



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 10 February 2016

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PUBLIC AUDIT COMMITTEE
5th Meeting 2016, Session 4

CONVENER

*Paul Martin (Glasgow Provan) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Nigel Don (Angus North and Mearns) (SNP)

*Colin Keir (Edinburgh Western) (SNP)

*Stuart McMillan (West Scotland) (SNP)

Tavish Scott (Shetland Islands) (LD)

Dr Richard Simpson (Mid Scotland and Fife) (Lab)

*David Torrance (Kirkcaldy) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Andrew Flanagan (Scottish Police Authority)

John Foley (Scottish Police Authority)

Chief Constable Philip Gormley QPM (Police Scotland)

Mark Griffin (Central Scotland) (Lab) (Committee Substitute)

Paul Johnston (Scottish Government)

Sandra White (Glasgow Kelvin) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Public Audit Committee

Wednesday 10 February 2016

[The Convener opened the meeting at 10:01]

Interests

The Convener (Paul Martin): Good morning. I welcome members of the press and public to the fifth meeting in 2016 of the Public Audit Committee. I ask all those present to ensure that their electronic devices are switched to flight mode so that they do not affect the committee's work.

We have received apologies from a number of members: Tavish Scott, Richard Simpson and Colin Beattie. I welcome Sandra White, who is substituting for Colin Beattie, and Mark Griffin, who is substituting for Richard Simpson. As this is Mark Griffin's first attendance at the committee, I invite him to declare any interests that are relevant to the committee's work.

Mark Griffin (Central Scotland) (Lab): I have no relevant interests to declare.

Decision on Taking Business in Private

10:02

The Convener: Agenda item 2 is a decision on whether to take items 6 and 7, and consideration of our legacy paper at future meetings, in private. Do members agree to do that?

Members *indicated agreement.*

Section 22 Report

"The 2014/15 audit of the Scottish Police Authority"

The Convener: Agenda item 3 is evidence taking on the Auditor General for Scotland's report entitled, "The 2014/15 audit of the Scottish Police Authority". I welcome our panel of witnesses: Paul Johnston, interim director general of learning and justice, Scottish Government; John Foley, chief executive, and Andrew Flanagan, chair, Scottish Police Authority; and Chief Constable Philip Gormley QPM, Police Scotland.

I understand that Mr Flanagan would like to make a short opening statement.

Andrew Flanagan (Scottish Police Authority): Good morning, committee, and thank you for the opportunity to say a few words. I will restrict my opening remarks to the three areas that the committee considered in its session with Audit Scotland last month.

The first area is financial controls. I have been a chartered accountant for almost 40 years and I have never before received such a serious audit report. It is important for me to say that I fully accept the Auditor General's recommendations and that they will be implemented. I do not expect such a report to be repeated, and I will do everything necessary to ensure that it is not. I fully recognise the need for improvement, and you will hear today how we plan to address that need.

Among other actions, we have recently appointed an interim chief financial officer, Karen Kelly, to oversee the discharge of the recommendations made by Audit Scotland and other financial matters. The duration of that appointment will be approximately three months. Karen Kelly is a former chair of the Chartered Institute of Public Finance and Accountancy in Scotland and she has more than 20 years of senior public sector finance experience, having spent the past decade with the City of Edinburgh Council as its head of financial services and corporate programmes.

We have recently appointed the well-known Scottish firm of accountants Scott-Moncrieff as our internal auditor. That appointment was made following a robust public sector procurement process, and we look forward to engaging positively with the firm as it provides assurance on our financial controls and processes. I am also seeking to use current board vacancies to recruit two senior finance experts as new members as soon as possible.

The second area concerns the latest financial information and the forecast outturns for 2015-16.

Our latest financial information, which was considered by the SPA earlier this week, shows improvement in the forecast position for the year end since it was last reported to the board in December. While that is encouraging, it is not yet fully balanced, and the SPA expects Police Scotland to continue with the rigorous approach to minimising spend until the year end.

While acknowledging that there are overspends and underspends across the various funding streams, if we consider those in the round, that equates to a financial forecast position that is less than 1 per cent from a balanced year-end position. It is clear that there is still further work to be done before the end of March so that we have the best possible position from which to start the next financial year and on which to build the next phases of police reform and improvement.

The third area concerns a long-term financial strategy for policing, which will be developed by the end of March. The current financial and corporate strategies come to an end on 31 March 2016. Those strategies have already delivered considerable financial benefits to policing and, given the level of savings that we have achieved to date, we are confident of achieving the savings target of £1.1 billion by 2026 as set out in the outline business case for police reform. We also now have clarity on the funding for 2016-17.

Our financial strategy will be based on delivering a balanced budget next year. The strategy will demonstrate our assumptions about how to sustain policing over the next three to five years and beyond. Our plans will be robust and will identify realisable savings and cost reductions in areas such as workforce, estate, fleet, procurement and technology that are recurring in nature and will therefore roll forward into future years.

Such evidence will provide us, Parliament and the public with confidence that policing has a realistic and tenable approach to delivering a sustainable police model as we move forward. I believe that we can deliver those things by the end of March, including a joined-up plan of action that will set out how we can sustain policing through to 2026. I have seen nothing in my time so far to suggest that the goal of £1.1 billion of accumulated savings is unattainable.

The Convener: Thank you, Mr Flanagan. Could you clarify, for the record, whether you are the accountable officer for the SPA?

Andrew Flanagan: The accountable officer is John Foley, the chief executive of the SPA.

The Convener: So it is John Foley, as the chief executive.

Perhaps you could clarify something else. We have heard similar commitments from previous chief executives and accountable officers in the past. What makes what you have said today any different from what we have heard before? I also ask both of you to clarify for the record when you were appointed to the organisation.

John Foley (Scottish Police Authority): I was appointed to the SPA in September 2013.

In relation to the statement that has been made that we will achieve the £1.1 billion of savings, we are absolutely confident that that will be the case. We have delivered substantial savings in policing to date—

The Convener: That is not the question that I asked. I do not know whether you have appeared before any of the Parliament's committees previously, Mr Foley—

John Foley: Yes, but not the Public Audit Committee.

The Convener: You have attended committees previously, and you would have given them commitments to meet the targets that were set by your organisation.

John Foley: Yes.

