



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 25 April 2019

Session 5



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Pàrlamaid na h-Alba

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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
11th Meeting 2019, Session 5

CONVENER

*Jenny Marra (North East Scotland) (Lab)

DEPUTY CONVENER

*Liam Kerr (North East Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Bill Bowman (North East Scotland) (Con)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

*Alex Neil (Airdrie and Shotts) (SNP)

Anas Sarwar (Glasgow) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Antony Clark (Audit Scotland)

Caroline Gardner (Auditor General for Scotland)

Fraser McKinlay (Audit Scotland)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 25 April 2019

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Jenny Marra): Good morning and welcome to the 11th meeting of the Public Audit and Post-legislative Scrutiny Committee in 2019.

Item 1 is a decision on whether to take business in private. Do members agree to take item 3 in private?

Members indicated agreement.

Audit Scotland (Future Work Programme)

09:01

The Convener: We move on to item 2. I welcome our witnesses: Caroline Gardner, Auditor General for Scotland; Fraser McKinlay, controller and director of performance audit and best value, Audit Scotland; and Antony Clark, audit director, performance audit and best value, Audit Scotland. I invite the Auditor General to make opening remarks.

Caroline Gardner (Auditor General for Scotland): Thank you, convener, for the chance to brief the committee on the work programme for 2019-20 to 2023-24.

As committee members all know, public services in Scotland continue to face unprecedented challenges, in terms of public expectations and demographic change. Public bodies are working hard to deliver more preventative models of service delivery that address inequalities and improve long-term outcomes. That is not easy, obviously, but it is essential if we are to have sustainable public services in the longer term.

At the same time, services are increasingly being provided in new and innovative ways, through public, private and third sector partnerships, and the lines of accountability are increasingly complex. That creates risks that need to be properly understood and managed.

We think that most public bodies have so far coped well with those challenges, but they are facing increasingly difficult choices. As auditors, we are seeing increased risks in relation to shortfalls in skills and capacity, and we are seeing financial pressures in public services such as the national health service, which are likely only to increase in the medium term.

Our briefing paper for you sets out some of the key public sector risks that have informed the performance audit programme—the planned part of our work. It is worth stressing that I keep those under review, so that we can respond to developments such as the impact of the United Kingdom's decision to leave the European Union and other policy developments as they emerge.

An important aim of the programme is to help the committee to scrutinise the impact of significant areas of investment and Government policy, such as the expansion of early learning and childcare, the proposed audit of strategic capital investment and the programme of work on Scotland's new financial powers.

We also consider a host of other factors, including the implementation of Government policy. Improving educational outcomes, supporting people with mental health problems and tackling child poverty are examples of areas in relation to which we audit the effectiveness of policy implementation. This is an area in which audit can support the committee in its post-legislative scrutiny role.

I share the committee's interest in cross-cutting areas such as digital and workforce planning. You will see a number of audits on those issues.

I aim to ensure that audit work reflects the concerns of the people who rely on public services, for example through audits of health and social care integration.

The briefing paper sets out the proposed five-year rolling programme. Appendix 1 sets out the likely scope of the performance audits that are planned to 2021, and appendix 2 outlines the longer-term programme. Obviously, there is more room for flexibility and change in the longer-term programme than there is in the work that is now well under way.

In the briefing paper, we summarise how the work programme reflects the cross-cutting themes from the committee's business planning day last September and how I have responded to the feedback that the committee helpfully gathered from subject committees this year.

I would welcome feedback from the committee on the work programme and on areas that you would like us to consider for future work. As always, the team and I are happy to answer questions.

The Convener: Thank you very much.

Alex Neil (Airdrie and Shotts) (SNP): I have no dispute at all with the work programme itself, but I have two questions that relate to possible additions.

I welcome some of the cross-cutting work—digital is a good example, as is workforce planning, which is clearly a major area, not just in the health service but elsewhere.

One of the cross-cutting themes that we have seen is the level of remuneration at the top end of the public sector. For example, a report relating to local authorities that came out last week showed that one former chief executive who recently stood down was earning £200,000, including pension contributions, while low-paid workers were being sacked because of the cuts. Scottish Water bonuses also beg the question whether we are really getting value for money at the top end.

Having been in business and having run Government departments, I know about the need

to attract talent, but it does not strike me that that justifies some of the excesses in the public sector. There is a lot of public concern, particularly at a time when people are suffering major cuts in services and being made redundant, which usually affects those in low-paid jobs, yet they see excessive salaries and remuneration packages at the top end. It is not time that we had a wee look at that?

Caroline Gardner: That is a really important question, and, as you know well, it is a complex one. The people who tend to attract the media attention that you are talking about are the people whose salaries are at the top end of the range, not only for their organisation, but across the public sector. As you say, there is an important balance to be struck between being able to attract people to do the jobs and making sure that we are not paying more than is needed and that the pay is in line with staff pay as a whole.

