an independent inspectorate body. These will replace the SQA and Education Scotland. It is expected that operating models for the new organisations will be developed by winter 2022, with the new organisations operational by 2024.</p> <p>As a result of the above reform announcement, we considered applicable guidance and the Financial Reporting Manual (FRM), to ensure that the use of the going concern assumption remained appropriate.</p>	<p><b>For information only</b></p> <p>We believe that the use of the going concern basis of accounting remains appropriate for the 2021/22 annual report and accounts.</p> <p>The functions of Education Scotland will continue to be delivered by the agency until the reform is complete. At that time, the functions will transfer and continue to be delivered by an alternative public sector body.</p> <p>Appropriate disclosure on this matter has been made in the 2021/22 annual report accounts.</p>
<p><b>2. Digital transformation project - accounting treatment</b></p> <p>Within the 2021/22 unaudited annual report and accounts the agency disclosed £8.298 million in its Statement of Financial Position as an asset under development. This was stated as being in relation to the digital transformation programme.</p> <p>As part of our audit testing, we sampled expenditure relating to the programme. We are satisfied that it related to the programme and was capital in nature.</p> <p>However, from the documentation reviewed, we were unable to distinguish what costs were associated with each project within the overall programme. This was due to insufficient project coding within the fixed asset register. The digital transformation programme is classed as one asset for the purpose of the fixed asset register and disclosure in annual report and accounts.</p> <p>From our discussion with management, including those involved in the programme, it was evident that</p>	<p>The agency's accounting policy on amortisation states that no charge is made in the first month of the asset becoming operational. The CRM project became operational in March 2022. As such, no amortisation charge was required for this asset in 2021/22. However, this should have been disclosed as an operational intangible asset in note 6 of the annual report and accounts. This is a misclassification. We are not able to identify the value of this misclassification due to the lack of programme costs split held by the agency.</p> <p>Management should undertake a review of the capitalised costs of the total programme and assign these to distinct projects. This will allow amortisation to be charged on each</p>

Issue	Resolution
<p>the programme is made up of several distinct projects. For example, the Customer Records Management (CRM) system which became operational in March 2022, but was still classified as being under development at 31 March 2022.</p> <p>The current approach continues to classify the asset as being under development until all aspects of the digital transformation programme are complete, which management advise may not be until November 2022.</p> <p>There is a risk that live assets are held as under development, with no amortisation charge incurred, until the whole programme is live. This would result in misstatement to the 2022/23 annual report and accounts.</p>	<p>project once they become operational.</p> <p>The full accounting impact, of assets moving from under development to operational, will not be seen until 2022/23. As such, we would advise the agency to engage early with the new external audit team to ensure agreement on the accounting approach for 2022/23.</p> <p><b>Recommendation 2</b> <a href="#">See appendix 1, action plan</a></p>
<p><b>3. Fixed asset register - fully depreciated assets</b></p> <p>We identified a considerable number of assets within the fixed asset register, with a nil carrying value. Although some of these were disposed of during 2021/22, our review identified that there were over 100 assets with a nil carrying value at 31 March 2022. These had a total initial cost of £1.736 million.</p> <p>Assets no longer in use should be removed from the asset register to ensure the cost and accumulated depreciation balances for Property, Plant and Equipment in the annual report and accounts accurately reflect the operational assets of the organisation.</p> <p>If the agency continues to use assets that are fully depreciated, they should consider whether a new estimated useful life should be established with depreciation charged over this period.</p>	<p>For those assets still in use but fully depreciated we estimated that any likely depreciation charge would not have been material to the 2021/22 annual report and accounts.</p> <p>Management has resolved to undertake a full review of the asset register in 2022/23.</p> <p><b>Recommendation 3</b> <a href="#">See appendix 1, action plan</a></p>
<p><b>4. Year-end grant debtors</b></p> <p>Following receipt of the unaudited annual report and accounts management advised the audit team of required adjustments to the grant debtors balance (note 7).</p> <p>The agency received late confirmation from grantees of unspent grants totalling £0.063 million.</p> <p>The corrections had the net effect of increasing the grant debtor balance, within note 7 to the annual report and accounts, by £0.063 million.</p>	<p>Management made the appropriate adjustment in the audited annual report and accounts.</p> <p>Out testing of grant debtors noted no further issues.</p> <p><a href="#">See appendix 1, prior year recommendation 1</a></p>

## Other matters identified from our work on the annual report and accounts

**37.** In addition to our findings in [exhibit 3](#) above, we identified two further minor issues. These were:

- **Provision existence:** A provision for £0.020 million was included in the unaudited annual report and accounts. From discussions with management, it was established that this was no longer needed as the issue it related to was settled in year. Therefore, the provision balance was overstated. Management have agreed to make the required adjustment for this matter.
- **Historic payables balance:** In our previous Annual Audit Reports, we noted that the trade payables balance was overstated due to 17 historical “cancelled invoices” totalling £0.053 million being included. Management confirmed that they are not able to write this amount off but have raised various requests to the Scottish Government (SG) to do this. This has not yet been actioned by SG - [See appendix 1, prior year recommendation 3](#).