The Convener: So why should what we are hearing today be any different from what we have heard before? I take it that internal auditors have been appointed before. This will not be the first time that the SPA has appointed internal auditors. What is so different from what has happened previously?

John Foley: Well, with regard to what has happened previously, we achieved our financial targets in the first two years of policing. In evidence to committees previously, I have made those statements and those targets have been met.

As the chair of the SPA has just pointed out, we are still working to look to close the budget for this year. The work that we have done to date would suggest that, as we move towards 2026, the recurring nature of the savings that we have achieved to date means that we have in the region of 85 per cent of the £1.1 billion in the bag as we sit here. That would mean that, moving forward, if we achieved—for example—£16 million-worth of savings in the forthcoming financial year, 2016-17, that would give us approximately 100 per cent of the savings by 2026. That is consistent with what I have previously reported to Parliament.

The Convener: I want to get back to the issue of the reporting of the expenditure and income for the organisation, particularly the reform funding that was provided to you by the Scottish Government. The Auditor General has highlighted

some concerns in connection with the fact that £21 million remains unaccounted for, or there are some issues concerning the reporting of that expenditure. Would you expect to write out a cheque to me for £21 million and for me to come back to you and tell you that I have spent it in some context that has not been clarified in my accounts?

John Foley: There is not a lost £21 million in the accounts.

The Convener: I understand that.

John Foley: It has all been accounted for and the balance sheet reconciles. I believe that the point that the Auditor General was making was that, in the body of the accounts as reported, there was a figure of £21 million that was identified as additional reform expenditure. That was not expanded, so there was no breakdown of the £21 million. However, we do have a breakdown of the £21 million, and that is consistent with the audited accounts.

The Convener: Do you acknowledge that the reporting of that could have been improved?

John Foley: Yes, I fully accept that the reporting of that could have been improved in the annual report and I give a commitment to the committee that, from this year on, all reform expenditure will be broken down in more detail in the statutory accounts in order to give the auditor more clarification of what the expenditure relates to.

The Convener: Why was that detail not included in the first place?

John Foley: It was not included because it was believed, at that point in time, that the level of detail was sufficient. Clearly, the auditor took a different view and made that clear to me and to the SPA. We have accepted the auditor's position and will address that in future.

The Convener: Are you satisfied with the arrangements that were in place to record that expenditure?

John Foley: I am. What I would say is that we need to improve the transparency of that information for the auditor and the wider public.

The Convener: But it could have been improved before the information was provided in the accounts in the first place.

John Foley: Indeed, convener—it could have been improved. We have taken that as an improvement action. Although it was not specifically a recommendation, we have decided that it should be treated in the same way as a recommendation. It will be improved as we move forward.

The Convener: I come back to you, Mr Flanagan, and some of the actions that you set out. When were you appointed as the chair of the police board?

Andrew Flanagan: I was appointed in September of last year.

The Convener: Why were some of the actions that you have taken forward not taken forward previously? You have advised us of some of the additional financial controls that have been introduced.

Andrew Flanagan: The gap in internal audit was a procurement issue; there was also a vetting issue with getting the new team in place.

The Convener: What was the gap in internal audit?

Andrew Flanagan: The period of office of the previous internal auditor, PricewaterhouseCoopers, came to an end in March. It had been anticipated that it would continue, but the procurement process threw out that Scott-Moncrieff was a better option.

The Convener: Why would Scott-Moncrieff be a better option?

Andrew Flanagan: It was more cost-effective and had a team that was more responsive to what we required.

The Convener: In what way would it be more responsive?

Andrew Flanagan: By having available people at the right level. That was really the issue—it was the quality of the people that Scott-Moncrieff was offering.

The Convener: You can understand our position. You have presented this as a step forward but, as part of the procurement process, a new auditor would have been appointed anyway. You are telling us that it was a major step forward to appoint a new, more responsive auditor and that PricewaterhouseCoopers was not being responsive to the SPA.

Andrew Flanagan: I do not want to be critical of PricewaterhouseCoopers—

The Convener: But you are advising us that the new company of auditors that has taken over will be more responsive, so you have already done that.

Andrew Flanagan: When the issue about fixed assets came up, we did not have an internal audit team that we could put in to investigate the issues. That created a gap, which allowed the problems with fixed assets not to be fully addressed. If the auditors had been in place at that point, we would have been quicker to respond to the issues and

therefore the delays in the audit, which the Auditor General reported on, could have been avoided.

The Convener: By another firm of auditors being in place rather than the one that was in place previously?

Andrew Flanagan: Yes, because we had no internal audit capacity at that point.

10:15

The Convener: So no internal audit took place previously?

Andrew Flanagan: No. The internal audit finished at the end of March. The fixed asset problem began to be identified in the summer of the year in which we did not have Scott-Moncrieff in place.

The Convener: Before I bring in Mary Scanlon, I want to confirm this with Mr Foley. Is it correct that the Scottish Police Authority did not have an internal audit process in place?

John Foley: No. We had an internal audit process in place, and we had some internal audit capacity, which was internal to the SPA. It consisted of SPA employees rather than members of staff of PricewaterhouseCoopers or Scott-Moncrieff, but those people were not sufficiently qualified to undertake that work. If Scott-Moncrieff had been in place earlier, I am sure that we would have—

The Convener: For the record, can you confirm what your annual salary is?

John Foley: Yes. My annual salary is £110,000.

The Convener: Your role as accountable officer comes with significant responsibility, so do you not take some responsibility for the fact that you did not make sure that the expertise was in place to prevent some of the challenges that your organisation faced, particularly in relation to internal audit? Should you not have highlighted that internal audit was a significant area that could have warranted additional expenditure, particularly considering some of the challenges that your organisation has faced since its creation?

John Foley: We have considerable internal resources in relation to finance, primarily in Police Scotland, and we have some resource and financial capacity within the SPA. There are qualified senior accountants to deal with those matters, so it is not purely down to internal audit.

As accountable officer, I have a responsibility to ensure that appropriate resources and assets are in place. The expectation in relation to the fixed asset reconciliations is that we would have had appropriate resource in place across the organisations. The internal audit aspect of it is a

verification issue in relation to the work that other people have done. We started the procurement process in good time, but it took a little bit longer than we expected. It is true that I have responsibility for the procurement process.