We recognise that there is more transparency about pay and reward in the public sector than there is in the private sector, which is a useful starting point. We can think hard about how we use our routine reporting to provide a bit more transparency and perhaps analysis to the committee. One of the things that I am concerned about in the work that we have already reported on to the committee is the difficulty in attracting chief executives in the right numbers and of the right calibre to NHS boards, where pay has been quite constrained over recent years, in line with public sector pay policy. That is making it harder to attract and keep the people who are needed to do those very big, complex and challenging jobs.

If you are content for us to do so, we can take the question away and think about doing some straightforward analysis either to provide to you so that you can follow up with Government your own interests about pay policy and the way that it works, or to inform our further work, to narrow that down into something useful that starts to answer some of your questions.

Alex Neil: I think that that would be helpful. I recognise that, in some situations, the top salary is not enough to attract the right calibre of person. However, if we were to come at it systematically and could prove that that was the case, it would be more acceptable to people that we have to pay over the odds, as they see it, to get the right person.

One of the reasons why we cannot find enough NHS board chief executives is that there are far too many boards, due to the management structure of the NHS, particularly now that we have joint boards in addition to health boards. A lot of new boards have been created, but none has been abolished as a result.

That ties into what is a complicated issue, about which there is a lot of public concern, particularly at a time when cuts are falling on the people who can least afford them. There is a lot of perceived unfairness and wastage, so if you could look at that issue, it would be extremely helpful.

My second point is specifically about Scottish Water, leaving aside the issue of bonuses. I am not getting at Scottish Water, and obviously it has its commissioner for regulation purposes, but it is a significant and important organisation and, in all the time that I have been a member of the committee, I have never seen a report on Scottish Water covering issues such as where it fits in, its investment programme and its modus operandi. Some of its recruitment practices are perhaps not in line with what I would expect of a Government agency, if I can put it that way. I realise that local government has an interest in Scottish Water because of the division of responsibility between water and sewerage services, but is there not a case for having a wee look at Scottish Water, although that might need to be done jointly? We have never had a fundamental look at the organisation, although it has been up and running for a considerable time.

Caroline Gardner: My predecessor, Robert Black, reported on Scottish Water in a performance audit around 10 years ago, I think, so it is not true that there has never been a report, but there certainly has not been one in my time as Auditor General. It is important to be clear that I appoint the auditor to Scottish Water and that audit takes place annually and is reported in the normal way. You are right that I have not had to report on Scottish Water, which is primarily because I think that, on the whole, it is a well-managed organisation. However, Fraser McKinlay and the team have been thinking about the question in response to your interest last year, Mr Neil, so I ask him to pick up on where we have got to in that thinking.

Fraser McKinlay (Audit Scotland): As the Auditor General says, you raised the issue last year, Mr Neil, and we are considering what would be most helpful for you. I always hesitate to use the word “unique” in these circumstances, but Scottish Water is probably a unique organisation in Scotland. That might lend weight to your argument for having a look at it, but it also means that we need to think carefully about the nature and scope of that work. Would it be about the value for money and performance of the organisation, or about the whole set-up of Scottish Water as a body in Scotland and how the water industry works here, which is obviously different from the situation elsewhere?

We have been working with and speaking to the auditors about that. We will write back to you to let

you know where we get to with those discussions and to confirm what we might be able to do. At the moment, our thinking is that it is more likely to be done through the annual audit work that Caroline Gardner described. Under her section 22 powers, she can report to you on the back of annual audit reports. Historically, section 22 reports have tended to be used for things that are not going so well, but they do not need to be used for that, so that might be a reporting option. Obviously, we also have the performance audit reporting route.

If it is okay, convener, we can write back to the committee in the next couple of months to let you know how we plan to take that forward.

Alex Neil: That is fine.

Another organisation that I think needs a bit of looking at is CalMac Ferries, along with Caledonian Maritime Assets Limited. Obviously, there is controversy over the ferries contract with the shipbuilder Ferguson Marine Engineering, which raises a lot of questions about procurement of ferries, but there are other issues. We have a dire shortage of ferries that work in Scotland, which is a historical issue. There is also an issue about the relationship between CMAL and CalMac and suppliers and so on. Again, I have not seen any detailed work done on that for a long time.

Fraser McKinlay: We produced a report on ferries two years or 18 months ago—

Alex Neil: That was more about ferry services rather than the modus operandi of the company and its relationship with CMAL and so on.

Fraser McKinlay: You are absolutely right that the report was primarily about ferry services. However, there was quite a lot in it about how the arrangements work, because we had to set out the complexity of the governance arrangements, which you rightly mention. We are following up the recommendations in that report and keeping a close eye on the issues that you describe through the audit of Transport Scotland, which is the sponsor division for ferries. As Caroline Gardner said, we always keep the programme under review. If we think that we need to carry out more work on ferries and, in particular, the role of those organisations, we can do that.

Alex Neil: The procurement exercise with the ferries is something in which we, as an audit committee, should be much more interested. It looked as though the situation was getting near to resolution, but now that does not appear to be the case. There are a lot of questions to be asked about that. I am not sure whether the Rural Economy and Connectivity Committee, as the transport committee, is looking at it in depth, but maybe we should check. It is justifiable for this committee to look at the matter, because it involves a lot of money.