## Our audit work addressed the wider dimension risks identified in our 2021/22 Annual Audit Plan

**38.** The [Code of Audit Practice 2016](#) requires auditors to consider the wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency and value for money). Within our 2021/22 Annual Audit Plan, under this responsibility, we identified wider dimension risks in relation to:

- Education reform – impact on Education Scotland
- Service delivery and performance

**39.** [Appendix 2](#) summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed. Further details of our work in relation to the audit dimensions is included in sections 2 to 5 of this report.

## Follow up of prior year recommendations

**40.** We followed up on actions agreed in our [2020/21 Annual Audit Report](#), to assess what progress on implementation had been made. Details of the follow up are included in [appendix 1](#).

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## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal control are operating effectively

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### Key messages

Education Scotland operated within budget in 2021/22.

Covid-19 impacted on the overall 2021/22 outturn but difficulties in staff recruitment also contributed significantly to the underspend.

The agency has in place effective financial reporting and budget monitoring arrangements.

There has been appropriate scrutiny and oversight of the digital transformation programme.

High level systems of internal control operated effectively during 2021/22.

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### Education Scotland operated within budget in 2021/22

**41.** Education Scotland, as an executive agency of the Scottish Government (SG), receives most of its funding directly from the SG. Its main financial objective is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

**42.** The initial budget, £32.784 million, was set out in the SG 2021/22 budget published in January 2021. The agency received additional allocations, for responsibilities out with its core remit, totalling £13.037 million during the year, resulting in a final budget for 2021/22 of £45.821 million. The significant budget transfers were:

- £6.000 million for Glow - Scotland's online learning and training platform. This includes funding for permanent and temporary staff who support the work on Glow together with the costs associated with the contract.
- £1.000 million to fund the agency's work on the Scottish Attainment Challenge.

**43.** At the Audit and Risk Committee meeting on 2 March 2022 management provided non-executive board members with a budget monitoring update as at 31 January 2022. A forecast year end underspend of £1.498 million was reported. Education Scotland has reported an actual outturn of £44.698 million,

a net underspend of £1.123 million. The main movements between the forecast and actual outturn were:

- Following advice from the SG, the lease dilapidation provisions were increased resulting in a reduction in the outturn underspend when compared with the forecast.
- Capital costs increased between the periods as works were accelerated towards the end of the financial year. This decreased the forecasted outturn underspend.

44. The agency's financial performance against its budget is set out at [exhibit 4](#).

#### Exhibit 4

Performance against budget in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over (under) spend £m
Resource budgets	30.584	41.321	39.656	(1.665)
Capital budget	2.200	4.500	5.042	0.542
<b>Total budget</b>	<b>32.784</b>	<b>45.821</b>	<b>44.698</b>	<b>(1.123)</b>

Source: Education Scotland audited 2021/22 annual report and accounts

### Covid-19 impacted on the overall 2021/22 outturn but difficulties in staff recruitment also contributed significantly to the underspend

#### Staff costs

45. A substantial portion of the outturn underspend related to staff costs. Whole time permanent staff numbers increased by 19 in the year but most of these appointments were made in the later part of 2021/22. Recruitment was impacted by a variety of factors including the pandemic, the uncertainty surrounding the reform and market competition. However, during 2021/22 there were also significant recruitment and on-boarding issues within the Scottish Government that impacted on staff recruitment. Management at the agency have escalated their concerns about this level of service to the Scottish Government's People Directorate.

46. From review of the agency's workforce plan, as at March 2022, current staffing levels within the agency are low when compared to the planned full time equivalent staffing compliment budgeted for. Management advised that there is ongoing recruitment activity to fill a number of these posts.

47. Inspections and other core activities will increase over the coming year so any continued recruitment issues could impact on Education Scotland's capacity to deliver its strategic objectives. It is important recruitment matters are

addressed, and that management progresses with planned recruitment to increase the agency's workforce in line with its workforce plan.