The Convener: Can I summarise the situation? The organisation could have anticipated there being some losses as a result of that internal audit process not being in place. If you had had the internal audit capacity, perhaps some additional savings could have been made, and costs associated with the organisation could have been reduced as a result of those internal auditors being in place.

John Foley: No, that is not the case. The issue that presented itself was related to fixed assets, which is not an area in which savings can be achieved, so there was no impact on additional savings potentially being achieved as a result of this situation. It was a situation of reconciliation. We are talking about the implementation of a new fixed asset register that was being put in place in Police Scotland to tighten the financial controls, so it had no impact on savings.

The Convener: So, good financial management—ensuring that you know where all your assets are located and everything else—does not have an impact on how your organisation is organised, and it does not save money.

John Foley: Yes, of course good financial management overall ensures that. However, this problem was specific to fixed assets. The issue that presented itself was that we had, in effect, 10 legacy systems, which needed to be brought into one. In other words, there was no single fixed asset register across policing. We planned to undertake that work in the 2014-15 year, although the work carried over beyond 31 March, which was the expectation. The issue that arose was that the work to take those 10 legacy systems into one took longer than expected—it overran—so the attempt to introduce a new fixed asset register and tighten the financial controls took a little longer than we anticipated.

Mary Scanlon (Highlands and Islands) (Con): We have some different faces before us today. I will begin by asking Paul Johnston for how long he has been interim director general of learning and justice and how many people have had that job since the merger of our police authorities in April 2013.

Paul Johnston (Scottish Government): Good morning. I have been interim director general for learning and justice since June 2015. My predecessor had held the role since prior to the creation of Police Scotland.

Mary Scanlon: So there should be some continuity. We cannot totally blame the other guys,

because you had oversight of the direction of the merger and the savings.

My first question is for whoever wants to answer it. On the most recent occasion on which we took evidence, when we had Vic Emery, Sir Stephen House and others before us, we were given the same promises, Mr Flanagan. I am delighted to hear that you are a chartered accountant. I retire in a month's time, so I will not be here to follow up on these matters. We were given all the promises that we have had this morning three years ago, so you will understand why there is more than a wee bit of frustration and more than a wee bit of anger when we look at the report that we have in front of us today.

Three years ago—two months after you took up your post, Mr Foley—the Auditor General highly recommended that the Scottish Police Authority have a financial strategy. You are still promising that. Why has it taken nearly three years for that to happen?

Andrew Flanagan: I cannot account for my predecessor. As a chartered accountant, I take such matters extremely seriously. That is about not just the role that I hold but the professional standards to which I must adhere. I have looked at the situation and found that some of it—what the auditor reported on—is unacceptable. I fully accept what the auditor says. It is my duty to fix those issues, and I intend to do that.

On the accounting records, we are in a much better position than we were several months ago. The auditor eventually gave a clean audit opinion on our balance sheet and the fixed assets. I am satisfied that the new system to which Mr Foley referred is up and running effectively and that those accounting record issues should no longer be an issue for the current financial year.

On the organisation's financial position, using the auditor's figures, £122 million of recurring savings had been recorded and achieved at the end of 2014-15. If those savings are continued through the balance of the period to 2026—I see no reason why they cannot be maintained—we will have achieved more than £900 million of the £1.1 billion of savings that are expected of us. If I look to what we must still achieve, that would be a further £16 million of recurring savings each year for the remaining—

Mary Scanlon: We have covered a wee bit of that ground. I am keen that we look at the figures in front of us today; indeed, it is important that we do that.

In the Auditor General's letter of 15 December 2015 to you, Mr Flanagan, she highlights more than once that:

“good governance exists where there are ... simple lines of accountability and effective working relationships between key individuals ... these characteristics have not always been in evidence.”

Members on this committee, the Justice Committee and in the chamber of this Parliament have heard that your predecessor, Mr Flanagan, and your predecessor, Mr Gormley, spent their time getting lawyers to work out their job descriptions and to argue what their responsibilities and accountabilities were. Mr Gormley may not have been in office at the time of the Auditor General's letter. Will you confirm how long you have been in post? Is it two months? Three months?

Chief Constable Philip Gormley QPM (Police Scotland): I started on 5 January, so I am into my fifth week.

Mary Scanlon: I hope that things changed on 5 January. I would quite like to hear from Mr Flanagan, as the chair of the Scottish Police Authority, and from Mr Gormley, that you will no longer be arguing over your job descriptions. I also want to hear about the Auditor General's point about clear lines of accountability, good working relationships and good partnerships.

Andrew Flanagan: Those things are essential and I fully agree with the Auditor General in that regard. Yes, there were difficulties at the inception of the SPA and Police Scotland about where the demarcation lines between responsibilities fell, but I think that most of that has been sorted out. I have been asked by the Government to do a governance review to build on the experience of the first three years and to make some recommendations. That report is due to be given to the cabinet secretary by mid-March and I am pleased with the progress that we have made.

As part of the recruitment process, Mr Gormley and I had a number of discussions about how the relationship should work between us and the respective organisations. I am satisfied that we will have good relationships going forward.

Chief Constable Gormley: I agree with that. My approach will be to work collaboratively and in a complementary manner with the SPA. In my experience, that is the only way in which we will generate light rather than heat. I have no view about the past in that regard. I am actively engaged in the Government's review, on the independent reference group, as are a couple of my senior colleagues from the executive team.

My approach will be to work in an entirely collaborative manner with the SPA, while recognising that we have different responsibilities. I have no interest in exchanging formal letters with the chairman; the relationship needs to be predicated on trust and transparency.

Mary Scanlon: That is fine. It is important to get that on the record, although it is what we would expect in any profession.

I have read through the “Scottish Police Authority Annual Audit Report 2014/15”. Despite your comments, Mr Flanagan, about the position going forward, as one of the older members of the committee I have to say that I have heard it all before. I read in the report last night:

“A number of misstatements and presentational adjustments were identified”.

You reported only on “misstatements greater than £90,000”. It is just as well, because otherwise we would probably be here all week. However, the “misstatements” are errors and the “presentational adjustments” put the numbers in the wrong place. That is pretty fundamental, is it not? That accounted for

“an increase in net expenditure of”

£2.5 million and

“a decrease in the net liability of”

£13 million. The report also stated that

“hundreds of lines in the financial ledger were changed”.