09:15

The Convener: We can find out whether that committee is looking at the issue. Can Mr McKinlay come back to us on that, as well?

Fraser McKinlay: Sure. It is also worth saying that, in the audit of the Scottish Government, the Auditor General reported on and did a great job in making more transparent the support that the Government is giving for the procurement of those ferries from Ferguson Marine. We are bringing some transparency to that, and we can certainly think about what more might be done.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Auditor General, your programme of work includes work on EU withdrawal. There are obviously many uncertainties around that—the scope, timing and so on are big imponderables. Do you have any detail on the likely nature of that work? Maybe I am blowing it up bigger in my mind than it is in reality, but it could be fairly comprehensive—it could be a huge piece of work that could nudge out other things.

Caroline Gardner: You are absolutely right that the challenge so far has been not just the complexity but the uncertainty and the way in which the likely outcome has been shifting—not just day by day, but, on occasions, hour by hour. Like the Scottish Government, we in Audit Scotland have been monitoring the situation regularly, with weekly briefings at our management team on the impact on the bodies that we audit and our ability to do our work.

This week, given the agreements that were made just before Easter, we have agreed that it is time to step back and do some more detailed scoping of the work that is referred to in our programme paper. We published a briefing paper about a year ago, based on our audit intelligence, which set out the likely impact on the bodies that we audit, from the Scottish Government outwards, picking up on the three big areas of EU funding, people and regulation. People found that helpful in directing conversations with audit committees about the local implications, and auditors found it helpful in building up their understanding of the risks and what the impact might be.

We have now asked the team leading that work to step back and do some more detailed scoping on what we might do this year and what the longer-term picture might be. It is clear that EU funding to parts of Scotland and particular policy areas will become important almost whatever the outcome is, unless article 50 is revoked. As Fraser McKinlay said, putting that transparency into the public domain, with our independent view of it, can often be a helpful step forward. The team is

scoping what we will do and we can keep the committee briefed as that develops.

Colin Beattie: Do you have a contingency plan, depending on which scenario comes about, in that you may have to drop parts of your programme in order to prioritise the work on EU withdrawal?

Caroline Gardner: The programme is built around the presumption that something may come up at any point, and our response in normal circumstances is not to come back to you, as the chair of the Scottish Commission for Public Audit, and ask for more resources, but to flex and rearrange what we are doing.

In this case, our approach is a bit more two-pronged. We have deliberately reserved some resource that we can use to look directly at the effect of EU withdrawal, and we are also working on the assumption that the individual pieces of work already in the programme may be affected by EU withdrawal. For example, we know that some parts of the NHS rely heavily on staff from other EU countries, and we can look at the way in which the Government and NHS boards are responding to the changes as part of that work. We can also do the same in relation to social care. EU withdrawal may become a strand in existing work, where that is appropriate, rather than meaning that those pieces of work are swept away and something else comes in instead. We keep that under review.

Fraser McKinlay: We established the programme only recently, in December, when we expected to leave the European Union in March. Therefore, the work was originally designed to capture the immediate impact of that, which is why it was programmed for 2019-20. I mention that because there is a good chance that it may slip back a bit, depending on what happens with the whole Brexit debate. As Caroline Gardner said, the team is scoping some options for us over the next couple of months and that will help us to decide what we will do. We will keep you posted.

Colin Beattie: I can understand that there are all these uncertainties around the issue.

On receiving your reports, we can highlight issues and pressures in the public sector in Scotland. Given your links with the rest of the UK, do you have a feel for how such pressures are being addressed south of the border, where they are much greater and where people have had to come up with innovative solutions? Is there any indication that the public sector in Scotland is learning from that and adapting as a result?

Caroline Gardner: The answer is probably that it depends. In some areas, there are many more similarities between public services and therefore much more of an ability to do that learning than in other areas. Moreover—and members will know

this better than we do—political tensions can on occasion get in the way of that learning.

In all of our work, we aim to look for good practice not only elsewhere in Scotland but across the UK and globally. As that is a big part of the work that Fraser McKinlay has been leading on over the past couple of years, perhaps he can say a bit more about it.

Fraser McKinlay: Certainly. As it happens, Antony Clark leads our international work; I am not sure whether we count England as being international, but we do look south of the border. In some areas, particularly with regard to local government, we keep very close tabs on what is happening in English councils—the financial pressures on which are, as Colin Beattie said, even more acute than north of the border. We look closely at what is happening in that respect.

We also have a close relationship with, for example, the National Audit Office in London, and we work closely with it on areas of mutual interest. When we do an audit in Scotland, we routinely look to NAO colleagues to see what we can learn from them.

As for the extent to which Scottish public services are learning from other places, I again agree with Caroline Gardner that the picture is mixed. It just depends, simply because some models of public service delivery are quite different. For example, the health service in England is set up very differently from the health service in Scotland, so we need to be careful about making too many comparisons. That said, we would also challenge the assumption that, just because the service delivery model is different, there is nothing to learn. We would always encourage those in Scotland to learn from other places.