### Covid-19 impact

**48.** Covid-19 has continued to impact upon the outturn position of the agency, with the following areas seeing significant variances in 2021/22:

- **Travel and subsistence:** The budget set at the outset of 2021/22 was predicated on a return to increased levels of activity. However, the continued restrictions arising from Covid-19 during the year significantly impacted on this budget area.
- **Other non-staff costs:** Planned face to face meetings and practitioner events were delayed or cancelled. General office expenditure on items such as postage, stationery and catering were also impacted by the continued remote working with all this contributing to the underspend in this area.

**49.** Direct Covid-19 related expenditure was tracked using specific account codes in the general ledger. A total of £2.745 million was incurred on Covid-19 related expenditure in 2021/22. This figure includes £0.466 million on staffing costs that relates to Education Scotland staff removed from their main duties to focus on Covid-19 priorities. Education Scotland also provided funding of £2.262 million as part of the National e-Learning offer. This is classed as Covid-19 expenditure as it was initially, in 2020/21, used to compliment the work of schools through remote learning and teaching during the Covid-19 lockdown restrictions. The programme has been maintained for 2021/22 and aims to provide an online learning resource for learners and practitioners.

### Capital outturn

**50.** The Scottish Government (SG) accelerated 2022/23 capital funding in 2021/22. Education Scotland accepted a share of this to help complete its digital transformation project. In addition to this increased capital budget, orders increased towards the year-end as the digital transformation project neared completion. This resulted in a capital outturn overspend of £0.542 million for 2021/22. This was covered by the resource budget underspend for the year. The SG were aware of this position with the agency regularly reporting both its capital overspend and resource underspend to it throughout 2021/22.

### The agency has in place effective financial reporting and budget monitoring arrangements

**51.** Education Scotland monitors its budget position through the budget monitoring reports presented to each meeting of the Audit and Risk Committee. The budget monitoring reports provide an overall picture of spend against budget and include a good level of detail in the narrative to explain the main budget variances.

**52.** The agency has in place detailed and timeous budget reporting that allows non-executive board members and the management team to carry out effective scrutiny of the agency's finances.

## There has been appropriate scrutiny and oversight of the digital transformation programme

**53.** In 2020/21 Education Scotland began its digital transformation programme. This aims to update the business processes and supporting technical platforms in use across the organisation to ensure the agency is better placed to support Scotland's teachers and their support of learners.

**54.** The programme's business case defines the needs of the organisation, and sets out a clear vision for the programme, its objectives, and the benefits this will bring to Scotland's educators, learners, other users and for the agency itself. The programme covers four main products:

- Customer Records Management (CRM) system - project went live in March 2022.
- Professional Learning Catalogue – anticipated to be live by July 2022.
- Managed events – anticipated to be live by September 2022
- Web channel – anticipated to be live by November 2022.

**55.** Education Scotland has put in place an appropriate level of governance and oversight of the project. During 2020/21, the agency established a Digital Transformation Programme Board to drive the programme forward and to ensure outcomes and benefits are delivered. The Board membership includes representation from the Strategic Leadership team and a non-executive board member. The Board met monthly throughout 2021/22.

**56.** Due to the programme's budget (£7.300 million capital funding received in 2020/21 and 2021/22), it was subject to assurance by the Scottish Government's Digital Assurance Office. Primarily this assurance is via the Technology Assurance Framework (TAF) and the Digital First Service Standard. The gateway reviews by the Digital Assurance Office identified recommended actions for improvement, with these needing to be addressed before further progression of the programme could be undertaken. Throughout each review stage the programme team worked collaboratively with the reviewers to address the points raised. Regular updates on TAF reviews, programme progression and the programme's risk register were reported to the agency's Advisory Board and Audit and Risk Committee.

**57.** Education Scotland adopted an agile methodology for its digital transformation programme. One of the benefits of this type of programme is that it has allowed for user acceptance testing to take place throughout, rather than at the end of the process, to ensure that the systems being built were in line with the user's expectations. This process has established a core user team of staff who can support other staff during the initial post go-live stage.

**58.** Following completion of the programme, it will be beneficial for Education Scotland to undertake a post programme review to identify areas of strength and to reflect on lessons learned to drive continuous improvement.

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## Recommendation 4

Education Scotland should undertake a post programme review to identify areas of strength and to reflect on any lessons learned. This review should also assess whether the intended objectives of the programme have been met.

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### High level systems of internal control operated effectively during 2021/22

**59.** As part of our 2021/22 audit work, we tested the key controls operating over the main accounting systems. Our objective was to gain assurance that systems for processing and recording transactions provided a sound basis for the preparation of the annual report and accounts.