I have never seen anything like this. I know that you are making great promises, but quite a few of you were in place when all that happened. That is public money, but you could not even put your numbers in the right box and you could not even get your numbers correct. That is pretty damning, is it not?

Andrew Flanagan: I think that it is not unusual in any organisation for the auditor to pick up misstatements and for those to be corrected. I did not, for the size of the audit—

Mary Scanlon: The report refers to hundreds of lines in the financial ledger being changed. Is hundreds normal?

Andrew Flanagan: I think that part of that remains a struggle because of the move from eight legacy forces and eight accounting functions to one—

Mary Scanlon: You have had three years.

Andrew Flanagan: I agree that in three years we should perhaps have made more progress. I believe that we can strengthen the financial function within Police Scotland. However, I do not think that the overall position in terms of there being some misstatements is unusual for an organisation of that size. The numbers themselves are within the context of materiality in terms of a £1 billion organisation.

Mary Scanlon: Well, I am an economist, not an accountant, but it seems pretty unusual to me.

I will briefly ask a couple of further questions. In 2014-15, there was an overspend of £5.9 million, but an underspend was reported to the board. If you are going to achieve the savings that you want, surely you need to be a bit more rigorous.

The convener is signalling me to get on, so I will move on to registers of interest. I would have hoped that Police Scotland would set an example to us all in that regard—we as MSPs have to fill in our register of interests—but the report states that

“7 out of 12 Members ... had incomplete sections ... 5 out of 12 ... did not agree to the information held”

by the SPA. The report also states:

“There was no formal register of interests during 2014/15”.

Surely that is pretty fundamental when it comes to governance. That was my second question.

10:30

My third question is about the national fraud initiative. I was shocked by what Audit Scotland said. It seems to me that it had to remind you—this question is probably for you, Mr Gormley—that the NFI data-matching exercise was a task that you had to do. Audit Scotland said:

“The matching process identified 3,743 records for investigation with 261 of these ‘recommended’ for investigation. As of 22 September 2015, no work had commenced on the 261 recommended matches for investigation.”

Everything that the audit identifies is affecting policing in Scotland. We have been very proud of the national fraud initiative, on which the committee has had a report. If you are languishing behind in following up on it, that is not sending out the right signal.

Andrew Flanagan: I will deal with the question about the register of interests. I totally agree that having a register of interests is a matter of basic housekeeping, so it should have been done. There is no excuse for that.

Mary Scanlon: You will ensure that it will be done.

Andrew Flanagan: Yes, it will be done; there is no question about that.

Mary Scanlon: Mr Gormley, your performance on the national fraud initiative is pretty poor, is it not?

Chief Constable Gormley: I am afraid that I am not sighted on the detail, so I will go away and have a proper hard look at what that means for us operationally and organisationally.

Mary Scanlon: I believe that Audit Scotland is following that up.

How can you ensure that an underspend does not become an overspend in future? That issue is dealt with on page 14 of the audit.

John Foley: I will provide clarification on some of those points. The point about declaration of interests has been addressed. We set up a separate governance unit in the authority to make sure that such items are covered off. That is now in place.

Mary Scanlon: Is it not a wee bit embarrassing that the Auditor General has to tell you how to fill in your declaration of interests?

John Foley: Yes, it is, and that is one of the reasons why we have revised our internal governance structure. That issue has been dealt with.

As far as the point about the national fraud initiative is concerned, that, too, is being addressed. That point was well made. I believe that meetings took place last month in relation to that, and that will be addressed as we move forward.

Mary Scanlon: So, nine months after 3,743 records for investigation were identified, you have had a meeting.

John Foley: Additional capacity has now been put in place to address that as we move forward. That will be addressed.

Stuart McMillan (West Scotland) (SNP): I have a couple of quick questions on some of the points in the report. On page 2, under the heading "Financial management and sustainability", the report deals with the issue of the cash overspend. On page 3, under the heading "Outlook", it states:

"There has been prolonged interruption in the delivery of Internal Audit services."

In paragraph 8 on page 7, it says:

"The draft accounts were incomplete and have been subject to substantial revision".

In paragraph 10, it says:

"There was a failure of a senior member of management to take ownership of the fixed assets transition project".

In paragraph 37 on page 21, it says:

"It has taken time to allocate and appoint staff to the two finance functions. There are tensions, in such arrangement".

It is clear that the situation as regards internal controls has been quite appalling over the past year. You have said that you fully accept that there have been problems and that that will not happen again. What assurances and guarantees can you provide the committee that in 12 months' time whoever is here questioning you after the publication of another Audit Scotland report will not have to go through the same process?

Andrew Flanagan: The Auditor General also said that,

"with the exception of fixed assets,"

a number of improvements to internal control had already been achieved. The only concern was related to fixed assets. As Mr Foley has explained, we were in the process of bringing eight fixed-asset registers together into one. That did not go well in terms of what happened, and it was exacerbated by trying to put through a revaluation of fixed assets at the same time as trying to complete the annual accounts. That made it difficult for both the staff and the auditor to get a proper reconciliation of the fixed assets.

We are confident that that was achieved completely and to the auditor's satisfaction, and the auditor was able to sign off the accounts for last year. We now see that as a solid foundation for moving forward, and accounting for fixed assets should be one of the simpler aspects, now that the reconciliation is complete. There are not actually that many transactions in any given year in terms of additions or disposals. I am quite confident that we have made significant progress, even in the past few months, as far as accounting records are concerned.

The issues of ownership and responsibility at a senior level were one of the reasons why I concluded that we needed a single point of leadership in the interim period, and why we decided to appoint a chief financial officer. Although she has started only very recently, we can already see some benefits in ensuring that the co-ordination between the two organisations is much better.

Stuart McMillan: There is an exhibit at the top left-hand corner of page 24 of the report. I found two of the boxes very interesting. One of them states:

"Arrangements for the prevention and detection of fraud and corruption require strengthening."

The next box says:

"There has been prolonged interruption in the delivery of Internal Audit services."

We have already touched on the internal audit this morning. I am keen to learn what you plan to do about strengthening the detection of fraud and corruption, so that the situation does not arise again next year.

John Foley: That goes back to the previous point regarding the national fraud initiative. We have taken steps to increase capacity across both organisations to deal with that, which will assist in addressing the issue.