If anything, I am seeing more examples of people learning things from abroad—including from New Zealand, Canada and parts of Europe—as much as from the rest of the UK. Antony Clark may have something to add from the international perspective.

Antony Clark (Audit Scotland): Fraser McKinlay is quite right. We have seen quite a lot of evidence of people looking to New Zealand and parts of Europe for good practice, particularly on prevention and outcomes, because those places have a well-developed approach to thinking about planning for outcomes. Beyond the NAO, we have links to the Canadian Audit and Accountability Foundation, which gives us connections to good practice examples from North America that we can pick up in our performance audit work.

Colin Beattie: I am pleased to hear that that work exists, because in the reports that come to

us, we do not really see that side of it or what is going in the background.

My last question is on internal audit, which is something that I bring up periodically. Are we expecting too much from internal audit? Should there be, or have you considered carrying out, a review of how it functions? As I have said, we have had multiple cases of internal audit doing its job and ticking all the boxes according to the contract or whatever, but a problem still develops. We have been told that internal audit is not there to detect fraud and so on, but it is in many ways a gatekeeper. Are local boards, for example, really aware of the limitations on internal audit and the need for them to possibly have other strategies to detect any issues that might come up?

Caroline Gardner: You are absolutely right. As you will know, we have produced a briefing for the committee on the role of internal audit in the overall controls and risk management in any organisation, whether it be the Government, a health board or a council. It is an important part of that system, but it is only one part.

If internal audit is the problem, or if there are problems with it, we report that. For example, my section 22 report on the Scottish Government last year highlighted that, at that particular point, the internal audit directorate was not meeting all the requirements of the public sector internal audit standards. That has an impact not only on the Scottish Government's risk management but on the bodies that receive services from that directorate, quite a number of which are in the central Government sector. I will continue to report in those terms on the Scottish Government's internal audit directorate and on where we see failings in other bodies. In any case, it is an issue that every external auditor looks at routinely every year.

On balance, therefore, I do not think that an audit of internal audit would add enough value to justify the resources that we would need to put into it. However, if the committee wanted to take evidence from the Scottish Government on its own role in providing that leadership through its internal audit directorate and in supporting bodies to develop their own governance arrangements to back up guidance that is available to them such as "On Board: a guide for members of statutory boards", we would be happy to support the committee in that respect.

Colin Beattie: Based on your various audits, are you satisfied that the non-executive directors on local boards understand the limitations of internal audit? I can imagine someone sitting on a board thinking that internal audit is a protection against anything that might go wrong and that it will pick up any issue, whereas that is not the case.

Caroline Gardner: I think that it varies a lot. We do a fair amount of training to support non-exec directors as part of our continuing work. As a broad generalisation, if you have a board that works well, the non-exec directors tend to know what value internal audit can add while recognising that it is not a panacea and that it cannot compensate fully for failings elsewhere in the governance system. With a board that is not as effective, all those other things tend to be not as effective either, and that is clearly where the risks are.

Fraser, will you say a bit about our work to support non-execs and what that tells us?

Fraser McKinlay: Yes. That support happens on a couple of levels. We always have a slot at the non-executive director induction events that the Scottish Government runs. We talk about the role of external audit and take that opportunity to talk about the importance of internal audit and, indeed, the differences between the two. We also quite often do sessions for local audit committees in particular about what they should be looking out for—that is part of the role that external audit teams often play.

This comes back to Alex Neil's earlier point. There are about 227 public bodies in Scotland, all of which are audited in some way by the Auditor General and the Accounts Commission. I guess that it is easy to forget that the ones that come to you tend to be the ones that are not working so well and that the vast majority are working fine.

I think that, in the main, audit committees understand their role and that of internal and external audit. As Caroline Gardner said, we know that because of the assurance work that happens in all those bodies through the annual audit work. That is not to say that the situation could not be better. Indeed, the Accounts Commission published a report a couple of weeks ago about internal controls—it is not just about internal audit; other things are also important when it comes to ensuring that the internal controls in councils are sound. As Caroline Gardner said, if external auditors have a concern about the capacity or the ability of internal audit to do a good job, that gets flagged and tends to get escalated. That is how we engage annually.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Where are we on the overall performance improvement agenda? For a number of years, we have had fairly detailed and hard-hitting reports from you and, over the coming years, I am sure that we will continue to get a number of hard-hitting reports from you. As you know, the committee has, for a number of years, been asking how we close the circle and make improvements in the public sector and ensure that standards are embraced and adopted. I think that

we have made good progress, but I know that we can always do more. What is your perspective on that? Do you see an improvement in performance across the public sector landscape as a result of the audit work carried out by your organisation and this committee?

Caroline Gardner: Yes. You know that we take seriously the need to make sure that we do not just produce a report that gets attention here in the committee, maybe attracts a headline and then ends up attracting dust on a shelf. That is not what we are here for—we are here to improve how public money is spent. Often how we do that for a large and significant area is to keep coming back to it.