**60.** We concluded that internal controls were operating satisfactorily and provided a sound basis for the preparation of the annual report and accounts.

### Internal audit provided a reasonable level of assurance over Education Scotland's risk management, control, and governance arrangements in place during 2021/22

**61.** Internal audit provides the Accountable Officer, the Advisory Board and Audit and Risk Committee with independent assurance on risk management, internal control, and corporate governance processes. The internal audit function is carried out by the Scottish Government Internal Audit Division (SGIAD). We did not plan to place any specific reliance on the work of internal audit for the purposes of the audit of the annual report and accounts.

**62.** Public Sector Internal Audit Standards (PSIAS) are mandatory for all central government departments, agencies and executive NDPBs. The standards require the "chief audit executive" to provide an annual internal audit opinion and report that can be used to inform the annual governance statement.

**63.** The opinion provided by internal audit is that of "reasonable assurance." SGIAD define reasonable assurance as: "Some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and / or control procedures in place but not of a significant nature." In this annual report, internal audit commented positively on several areas, including the effectiveness of the Audit and Risk Committee.

### The agency has in place appropriate arrangements for the prevention and detection of fraud and other irregularities

**64.** The Accountable Officer is responsible for establishing arrangements for the prevention and detection of fraud, error and corruption and ensuring that its affairs are managed in accordance with proper standards of conduct.

**65.** The agency has in place a range of established procedures for preventing and detecting fraud and irregularity. These include the:

- adoption of the Scottish Government's (SG) counter fraud policy. This includes guidance on whistleblowing and the procedures to follow when responding to a fraud.
- requirement for staff to complete the Civil Service online training course on counter fraud, bribery, and corruption.
- use of SG financial systems which have appropriate segregation of duties and levels of approval embedded within the systems.

**66.** Education Scotland also participates in National Fraud Initiative (NFI) through the SG Payroll and Financial Services Division. The NFI in Scotland brings together data from local government, health boards and other public sector bodies, to help identify and prevent a wide range of frauds against public funds. The NFI uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**67.** As the SG does not hold a separate record of data matches relating specifically to Education Scotland, we have not been able to establish the number of data matches identified or investigated. However, the SG has not advised the agency of any matches in relation to the NFI exercise.

**68.** We have concluded that adequate arrangements are in place for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

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# 3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

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## Key messages

Education Scotland's core budget for 2022/23 has decreased from 2021/22. Ongoing engagement with the Scottish Government will be required to address known financial pressures.

The Scottish Government's education reform proposals will impact on the agency's workforce and financial planning.

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## Education Scotland's core budget allocation has decreased for 2022/23. Ongoing engagement with the Scottish Government will be required to address known financial pressures

**69.** The Scottish Government's 2022/23 budget was published in December 2021. Education Scotland's core budget for 2022/23 has decreased by £4.050 million to £28.734 million, a decrease of 12% from the 2021/22 core budget allocation, [exhibit 5](#). In 2019/20, Education Scotland started delivering on an enhanced remit as set out in the Scottish Government's [Education Governance Next Steps](#) report. However, its core budget allocation does not cover all the additional remit related staff costs. The agency estimates that the overall 2022/23 budget allocation falls £2.100 million short of funding needed for its core activities.

**70.** The Scottish Government does not allocate the full amount of resource budget needed by Education Scotland at the start of the financial year. Further tranches of funding will be allocated during the year as part of the Spring and Autumn budget revisions. This funding model makes short-term budget planning and monitoring challenging for the agency. Effective budget monitoring arrangements, together with ongoing dialogue with the Scottish Government, will be key in ensuring the agency delivers its strategic priorities within its allocated budget in 2022/23.

**Exhibit 5**

## Budget comparison 2021/22 to 2022/23

Performance	2021/22 budget £m	2022/23 budget £m	Variance £m	Reason for variance
Resource budgets	30.584	28.734	(-1.850)	The agency received an additional £2.900 million of cash resource in 2021/22 for The National e-Learning offer but this is not an on-going budget allocation.  Additional non-cash budget cover of £1.050 million will be received for depreciation charges once the digital transformation project comes into use in 2022/23.
Capital budget	2.200	0	(-2.200)	The capital budget was only for 2020/21 and 2021/22.
<b>Total budget</b>	<b>32.784</b>	<b>28.734</b>	<b>(-4.050)</b>	

Source: Education Scotland audited annual report and accounts 2021/22

## The Scottish Government's education reform proposals will impact on the agency's workforce and financial planning

**71.** Staff costs comprise the greater part of the agency's annual expenditure (67% of total expenditure in 2021/22). Education Scotland has in place a workforce plan with this linked to its other corporate strategies and budget. During 2021/22 the agency developed a medium-term financial plan covering up to the 2026/27 financial year. The key objective of these plans is to ensure successful delivery of the agency's strategic priorities in its Corporate Plan.