Stuart McMillan: Paragraph 80 on page 29 of the report follows on from that point. How many

additional people are you bringing in to deal with the situation regarding the national fraud initiative?

John Foley: The increased capacity will not be in the form of additional people. It involves increasing the quality of individuals over that of the people who were there before. As an organisation, we are moving through a period of reform, where individuals have left the organisation on a voluntary basis. Occasionally—and it is only very occasionally—we need to appoint new people to strengthen it in particular roles. An appointment was made towards the end of last year through that process.

Stuart McMillan: In trying to deal with this area, is any additional training being offered to assist existing staff?

John Foley: The additional training requirement is not something that existing staff are picking up; it is an additional resource. It is a fairly basic system—it does not require a great deal of training.

Stuart McMillan: My next question concerns community planning partnerships. Paragraph 97 on page 33 states:

“Many CPPs are still not clear about what they are expected to achieve and there is confusion over whether the focus on community planning should be more on local needs or delivering national priorities.”

It could be argued that that paragraph and the issue of CPPs should be discussed in more detail at the Local Government and Regeneration Committee, rather than here, but Police Scotland has an important part to play in community planning partnerships and has a huge level of involvement there. Is that paragraph an accurate statement? Should Police Scotland have further input into CPPs at local level, or is the general direction of CPPs unclear, as the Auditor General has highlighted?

Andrew Flanagan: That issue has come up through my governance review in terms of the workstream on local community involvement. A lot of local authority responses to the consultation document have focused on the issue of the local scrutiny boards and of that being the primary focus of Police Scotland's engagement at local level. The basic thrust of many of the contributions to the review has been that we must take a much wider view of engagement, including community planning partnerships, and that there is too narrow a focus through the scrutiny boards themselves. I expect to make recommendations on that when my review is published in March.

Stuart McMillan: Can you tell the committee about any particular themes that have emerged from the information that you have received to date?

Andrew Flanagan: The experience of the past two to three years is that there is clearly some variability in engagement between Police Scotland and local scrutiny boards. There is a need for a more responsive approach from Police Scotland in relation to the kind of national services that the police provide for specialised crime. That is organised at a national level but, in reality, services are delivered at a local level. Too much of the focus is through the local divisional commander from local policing, so one issue for us is engagement with those specialised services in the local community. The second thing is that, where there are differences of opinion between the local scrutiny board and Police Scotland, there is no method to resolve or escalate those issues. We need to formalise those approaches and involve the SPA as and when necessary, if there is no agreement between the two organisations.

Chief Constable Gormley: I support all that. In the early conversations that I have had over the past three or four weeks, not with the governance group but with two or three chief executives of local authorities, I have found that there is work to be done by Police Scotland in explaining the impact and rationale for national decisions on local services, both with local authorities and to ensure that we are connecting up internally and enabling our divisional commanders to influence national decisions as effectively as we need to.

Nigel Don (Angus North and Mearns) (SNP): I would like to start by looking at what Mr Flanagan described as two finance functions, although we are probably both old enough to have put numbers in columns in ledgers in pencil in our time. I cannot help but feel that 2 per cent of turnover for the SPA would in those days have been one single column in the cash book and another in the capital ledger, and I am struggling to see, in this context, why they really are two separate finance functions. I know that structurally they have to be separate, but surely the SPA is a very small subset. You might need two finance directors in name, but why on earth do you now need a third one to sort that out?

Andrew Flanagan: The SPA finance function consists of two people, and you are absolutely right to say that it is a very small function that is there for review, analysis and assurance. My own view coming in is that there should really be only one finance function. Everything that the SPA needs can be provided from a single function. My issue is not so much with that structural separation but with the fact that we need better and improved information flows, so that the SPA board can make a proper assessment of the organisation's financial position. That is what needs clarification, rather than there being a structural issue around finance organisation.

Nigel Don: We are obviously in roughly the same place. I would like to spend a bit of time thinking about the structure of the board and governance from the perspective of everyone round the table. The Auditor General made some comments about the audit and risk committee. I am sure that those structural points will not have eluded you. Perhaps I can start with Mr Johnston. What does the organisation of the police look like as far as the Government is concerned? Where are your lines of communication and points of information? Where can you influence, rather than control?

10:45

Paul Johnston: We have put in place an overarching structure for governance and accountability in relation to policing. There is a detailed document—we can share it if the committee would find that helpful—that sets out clearly the respective roles and responsibilities. Those include, for the Scottish ministers, the financing of the service and the setting of overarching strategic priorities; for the Scottish Police Authority, the governance and accountability of the police; and, for Police Scotland, its detailed responsibilities. We have structures in place and we play an active role, working with both the SPA and Police Scotland, to ensure that the structures work in practice.

Nigel Don: The situation is that there is a small projected overspend—let us recognise that these are relatively small but nonetheless significant sums of money. What are you doing, as the director, to and with the police and the SPA to try to change that?

Paul Johnston: A range of things are taking place. The chair of the SPA and I meet regularly in order to take stock of the progress that is being made in both the SPA and Police Scotland. Members of my team have regular engagement with finance leads in both the SPA and Police Scotland to work through the detail of the numbers. We seek to support and advise the SPA and Police Scotland as they work through a range of options for the delivery of financial savings. We also have an oversight function in relation to reform funding. The Government exercises a decision-making function in that respect and we will seek to ensure that reform funding is used in a way that most effectively secures long-term savings from police reform.

Nigel Don: Thank you. I want to ask the SPA about its committee structure. I will pick up what Mary Scanlon said—she was here three years ago, although I was not. All the things that the Auditor General has reported happened on somebody's watch, and the watchers included the board committees, which do not seem to have

achieved much in correcting those things. Can you explain how that structure is supposed to work?

Andrew Flanagan: The committee structure is relatively conventional. We have an audit and risk committee and a finance and investment committee, both of which have relatively conventional responsibilities. As I mentioned in my opening remarks, there are issues because we have not had the depth of financial experience on those committees or on the board as a whole that I would have expected for an organisation of the SPA's size. Some of that relates to previous board members. For example, the chair of the audit committee, who had a long-term health condition, had to step down and was replaced only in April 2015.

On my board, apart from me—and I was only appointed in September—there is only one person who has an accounting qualification. For an organisation of our size, that is not sufficient to allow us to populate the finance and investment committee and the audit and risk committee.