For example, we report annually on the NHS. We have produced two out of a planned series of three reports that will look at how health and social care integration is developing. Similarly, we have produced one report on early learning and childcare and, at the turn of the year, we will produce a follow-up report that looks at not only how our recommendations have been addressed but the progress that the Government and local authorities are making in putting in place the staff and infrastructure that they need in order to do that.

On the whole, we can see improvements, but we have a couple of frustrations. First, things can take a long time. The committee has spent a lot of time looking at digital projects that have not gone well, which tend to have a long tail. We will be reporting on a couple more such projects that have not gone well, but which have roots going back four or five years. The fact that there are still problems—despite all the investment that the Government is making in new skills and approaches so that we get things right in the future—is frustrating for us, as I am sure it is for the committee, but things take time.

09:30

The second challenge is to do with the Government's ability to learn across its many responsibilities in relation to the many bodies with which it needs to work. From time to time, we still report that although the Government is clear about the outcomes that it wants to achieve, such as improvements in health and social care, it does not have in place the measures that are needed to know whether it is achieving those outcomes and, therefore, whether its spending and investment is effective.

An obvious example is that, almost 10 years on from the establishment of the 2020 vision for health and social care, we still know much less about what is happening in primary care and social care than we do about what is happening in

acute hospitals. That makes it hard for not just us but the Government to know how well things are going, and for the Government to ensure that it is doing more of the things that are working and less of the things that are not.

On balance, there have been improvements, but not consistently and systematically across the whole picture.

Willie Coffey: Indeed. Do the organisations that you look at not provide enough evidence to demonstrate to you, the Government and the public that lessons are being learnt and improvements are being made? Are you seeing the circle being closed more than it was in the past?

Caroline Gardner: We are seeing that happen more, but it is not being done consistently enough. If the outcomes approach is about anything, it is about being very clear about not just what outcomes you want to achieve, but how you will do that. You need to have a plan for how you expect to improve the outcomes and for how the money that is spent and the people who work on the project will make a difference. In some areas, that approach is working pretty well; in others, there are still gaps.

Unless planning goes on at the beginning of the process, not all the benefits from the outcomes approach will be achieved. That is an area in which the committee could have an impact. We are finalising a piece of work that aims to give the committee a basis on which to inquire into that area a bit further, and to provide support and guidance to the Government and public bodies along the lines that Willie Coffey asked about. I hope that that work will add to the debate.

Willie Coffey: Is there resistance across the landscape to embracing the recognised international standards or is there much more willingness to embrace those standards? Every time I see a report from you, I always look at whether the said organisation has adopted or embraced whatever management standard is involved, whether it relates to information technology, development, construction or anything else. Is there a willingness to engage with and adopt those standards?

Caroline Gardner: The best example is probably digital, because standards in that area exist and are well understood. In large organisations, particularly the Government's office of the chief information officer and the infrastructure around that, those standards are well understood and well used. Where we see problems is in smaller organisations that do not understand what they are getting into when they start a programme. The committee has seen a recent example of that. A report will be published

shortly that will show another project that started a while ago without that clarity. Variability still exists, and the risks are probably with smaller bodies or with slightly older projects.

Willie Coffey: I have a question on a specific piece of work that you are planning to carry out. Could you tell us a little bit about what is involved in your enabling digital government work? Will it look at data analytics and the lack of regulation on how data is used? I believe that the matter is not covered by the general data protection regulation, and there are big issues with how companies or corporations use data. Will you look at that aspect?

If possible, will you also have a wee look at how organisations are applying GDPR? I have had some experience of organisations using it as a shield to prevent scrutiny and accountability. For example, I recently tried to find the owner of a dilapidated building so that I could ask them to clean it. GDPR was used as a shield to prevent that information from being disclosed to me, and I do not think that that is the purpose of GDPR at all. Therefore, there are issues about data security and whether people are using that to prevent scrutiny in the public sector and elsewhere.

Caroline Gardner: We are finalising our piece of work on enabling digital government at the moment. It is fair to say that that does not focus on the GDPR elements. Fraser McKinlay can give you more information about our thinking in that area.

Fraser McKinlay: I was about to say the same thing. The enabling digital government audit is specifically focused on the role of the Scottish Government in ensuring that digital government is being rolled out effectively. The issue of what it is reasonable to expect the Scottish Government to do centrally in that regard is very interesting.

That piece of work will not really get into the issue of GDPR. In response to your earlier question, I will speak to the team about whether there is anything that we can say about the use of standards as part of that. I believe that Caroline Gardner and I will meet the team next week, so we can feed that in at that point.

The GDPR issue is interesting, because the UK Information Commissioner's Office is responsible for the regulation and implementation of GDPR. Personally speaking, I recognise the circumstances that Willie Coffey has just described. We will pick that up with the Information Commissioner's Office because we need to ensure that we are all clear about who is leading on these issues and who is responsible for what.

The Convener: Mr Coffey raises an interesting point. Of course, we are doing post-legislative scrutiny of Scottish freedom of information

legislation. As GDPR is an exemption, it may be, coincidentally, that the committee covers it as part of that post-legislative scrutiny. The issue is certainly worth looking into.