**72.** Education Scotland has been commissioned to explore how the recommendations, that relate to the proposed new independent inspectorate and national agency, from Professor Ken Muir's [Putting Learners at the Centre: Towards a Future Vision for Scottish Education](#) report, might be actioned. This work will require a significant resource commitment from Education Scotland. It is expected that operating models for the new organisations will be developed by winter 2022, with the new organisations operational by 2024.

**73.** We recognise that the ongoing uncertainty caused by the reform makes meaningful longer-term planning more challenging. The current functions of Education Scotland will continue but these will sit within the two new proposed organisations. The budgets set out in its medium-term financial plan will provide a basis on which the successor organisations can build from.

**74.** The resource commitment for the reform work, together with core activities restarting following the pandemic, will require management to effectively monitor the impact this increased workload will have on the agency's workforce plan and budget for 2022/23 and beyond.

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# 4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information.

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## Key messages

Following recommendations from the national review into the future vision for Scottish Education, the Scottish Government announced plans to establish a new executive agency for Scottish education and confirmed any inspection function would sit separately to this. These reforms will have far reaching implications for Education Scotland.

Effective governance and decision-making arrangements were in place during 2021/22.

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**Following recommendations from the national review into the future vision for Scottish Education, the Scottish Government announced plans to establish a new executive agency for Scottish education and confirmed any inspection function would sit separately to this. These reforms will have far reaching implications for Education Scotland**

**75.** Following the Organisation for Economic Development (OECD) review of Curriculum for Excellence, the Cabinet Secretary for Education and Skills announced in June 2021 that the Scottish Qualifications Authority (SQA) was to be replaced together with substantial reform of Education Scotland. An advisory panel, led by Professor Ken Muir, undertook consultations with stakeholders, with his [Putting Learners at the Centre: Towards a Future Vision for Scottish Education](#) report published in March 2022.

**76.** Following its publication, in March 2022 the Cabinet Secretary confirmed that there will be a new qualifications body, a new national agency for Scottish Education and an independent inspectorate body. These will replace the SQA and Education Scotland. It is expected that operating models for the new organisations will be developed by winter 2022, with the new organisations operational by 2024.

**77.** Education Scotland have maintained ongoing engagement with the Scottish Government, the SQA and other key stakeholders throughout the process. At the outset, Education Scotland put in place arrangements to ensure it was prepared to respond effectively to the outcome of the review. During 2021/22 it

introduced a new Change Team. This is chaired by the Depute Chief Executive and has representation from across the organisation. The key areas of focus for the group have been on staff communication and engagement and scenario planning. The group has ownership of a separate reform risk register. This allows the identification of risks and issues to be effectively managed and, where necessary, escalated to management and the Advisory Board for further consideration.

**78.** The reform consultation, review and subsequent announcement has created a degree of uncertainty throughout the organisation. In order to fill the information void, the agency has engaged regularly with staff through the Change Team. Internal Audit undertook a review of the agency's internal communications which provided a "reasonable" opinion. Internal Audit's report commented positively of the agency's Leadership Teams engagement with internal communications and their willingness to make themselves visible and accessible to staff.

**79.** As preparations for the new organisations begin to crystallise it will be important that governance arrangements remain effective during this period of transition. There will be a need for regular, open, and transparent communications from the Leadership Team and Non-Executive Board Members to support staff wellbeing and retention and to ensure engagement with key stakeholders.

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## Good practice

Education Scotland has been proactive in its response to the education reform announcement. This has included the establishment of a Change Team together with its open, and transparent communications with staff during this time.

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**80.** Internal Audit will be undertaking a rolling review on the impact of the reform announcement, including the agency's preparedness for change, as part of its 2022/23 audit. Audit Scotland will continue as the appointed external auditor for the period 2022/23 to 2026/27. This will be an area of audit interest for the new audit team.

**81.** Education Scotland should continue to work closely and flexibly with the Scottish Government and other partners as the reform changes are implemented. The needs of its staff, together with learners and educators, should remain its priority throughout this period of transition.

## **Effective governance and decision-making arrangements were in place during 2021/22**

**82.** Our review of the governance arrangements of an organisation includes consideration of:

- Board and committee structure and conduct.
- Overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery, and corruption.
- Openness of board and committees.
- Reporting of performance and whether this is fair, balanced, and understandable.