Nigel Don: I absolutely agree with you. How did we get to that position? I understand that it was before your time, but structurally, there are 12—or however many—board members and only two people who understand how to deal with the numbers. That does not sound like good governance on any level.

Andrew Flanagan: Originally, the composition of the board stressed skills and experience from the local authority police boards, to help manage the transition. That was probably reasonable at the time. Looking at it now—again, this is something that I am considering as part of the governance review—I am examining the committee structure and taking an entirely fresh, skills-based approach in terms of what we need around the table. I recognise that the gap exists and I am moving to address it as quickly as possible.

Nigel Don: I have a question for the new chief constable. I appreciate that you are very new to this, Mr Gormley, but what does the structure look like to you? You will have seen similar structures elsewhere in your career.

Chief Constable Gormley: The structures look familiar. I do not want to rush to a judgment, because the context is different, but the way in which the committees are structured and the responsibilities and accountabilities that they have appear to me to be rational and familiar. As far as the quality of the composition of the committees is concerned, that is clearly a matter for the chairman, and he has touched on that.

From the point of view of the Police Service of Scotland, the structures look sensible and I think that we can properly support them. As we go forward, the issue is that we need to make sure

that we are collaborating and acting in a way complements them. From the history, it appears that that may have been an area for improvement.

Nigel Don: You cannot conceivably be everywhere doing everything, so you have a staff team. Do your colleagues have confidence in the team with which it has to operate for what is, in effect, their finance and rations?

Chief Constable Gormley: From my experience over the past five weeks, I think that those relationships are building very quickly. The Government's review is the route through that. There is very active engagement between us in Police Scotland and the SPA to make sure that there is some co-creation here.

We are ensuring that are our governance reviews are proceeding in such a way that we end up with a three-pin plug and a three-pin socket that connect properly, so I am optimistic.

Colin Keir (Edinburgh Western) (SNP): Good morning. I congratulate you on your appointment, chief constable.

A number of the issues that I wanted to ask about have already been covered, but there are a couple of things that I want to get on the record. I am sure that life would be a lot easier if you were not the one police force in the United Kingdom that had to pay VAT. I suspect that that £26 million would come in quite handy.

One thing that has been bothering me since I read the report relates to the note on page 11 that there has been a 20 per cent increase in the overall pension liability. You will have a reasonable idea of what your pension liabilities will be over the coming years. Was that increase known about? How was it identified? How will you get round it? How did we get into this position?

Andrew Flanagan: I do not think that the police pension fund is in a different situation from the situation that most public sector pension funds find themselves in. They are significantly affected by the fact that discount rates are reducing, which is pushing up the liability, and by increased life expectancy, which is impacting on all public sector pension funds.

Police Scotland is not entirely in control of the situation, because the matter is dealt with on a national, UK level, but steps have been taken to reduce pension obligations by extending the number of years for which people have to serve. It used to be 30 years, and I believe that it is now necessary for someone to have 35 years of service before they can get full pension rights. That has a mitigating effect, but given the effect of the reducing discount rates and increased longevity, it is not offsetting entirely the increases that we are seeing.

Colin Keir: I want to pursue the issue. I understand that you do not deal with the management of this, but it is an issue that I have brought up with the Auditor General in the past. It relates to the linkage between the UK and Scottish schemes and the way that they are set up for officers and so on. I am a bit unclear about how that works. My understanding is that, south of the border, the number of officers in the service is decreasing. If the two pension schemes are linked, the decrease in manpower will have an impact on the overall pension pot.

I understand that the Scottish Public Pensions Agency manages the scheme here in Scotland, but I am unclear about how it does so. How does it work? If there is a link with the UK, the decrease in manpower could have serious consequences for what is managed here, could it not?

Paul Johnston: You are right to indicate that pension liabilities are significant. As you are aware, the Scottish Government has prioritised the maintenance of high police officer numbers. There have been significant reductions in officer numbers in England and Wales, and the figures that I have indicate that, had a similar approach been adopted in Scotland, there would have been about 2,900 fewer officers here. That has a knock-on impact on pension liability, but I should make it clear that those liabilities are paid from Scottish funds separately from the funds that are allocated to the Scottish Police Authority year on year.

If you look at the draft budget documentation, in addition to the SPA's funds, which, of course, have been protected for the next financial year, you will see that there is a separate figure of about £350 million for the payment of police and fire pensions.

Colin Keir: I am not qualified in any shape or form in pensions and so on, but I want to be absolutely clear about this. Will you confirm that, with the changes that have happened, there is no danger; that only what happens in Scotland has an effect; and that the decreasing amount of money being put into the general pot will not have an effect on pensions in Scotland?

Paul Johnston: I want to be clear that there is no risk to the payment of pensions in Scotland to our police officers and Scottish Fire and Rescue Service officers. Arrangements for the payment of those pensions are for the Scottish Government, not the UK Government. Although there have been—indeed, there still are—schemes that operate across the UK, the responsibility for payments is a matter for the Scottish ministers. As I said, separate provision is made to ensure that those payments are made in full. The administration is a matter for the SPPA.

Colin Keir: Overall, is there a risk that the Scottish Government could end up having to pay more because of what is happening elsewhere?

Paul Johnston: I do not think that there is a risk that the Scottish Government is paying more because of what is happening elsewhere. There is a significant liability, partly in light of significant reductions in officer numbers elsewhere, but those costs are being fully met.

Sandra White (Glasgow Kelvin) (SNP): Good morning, gentlemen. I want to take you back to the part of the Auditor General's report that deals with financial management and sustainability. I refer you to paragraph 32 on page 19. Like Colin Keir, I would like a wee bit of clarification and explanation. The report says that, at year end 2014/15, the SPA held £93 million, which is a high balance, of cash and cash equivalents, although at year end 2013/14, it held £83 million. What exactly does "cash held" mean? That is a different matter from the Auditor General's recommendations on assets, which you said you accept. Will you explain that to someone who is not familiar with the term?

John Foley: Essentially, it refers to the amount of physical cash that the authority holds in bank accounts at that time.

Sandra White: The Auditor General said that that amount was exceptionally high and that there was no need for such an amount of cash to be held. In the management response to the Audit General's recommendation on that point, you say that you are

"undertaking fortnightly cashflow reviews".