Liam Kerr (North East Scotland) (Con): Willie Coffey raises some important points, and I would like to develop one particular area.

There is a problem that we often see in these reports. The Government is bringing in policies that, as you said, involve perfectly desirable outcomes. However, because there is a lack of baseline data, it is difficult for anyone, let alone the committee, to assess the success of the policies or measure the progress from whatever that baseline should have been. That problem is evident with regard to various issues that we have looked at, including children's mental health services and road equivalent pricing on ferry services. It seems to be somewhat endemic. Is that lack of baseline data a line of inquiry that you will be looking into? What is being done about that?

Caroline Gardner: That issue is part of pretty much every performance audit that we carry out. As you say, unless you know the baseline that you are trying to improve on, it is not particularly helpful to simply have an outcome in mind and a goal for where you want to get to. In that situation, those things are aspirations rather than plans that you can invest in and monitor progress against.

I am not sure that considering the issue as a thing in itself helps, because the situation varies across the piece. As Fraser McKinlay said, the things that come to this committee are often the things that have not gone well as opposed to the things that have gone well. However, I think that there is scope for a more systematic approach in Government, building on the internationally recognised success that is the outcomes approach and the national performance framework, which are in legislation. That would ensure that, in every instance, people are being as rigorous as they are in the best instances.

For example, with regard to the patient safety programme in the NHS, and elements within that such as healthcare-acquired infections, the Government has taken a rigorous approach that ensures that it knows not only nationally but in every hospital and healthcare site what the starting levels of infection were. It has developed a plan for bringing those levels down by involving staff in thinking about what would make a difference locally and has monitored day by day what is happening in that regard. The results of that can be seen in the numbers coming down. That is not to say that terrible things do not still happen from time to time, but we know that, because of that rigorous approach, we are better off across the country.

We do not see the same rigour being applied to consideration of what might be needed to ensure that old people who are just about managing in their own homes can be helped and supported to stay there safely rather than getting into that vicious circle of hospital admissions and a continuing decline in their ability to cope. It is more difficult to take that approach with older people and the whole system of health and care that they are involved in, but the principles are the same. We keep reporting on that, and I think that the committee has an important role to play in pulling back and examining the Government's approaches to making a reality of its national performance framework. You can do that on behalf of the Parliament as a whole.

Sometimes, we make the point that this Parliament does not have a committee that is concerned with public administration, as Westminster does, and which can consider the cross-cutting questions about how the Government does its business. I think that this committee can play a part in some of that work, on the back of our work and in relation to your post-legislative scrutiny responsibilities. We are happy to talk to the committee about how the work that we have already got on the stocks can help with that and how we can produce further analysis and information that can pull together some of the lessons that have been learned, so that you can take that a step further.

Liam Kerr: On that last point, how can we ensure that Government can extrapolate lessons from the good practice example that you gave from the NHS and apply those lessons to other projects? Do we need to work with you so that the committee can understand how to get those lessons where they need to go?

Caroline Gardner: That could have a real benefit in helping to improve the quality of policy making and implementation across the piece. We often find that, after we report on something, there is a real improvement so when we report to you on early learning and childcare I hope that we will be able to show that progress has been made on putting in place that baseline data and the measures for how it will improve. However, that does not always translate into confidence that, when we move into a new area of policy, we will see the same learning happening. The committee is well placed to ask the Government how it intends to ensure that lessons that are learned in one place are fed out and picked up right across its business.

Liam Kerr: Like Mr Coffey, I would like to ask a specific question. Are you going to do anything on the Aberdeen western peripheral route?

Caroline Gardner: We have nothing on that specifically in this programme at the moment.

However, as Fraser McKinlay said, we audit Transport Scotland every year, and it is the sponsoring body for that project, as well as a number of other major capital investments. We also support the committee in its scrutiny of the infrastructure investment programme, and we would be happy to consider how we can help you to use either of those vehicles to scrutinise Transport Scotland and the Government in relation to the project.

To be frank, we could spend all our time looking at big projects in transport and other big pieces of investment. We have to be selective, but we are also keen to consider how we can help the committee to follow up its own interests through the information that we have and the work that we are already doing.

Fraser McKinlay: I should draw the committee's attention to the report that the Auditor General and the Accounts Commission have on the stocks in relation to the revenue financing of assets, which is due to be published in August or September. I mention that because the AWPR is one of the case studies that it considers, but also because I want to manage your expectations. It is not an audit of the AWPR, but you will see that project as one of the six—I think—case studies that we have used to examine how the non-profit-distributing models and the hub models have worked across the country. The project gets a little bit of focus in that report, but the report is not an audit of how the project went.

Liam Kerr: We will see what comes out of that. I suspect that that part of the report is one that we will be interested in with regard to the financing and the revenue.

The Convener: When is the next transport audit due out?

Caroline Gardner: The audit of the 2018-19 accounts is just getting under way. It will be published in the autumn, and I will consider whether a section 22 report would be helpful to the committee as part of the normal process.