**83.** During our audit appointment, we have seen improvements in the above areas. Over the past few years, we have reported consistently that the agency benefits from strong leadership. For 2021/22 we have concluded that effective governance arrangements remain in place, including the transparency in which the agency conducts its business.

## **Relevant national performance audit reports are considered by the Audit and Risk Committee**

**84.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. At each meeting of the Audit and Risk Committee, the external audit team presents an update paper that highlights recent reports published by Audit Scotland and planned national audits that may be of interest to members. Reports published in 2021/22 can be found on Audit Scotland's [website](#).

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# 5. Value for money

Using resources effectively and continually improving services.

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## Key messages

The agency has arrangements in place to promote and secure value for money.

Education Scotland's new Corporate Plan sets out its priority areas for the coming years but there is a need to improve the data gathering and reporting of the key performance indicators aligned to this.

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## The agency has arrangements in place to promote and secure value for money

**85.** [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Education Scotland's Framework Document specifies that the Chief Executive, as Accountable Officer, has a duty to improve operating efficiency, consistent with the principles of Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement.

**86.** We have not undertaken any specific best value work in 2021/22. However, no significant issues were reported from our work in sections 1 to 5 of this report that would give rise to any value for money concerns at Education Scotland. Our review of expenditure during the audit did not highlight any issues with the regularity of the agency's expenditure, or any instances of business decisions being taken that did not appear to reflect value for money.

## Education Scotland's new Corporate Plan sets out its priority areas for the coming year's but there is a need to improve the data gathering and reporting of the key performance indicators aligned to this

**87.** Education Scotland published its new five-year Corporate Plan 2021-2026 in July 2021. This builds upon the Covid-19 recovery year plan published in 2020 and sets out how the agency will work towards its vision of achieving excellence and equity for Scotland's learners. Management recognise that the agency is entering into a period of system change following the March 2022 Professor Ken Muir review and subsequent Scottish Government announcement on education reform.

**88.** The Corporate Plan was developed prior to the announcement of the education reform. However, it sets out priorities, aims and the direction

Education Scotland envisions for the coming years, prior to the successor organisations taking over, to support the system and those in it.

**89.** The plan sets out six strategic priorities that are aligned to the National Improvement Framework and wider Scottish Government policy priorities:

- System Leadership
- Curriculum
- Learning, Teaching and Assessment
- Inclusion, Wellbeing, Equity and Equalities
- Best use of Evidence
- Culture, Values and Behaviour

**90.** Each priority has a number of Key Performance Indicators (KPIs) assigned to it which will be used to measure performance against each outcome. The agency's Oversight Board is tasked with overseeing progress against the new Corporate Plan.

**91.** We recognise that the pandemic together with the new Corporate Plan have impacted on the KPIs reporting. However, since 2019/20 we have been commenting on the need for improvements in this area.

**92.** Further refinement of the KPIs is required. Data gathering on each of the KPIs needs to be improved so that a meaningful, transparent assessment of performance can be made by stakeholders. The presentation of the KPIs in the annual report and accounts could be enhanced through clear infographics that show whether targets assigned to the strategic priorities have been met, and whether performance is improving or deteriorating over time.

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## Recommendation 5

Management should establish consistent data gathering processes for each KPI so that meaningful analysis can be undertaken on their progress. This should include relevant KPIs being assigned a target to allow for an assessment of the agency's performance by stakeholders over time.

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# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/date
<p><b>1. Performance report</b></p> <p>The performance report complies with guidance but could be further improved to provide a more user-friendly exposition of the agency's performance.</p> <p><b>Risk:</b> Stakeholders are unable to easily understand the agency's performance.</p>	<p>The agency should consider reviewing the presentation of information in the performance report for future years.</p> <p><a href="#">Paragraph 22</a></p>	<p><b>Management action</b></p> <p>The agency will consider the presentation of the report, including the use of infographics, taking into account timescales, resources, and financial implications within the context of tightening budgets. There will also be consideration in terms of value for money.</p> <p><b>Responsible officer</b></p> <p>Gillian Hamilton (Depute Chief Executive and Strategic Director)</p> <p><b>Agreed action date</b></p> <p>31 March 2023</p>
<p><b>2. Digital transformation programme – accounting treatment</b></p> <p>The digital transformation programme is accounted for as one asset under development in the annual report and accounts. However, there are various projects within this, some of which became operational in 2021/22.</p> <p><b>Risk:</b> If the costs associated with each project are not appropriately recorded and apportioned there is a risk</p>	<p>Management should undertake a review of the capitalised costs of the total programme and assign these to distinct projects. This will allow amortisation to be charged once each project becomes operational.</p> <p><a href="#">Exhibit 3 – issue 2</a></p>	<p><b>Management action</b></p> <p>A review of costs to apportion these to each project/asset will be undertaken in 2022.</p> <p><b>Responsible officer</b></p> <p>Patricia Dougan (Head of Digital Learning and Teaching)</p> <p><b>Agreed action date</b></p> <p>31 October 2022</p>