Do you accept that the amount held is exceptionally high?

John Foley: It is a high figure, but there is no detriment at all to the authority. We have made moves to try to improve what we describe as cash-flow management as we move through the year. Effectively, when the legacy forces came together, we inherited large cash reserves. We will move to try and reduce the amount of cash held. It does not have a major impact on the organisation, but I accept the Auditor General's point. It is an accounting issue.

11:00

Sandra White: It is an accounting issue but the Auditor General mentions that

"Grant in Aid is provided to match the recipient's cash needs".

Would it have any knock-on effect on borrowing if you had that as a cash equivalent?

Paul Johnston: I do not think that it has any impact on borrowing whatsoever. From a

Government perspective, we certainly accept the Auditor General's comments—we expect the SPA to work through all the issues, of which that is one. However, I do not understand it to have any particular negative impact on the overall accounts.

John Foley: It is more of a timing issue. At a fixed point in time, we take a snapshot of what we have in the bank. A week later or a month later, the figure will be different—and it could be significantly different. As we move towards a financial year-end position, we need to try to rationalise the amount of cash reserves that we hold on 31 March, so it is really a timing issue.

Sandra White: It is just that the Auditor General's report highlights that holding that amount of cash

"in advance of need puts unnecessary strain on the public sector borrowing requirement."

Therefore, I am a wee bit confused when you say that it does not have any impact at all. Is it the norm that you would hold that amount—£93 million—of cash and cash equivalents in a bank?

Andrew Flanagan: It is worth noting that payroll is a high proportion of the cost base of the SPA and Police Scotland. Something like 90 per cent of our costs are staff related, so there are immediate payment needs for national insurance and pay as you earn—those payments have to be passed over to Her Majesty's Revenue and Customs very shortly after the end of a month. The amount may look high compared with some other organisations because of that.

There is always a need for us to make sure that that amount is minimised. I think that that is what the Auditor General is saying in the report—that we might have been too generous in the amount of cash allowance that we have. Clearly, when, at some point, it is consolidated into Government borrowing requirements, it may have an impact. However, the cash management of the Government as a whole will be a matter for the Scottish Government. I think that the Government would encourage us to trim down the amount that we need to hold in reserve, but the short-term nature of the payments that we make will contribute to that being quite a high figure in any event.

Sandra White: You mentioned that the amount could have an effect on borrowing and that you would probably be encouraged not to hold as much cash in reserve. Can you clarify that? Earlier, you said that it did not have any effect. The Auditor General said that it

"puts unnecessary strain on the public sector borrowing requirement".

You have just said that it could have an effect and that the Scottish Government will encourage you

not to have as much cash in reserve. From the comments that you have just made, it seems that you do not accept that point in the Auditor General's action plan.

Andrew Flanagan: The issue might be more about where the money sits. If it sits with the SPA rather than with the Scottish Government, that does not change the borrowing requirement per se, because the money is still there. The question is whether, if we need to hold less, at some point along the chain, we can ask the Scottish Government to squeeze a few million pounds out of the borrowing requirement. Possibly, the answer is yes. Equally, we do not want to be in a situation where we cannot meet our responsibilities in terms of payroll or paying HMRC. There is a balance to be struck.

Sandra White: So the balance would either be positive on your side or on the Government side. You mentioned maybe squeezing out a few million pounds. What did you mean by that?

Andrew Flanagan: The Auditor General's report said that the SPA was holding £10 million more than the prior year. We could look to see whether we could squeeze that amount back down to the previous level. Clearly, as we have been reducing our cost base and squeezing out payroll costs in particular, there may be some opportunity to reduce the amount of cash that we hold.

Sandra White: So if you reduce the amount of cash from £10 million to, say, £4 million, the balance would go back to the Government.

Andrew Flanagan: Yes, it would sit with Government, and it would have to put that together with all the other cash positions that it has from its spending and decide whether that ultimately reduces its net borrowing requirement.

Sandra White: So it has a direct effect on the net borrowing requirement, regardless of whether it is your net borrowing or the Government's. Therefore, if you trimmed that down, the Government would have more money in its coffers, as it were, which would be better than having it sitting in a bank account topping up to £93 million.

Andrew Flanagan: The Government would have more money available, but whether it could use that money to reduce the borrowing requirement would be a matter for it to consider across the whole horizon of its spending needs.

Paul Johnston: Clearly, there is a timing issue about when payments are made to the SPA. My suggestion is that we continue to work on the issue and provide the committee with a written update on it. I want to be clear about what our guidance is on how much cash the SPA should hold at any particular time. I do not have that

figure in front of me, but I am happy to follow that up in writing.

Mark Griffin: I want to go over the issue of the transparency of reform funding that the convener touched on. Mr Johnston, the Government provided £67.5 million for reform. The Auditor General's report flagged up that it was not clear what £21 million, or a third, of that budget was spent on. Did you share the Auditor General's concerns?

Paul Johnston: I will say a bit about how the reform funding is managed in the first instance. It is held initially by the Scottish Government. We receive detailed bids that are supported by business cases from the SPA, which works with Police Scotland. They make a case to us for the most effective use of that reform funding. We consider that internally and disburse funding on a case-by-case basis. As you can see from the accounts, much of the funding goes to pay for things such as early severance. Indeed, as Mr Keir mentioned, a significant amount of it goes to pay VAT. As you can imagine, that is an issue on which the Scottish ministers continue to engage with UK ministers.

The £21 million was referred to in global terms in the 2014-15 accounts and a more detailed breakdown was not provided. I agree absolutely that, in future, a more detailed breakdown should be provided. However, I assure the committee that it is available. Those in my team who are dealing with reform funding can absolutely see the use that has been made of all of that reform funding. I can go through some of the ways in which it was used in 2014-15, if that would be useful, or I can follow it up in writing.

Mary Scanlon: I have a supplementary question to follow on from Sandra White's question. I find it quite confusing that you have a funded local government pension scheme that is run by eight separate local authorities and you also have two separate unfunded schemes: the police pension scheme and the new pension scheme. I have glanced over the Audit Scotland report and note that paragraph 44 says:

"we would have expected the project to have featured on risk registers."