Bill Bowman (North East Scotland) (Con): I have a couple of areas to ask about in relation to your rolling work programme. You say that, in 2021, you will consider the Commonwealth games legacy. What will that involve?

Caroline Gardner: I will ask Fraser McKinlay to answer that, on the basis that I will not be Auditor General in 2021, so it would be presumptuous of me to speak about that.

Bill Bowman: You can probably remember back to the Commonwealth games, although it seems a long time ago.

Fraser McKinlay: It does. We have done a series of pieces of work on the issue. Before the

Commonwealth games, we did a piece of work that checked on how the organisation of the event was going, and we did a piece of work on the event immediately afterwards. We had always planned to do a legacy piece of work. Given that one of the objectives of the Commonwealth games was about legacy and supporting communities in the east end of Glasgow and other parts of Scotland, that work will consider the extent to which those wider objectives of the games have been met.

Bill Bowman: Will you spend a lot of time on that? If you find that something has not been done, it will be a long time after the games, which means that you will probably not be able to do much about it by then.

Fraser McKinlay: The audit will not be massive. It is one of those cases in which, if there is nothing to see, it will be quite a quick piece of work—we would get to that point quickly. Having said that, given that a significant amount of public money was spent on the event and that it was predicated on making a long-term difference, we think that it is quite an important issue to examine.

09:45

Bill Bowman: Looking to 2023-24, I do not know how Auditor Generals hand over and whether they are like presidents and write letters to say what work to look at—

The Convener: That might be our job.

Bill Bowman: You mention a performance audit report on "Support to rail services" in 2023-24. What might that be?

Caroline Gardner: Just pulling back a little, the way in which the programme is put together is obviously not dependent on my whim as Auditor General; it is based on a lot of development work in Audit Scotland and on engagement with the people whose views we want to inform it, who include politicians, managers and service users.

It seems to us that rail services are an important part of Scotland's infrastructure investment and continuing revenue support in the overall transport plan. There are big improvements going on through the Edinburgh to Glasgow improvement programme as well as questions about the ScotRail contract and the new sleeper arrangements that are coming into place. The thinking is that 2023-24 might be a good time to take a step back and look at the matter in the round. As always, the later years of the programme can flex and change as circumstances change, but that is a placeholder to say that we think that that work would be worth while at that point.

Bill Bowman: In that context, does “support” mean money from the Government?

Caroline Gardner: Yes.

Bill Bowman: Given that rail services are mentioned in our inboxes almost every day, what is coming up imminently on rail?

Caroline Gardner: The answer again is that the Transport Scotland audit always looks at the amount of support that is provided in different ways to rail, ferries and roads. We will keep under review the issues that we think need to be audited and those that should be reported to the committee as part of the routine work.

Bill Bowman: To take up Liam Kerr’s point about the AWPR, will ScotRail just be a paragraph in that audit report or will you have a significant section on the problems that it is having?

Fraser McKinlay: It is fair to say that it is unlikely to be a significant section. The real benefit of bringing our work programme to the committee is to get a sense from the committee about what might be more urgent than the programme suggests. We have a rolling programme that we review every year so that we can flex things, bring things forward and move things back. Therefore, if the feedback is that something on rail would be of interest to the committee sooner rather than later, we can absolutely build that into the thinking for the refresh this year.

Bill Bowman: It would be of interest to me, anyway.

I move on to Alex Neil’s point about top-end pay. In the private sector, if there is a problem, the chief executive officer is often the one who goes first, but that is not the case in the public sector, where we perhaps occasionally see a CEO leaving. Do you consider how chief executive appraisal is done in the organisations that you look at?

Caroline Gardner: That tends to come up only when there is a problem, as you have described. In our work on the Scottish Police Authority, it became clear that the former chief executive had not performed or supported the authority in the way that we would have expected and that the authority’s options for dealing with that were constrained by the way in which it had or had not appraised his performance. In such instances, we report that to the committee as part of reporting on what we find.

It is difficult to see how we would look at the matter as a theme across the piece, but it certainly becomes an issue when we look at what has happened when there is a particular organisational problem.

Bill Bowman: There might be a question about whether such appraisal happens at all.

Caroline Gardner: Yes.

Fraser McKinlay: I have just reminded myself that, in paragraph 22 of our briefing note to the committee, we mention that one of the areas of our programme development activities is public sector leadership. The list of things that we have under programme development are those that we recognise are important but where we are not yet quite at the stage of figuring out how to turn that into audit—that is the simple way of putting it. Many of those areas of activity will lead to proper full-blown performance audits.

That seems to me to be an obvious way in which we can bring the issue that Mr Bowman raises into scope. It is an excellent question. As you say, we could just even get a baseline to show whether appraisal happens in every case. I am equally interested in issues such as chief executives’ objectives and the systems of accountability and incentives for chief executives. It would be fascinating to consider whether, through objectives and appraisals, we are ensuring that chief executives do the things that we say collectively need to be done.

Bill Bowman: That would be a good start.

Fraser McKinlay: We will pick up that issue as part of the programme development work, which might turn into something else. As we say in our note to the committee, we do not tend to publish the outputs of that work, but we are more than happy to share them with the committee.