Issue/risk	Recommendation	Agreed management action/date
<p>that the asset register is not accurate and future accounts could be materially misstated.</p>		
<p><b>3. Fixed asset register – fully depreciated assets</b></p> <p>Our audit work found several items of Property, Plant and Equipment that were recorded in the fixed asset register which had a net book value of nil yet were still in use.</p> <p><b>Risk:</b> The cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements do not accurately reflect the operational assets of the agency.</p>	<p>Management should review the fixed asset register to identify fully depreciated assets. Appropriate adjustments should be made determined by whether these assets are continuing.</p> <p><a href="#">Exhibit 3 - issue 3</a></p>	<p><b>Management action</b></p> <p>The non-current asset register will be reviewed during 2022/23.</p> <p><b>Responsible officer</b></p> <p>Gillian Howells (Head of Finance)</p> <p><b>Agreed action date</b></p> <p>31 March 2023</p>
<p><b>4. Digital transformation programme – post programme review</b></p> <p>Following the completion of the digital transformation programme, it will be beneficial for Education Scotland to undertake a post programme review to identify areas of strength and to reflect on any lessons learned to drive continuous improvement. This review should also assess whether the intended objectives of the programme have been met.</p> <p><b>Risk:</b> The programme has not met its intended objectives and fails to contribute to the agency's strategic priorities.</p>	<p>Education Scotland should undertake a post programme review to identify areas of strength and to reflect on any lessons learned. This review should also assess whether the intended objectives of the programme have been met.</p> <p><a href="#">Paragraph 58</a></p>	<p><b>Management action</b></p> <p>A lessons learnt review is underway and will be presented to the programme board June 2022.</p> <p><b>Responsible officer</b></p> <p>Patricia Dougan (Head of Digital Learning and Teaching)</p> <p><b>Agreed action date</b></p> <p>31 August 2022</p>
<p><b>5. Key performance Indicators</b></p> <p>Further refinement of the Key Performance Indicators</p>	<p>Management should establish consistent data gathering processes for each KPI so that meaningful</p>	<p><b>Management action</b></p> <p>The agency will consider how to develop and embed consistent data gathering</p>

Issue/risk	Recommendation	Agreed management action/date
<p>(KPIs) is required. Data gathering on each of the KPIs needs to be improved so that a meaningful, transparent assessment of performance can be made by stakeholders.</p> <p>The presentation of the KPIs in the annual report and accounts could be enhanced using clear infographics that show whether targets assigned to the strategic priorities have been met, and whether performance is improving or deteriorating over time.</p> <p><b>Risk:</b> The agency is not able to monitor and demonstrate progress against its strategic priorities.</p>	<p>analysis can be undertaken on their progress. This should include relevant KPIs being assigned a target to allow for an assessment of the agency's performance by stakeholders over time.</p> <p><a href="#">Paragraph 92</a></p>	<p>processes for each KPI. Our KPIs are currently under review as part of ongoing work around the Corporate Plan. As part of this process, consideration will be given to appropriate targets, where possible.</p> <p><b>Responsible officer</b></p> <p>Craig Clement (Strategic Director)</p> <p><b>Agreed action date</b></p> <p>31 March 2023</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	2021/22 update
<p><b>PY1. Grant debtors</b></p> <p>There were a number of issues with the year-end accounting treatment of grant debtors that resulted in adjustments to the annual report and accounts.</p> <p><b>Risk:</b> There is a risk that year end trade receivables balance is misstated in the annual report and accounts.</p>	<p>Management should ensure that all balances are subject to review prior to audit and that there is a clear audit trail for each.</p>	<p><b>Ongoing:</b> See <a href="#">exhibit 3 - issue 2</a>. In the absence of the final grant schedules being received, management should consider providing an estimate based on the latest information available from the grantee. This would limit any significant adjustments the annual report and accounts.</p>
<p><b>PY2. Key performance indicators</b></p> <p>In 2018/19 the agency developed a set of corporate Key Performance Indicators (KPIs). 2019/20 was the first year it began to collect data against these measures. The</p>	<p>Management should establish targets for each of the KPIs and report on progress against these going forward, including trend analysis over time.</p>	<p><b>Closed:</b> This has been superseded by recommendation 3 above.</p>