The Convener: Auditor General, I am conscious that our job in the committee is to follow the public pound, but I have become increasingly concerned about large chunks of money being given in grants to bodies, often commercial companies, that understandably do not fall under your jurisdiction to audit. I will give examples. A few years ago, £45 million was given to Ferguson Marine under the former First Minister, and £46 million was given to Prestwick airport. Do you have any jurisdiction to look at those sums of money and assess what has happened to them and the value for money for the public purse? I think that both were loans. When does the Government expect to get the money back? Has any of the money been repaid? Is the Government getting a suitable return on those investments?

Caroline Gardner: You are absolutely right that, where the Government and other public bodies fund third parties, private companies or third sector organisations, in general I do not audit those bodies. Therefore, I can only look through the lens of the bodies that I audit.

As Fraser McKinlay said, Audit Scotland has been quite successful in making that much more transparent. When the Government bought Prestwick airport, we reported on that through the Transport Scotland audit and reported to this committee. The section 22 report on the Scottish Government last year included the support that had gone to Ferguson Marine and Burntisland Fabrications Ltd. That information was brought into the public domain in one place, and it was recommended that the Government should have a framework for when it provides such funding, what its overall capacity is, how it is monitoring performance, and what its exit strategy might be.

We will continue to take that approach, but the committee has an important role in asking questions directly to Government or the body that provides the funding. We can continue to provide transparency, but there are often policy questions rather than questions to do with audit problems that we need to highlight to the committee. I am very clear that the Government is able to provide support to companies in the way that it has been doing, but there are trade-offs in doing that, and there is an opportunity cost. The committee is well placed to ask policy-related questions about what the Government intends to achieve and how that is working out in practice.

The Convener: I want to ask about another example of non-commercial practice. We have discussed the Victoria and Albert museum in Dundee before. A significant amount of public money has justifiably gone towards that great project directly from the Scottish Government, but also indirectly from it through local universities and other entities. Do you see Government money increasingly being funnelled towards projects that do not come under your jurisdiction to audit?

Caroline Gardner: Those projects tend to be the more unusual ones, as the V&A in Dundee has been. However, members will notice in the programme that we have work under way on city deals, for which funding often comes together from a number of sources, such as the UK Government, the Scottish Government, local authorities and universities. One of the questions in that piece of work is to do with the governance and accountability for the money that is going in and the impact on local communities.

Does Fraser McKinlay want to say a bit more about that?

Fraser McKinlay: I have nothing much to add about city deals in particular. Examples on that scale are quite unusual. Obviously, public bodies give money to third sector and private sector organisations all the time. We continue to be satisfied—I can speak for the local government end of the discussion, as well, in respect of councils giving money to other organisations—that

the powers that we have allow us to get assurance on how that money is being used. It is important that, if the Scottish Government, a council or any other public body gives money to a project or a third party, it is their responsibility to ensure that they can track how that money is being spent. They do not just hand over the money. That is where we still have powers and control.

The Convener: Mr McKinlay's and the Auditor General's answers touched on governance and accountability. The governance and accountability relating to commercial and non-commercial grants rest with Scottish Enterprise, I think. I might be wrong, but I did not see any audit of Scottish Enterprise in the rolling work programme. Has there been an audit of Scottish Enterprise over the past few years that I cannot recall? Is one planned?

Caroline Gardner: There is an audit of Scottish Enterprise every year. That gives a baseline of assurance. We did some work three years ago on its role in supporting economic growth, and there are a number of programmes in the future work programme in which Scottish Enterprise plays a big part, particularly the work on skills. We can give members the assurance that we audit Scottish Enterprise every year, and the funding to third parties is always an important issue that the auditor looks at. We can report back to the committee if we identify issues.

As Fraser McKinlay said, the V&A in Dundee is on our radar as a watching brief. If concerns emerge, we can use our powers to report on it. Currently, we do not have concerns.

We can pick up the point about transparency in other ways, as we did in the section 22 report on the Scottish Government last year. That is a big and wide-ranging report, but it is a useful place for us to flag up things that we know the committee is interested in, which are perhaps not transparent otherwise. The committee will then be well placed to follow them up.

The Convener: Thank you very much.

My final question is on drugs; I have raised this with you before. Is it correct that Audit Scotland is considering a briefing? I am referring to the awful and tragic circumstance of Scotland having the highest number of drugs deaths in Europe. I think that Audit Scotland was doing work on why that is the case and whether services are working correctly to prevent that. Can you say a little more about that, please?

Caroline Gardner: Yes. We are working on a briefing on drug and alcohol services that follows up a report across Scotland that we did a number of years ago. Does Fraser McKinlay want to update the committee on where we are with that?

Fraser McKinlay: Certainly. Basically, we are putting the finishing touches to that briefing. We would be very happy to share it with the committee in the next month or so, if that would be helpful.

The Convener: That would be great. Thank you very much.

As members have no further questions for Audit Scotland on its work programme, I thank the witnesses very much for giving evidence on it.

09:57

Meeting continued in private until 10:42.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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