Issue/risk	Recommendation	2021/22 update
<p>KPIs do not have a target. Management have advised that 2019/20 will act as a baseline for each of the KPIs.</p> <p><b>Risk:</b> There is a risk that the agency is not able to monitor progress against its key objectives.</p>		
<p><b>PY3. Historic payables balance</b></p> <p>Our review of the aged creditors report at 31 March 2018 identified that this included 17 balances totalling £0.053 million that date back to 2012.</p> <p><b>Risk:</b> There is a risk that the agency is continuing to recognise an obligation for debts that have already been settled in full or that no longer need to be paid.</p>	<p>Management should now write off these balances.</p> <p>Prior to the 2020/21 year-end, if this balance remains outstanding, then as part of the ARC annual reporting exercise the Chair should consider writing to the Scottish Government to progress the write off.</p>	<p><b>Ongoing:</b> These balances are still included in the system. Management have raised this issue with the systems provider.</p> <p>By 31 March 2023.</p>

# Appendix 2. Audit dimension risks

The table below sets out the audit dimension risks that we identified in our 2021/22 Annual Audit Plan together with a summary of the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Audit dimension risks

Description of risk	Audit response to risk	Results and conclusions
<p><b>1. Education reform – impact on Education Scotland</b></p> <p>Following the Organisation for Economic Development (OECD) review of Curriculum for Excellence, the Cabinet Secretary for Education and Skills announced in June 2021 that the Scottish Qualifications Authority was to be replaced and there is to be substantial reform of Education Scotland.</p> <p>An advisory panel led by Professor Ken Muir has undertaken consultations, with the outcomes due to be published in February 2022.</p> <p><b>Risk:</b> The outcomes of the review will have a significant impact on the role, remit, functions, and governance of Education Scotland going forward.</p>	<p>Review of the outcomes of the reform consultation.</p> <p>Liaise with management on any immediate implications for Education Scotland and plans going forward.</p> <p>Ensure appropriate disclosure is made within the performance report in the annual report and accounts</p>	<p><b>Results:</b> We have assessed the use of the going concern basis of accounting and we believe it remains appropriate for the 2021/22 annual report and accounts.</p> <p>The functions of Education Scotland will continue to be delivered by the agency until the reform is complete. At that time, the functions will transfer and continue to be delivered by an alternative public sector body.</p> <p>Appropriate disclosure on this matter has been made in the annual report accounts.</p> <p><b>Conclusion:</b> No issues identified</p>
<p><b>2. Service delivery and performance</b></p> <p>Delivery of key operations of the agency, such as school inspections, continue to be impacted by the Covid-19</p>	<p>Liaise with management on a regular basis for any updates surrounding service delivery and staff recruitment.</p> <p>We will review and consider the reporting against the KPIs</p>	<p><b>Results:</b> Whole time permanent staff numbers increased by 19 but as at March 2022 current staffing levels within the agency were low when compared to the</p>

Description of risk	Audit response to risk	Results and conclusions
<p>pandemic. Similarly, reporting against key performance indicators (KPIs) in 2021/22 will again be impacted by the pandemic, with data unavailable for some indicators.</p> <p>The agency is projecting an underspend of £1.1m for 2021/22, which is mainly attributable to underspends within staff costs. Current staffing levels within the agency are low and have been impacted by a variety of factors including the pandemic, the uncertainty surrounding the reform and market competition.</p> <p><b>Risk:</b> When the agency returns to full operational capacity, current staffing levels will not be sufficient to meet the agency's objectives. This in turn will impact on its KPIs.</p>	<p>within the annual report and accounts.</p> <p>Review updates to the agency's workforce plan.</p> <p>We will review the agency's ongoing budget monitoring and medium to longer term financial planning in the context of the challenges it is facing.</p>	<p>planned full time equivalent staffing complement budgeted for. Management advised of recruitment issues experienced during the year. There is ongoing recruitment activity to fill a number of these posts.</p> <p>The agency operated within budget in 2021/22.</p> <p>Assessing the agency's performance against its strategic priorities has proved difficult as many of its KPIs were impacted by the pandemic. However, further refinement of the KPIs is required. Data gathering on each of the KPIs needs to be improved so that a meaningful, transparent assessment of performance can be made by stakeholder's overtime.</p> <p><b>Conclusion:</b> <a href="#">See appendix 1, recommendation 4.</a></p>

# Education Scotland

## Annual Audit Report 2021/22

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