How complex is it to have one funded and two unfunded schemes, against a background of serious financial constraints on local authorities? Is there a risk, going forward? Are the eight local authorities still running this funded scheme? I am struggling to get my head round the operation of the scheme.

Andrew Flanagan: I am not hugely familiar with the detail, but I think that the issue is that police staff and support staff would have been in the pension schemes of the local authorities to which

their police body was originally allocated. Those arrangements would continue in place, rather than create a new pension fund for Police Scotland support staff. That is probably simpler, because it avoids trying to transfer liabilities from existing pension funds into a new one.

Mary Scanlon: So were serving police officers never in the local government-funded scheme? Were they in their own scheme?

Andrew Flanagan: Police officers would be in the UK national schemes, which are unfunded. The fact that there are two schemes reflects the change in the length-of-service arrangements. With major changes to pension conditions, it is often easier to establish a new scheme looking forward and to preserve the benefits in the old scheme for members who already have accrued rights.

Mary Scanlon: So the police pension scheme is the UK one, and the new police pension scheme is the Scottish one. Is that right?

Andrew Flanagan: No. The changes to the terms of the pensions—extending length of service—apply to all UK police officers. It was not just a Scottish change that took place.

Mary Scanlon: I am sure that you appreciate that it must be quite complex having three separate pension schemes, given that we are considering better collaboration and working together. The Auditor General says that she

“would have expected the project to have featured on risk registers.”

Andrew Flanagan: I agree with the point about it being on a risk register. I think that that is an omission. However, because the pension schemes are managed by other parties, in effect, one could have a debate as to whether the risk in terms of pension liability sits with us or with central Government. That is potentially why it was not flagged on our risk register. My preference would be to have it signalled, even if we are managing it through a relationship with other parties.

Mary Scanlon: So you feel that having three pension schemes is a workable solution and brings security to members of staff going forward.

Andrew Flanagan: I think that it is better for the members of staff that they are in the original pension schemes that they were in. That preserves their benefits in the long term in a much more effective way. I do not think that trying to unpick those arrangements simply for administrative ease would be the right course of action.

The Convener: I have a question for Mr Foley. As you have confirmed, you are the accountable officer and you have been since 2013. I take it that

you are personally responsible for ensuring that the action points in the annual audit report are implemented. Is that correct?

John Foley: Indeed. That is my personal responsibility. I assure the committee that the actions have been taken on board. We have an audit action plan in place, and all the actions will be delivered and reported back through the authority and back to Audit Scotland.

The Convener: You have been responsible for the previous three audit reports since 2013. Is that correct?

John Foley: Yes—since 2013-14.

The Convener: I refer you to paragraph 9 on page 15 of the report for 2014-15, which is headed “Members’ expenses”. It says:

“We recommended in 2012/13 that the Members’ expenses policy and procedures be reviewed and updated. Despite being agreed to by management this has not been done in 2013/14 or 2014/15.”

You were personally responsible for ensuring that that was updated. Why was it not updated?

John Foley: It was not updated to the standard that I would expect. It was updated, however.

The Convener: Tell me about that. The paragraph in the report is headed “Members’ expenses”. Can you confirm for the benefit of the record that that refers to board members?

John Foley: Yes, it refers to board members.

The Convener: It says:

“Members worked above the recommended ten days per month per Scottish Government guidance (some claiming 20 days per month).”

John Foley: Yes.

The Convener: That went on for three years, and you were personally responsible for ensuring that the recommendation that Audit Scotland set out was implemented. What assurances can we receive from you today? You advised us that it would be carried through. It appears to me that it is a basic requirement that you should ensure that the guidance is updated, but members continue to claim 20 days per month.

John Foley: The procedures have been updated in relation to how members’ expenses are claimed, and they are now rigorously applied.

11:15

The Convener: I am not asking about that. You need to be fair and respond to the question that I have raised. You were personally responsible for ensuring the implementation of Audit Scotland’s recommendation to update the guidance so that board members were clear about the requirements

on them. Some board members claimed 20 days, when the guidance said 10 days. That sounds pretty basic to me, so why did you not ensure that it was implemented? That is a straightforward question.

John Foley: At that particular point in time, when there was an issue over the member who claimed 20 days, that was at the discretion of the then chair, Vic Emery, and it was for a specific piece of work that was associated with the Commonwealth games.

The Convener: The Auditor General set out a requirement that you update the policy. Did you not update the policy to ensure that it met the Scottish Government's guidelines? That was your responsibility, not that of the chair of the organisation. You are the accountable officer.

John Foley: Yes, the policy was not updated to the exact standards that it should have been, and I accept responsibility for that.

The Convener: What would the cost to the organisation have been? What is the cost per day of a board member's claim?

John Foley: The cost to the organisation would be £300.

The Convener: So it is £300 per day. If we are talking about 10 days, it is £3,000 per month, and there were members claiming above that amount by £3,000 because you did not have in place the recognised guidance.

John Foley: No—the guidelines were there but they were not being applied.

The Convener: Why did not you ensure that they were applied? You were the accountable officer—it was not the board chairman, the finance director or the chief constable. You are personally responsible, as you have just advised me. From the very outset of our questions, you have confirmed that you are the accountable officer and that you were responsible for ensuring that that very basic recommendation was carried through. You take full responsibility for that, do you not?

John Foley: Yes, I do—absolutely.

The Convener: Do you think that you should be concerned that you have not met a basic requirement, considering the significant responsibilities that are placed on you? If you cannot get that basic recommendation from Audit Scotland correct, what confidence can the Public Audit Committee have in you, given the annual expenditure of Police Scotland? How much is that?

John Foley: It is £1 billion.

The Convener: You are responsible for £1 billion. You have a very basic recommendation

placed before you, to ensure that the expenses of the board meet the Scottish Government's guidelines. They have not been met, so why should we have any confidence in you if you are spending £1 billion and you cannot get that basic recommendation correct? Do you understand the position that is being presented to you?

John Foley: Yes, convener, and the answer is that I believe that the committee should have confidence in me. As I said at the outset, we have had significant financial challenges to meet over the past three years. We have met those challenges in the first two years of the Scottish Police Authority and Police Scotland, and we are looking to meet those challenges this year.

The Convener: I am not asking about—

John Foley: The point that you make is accepted. That policy should have been tightened up, but it was not, and I take responsibility—

The Convener: Can we just go back a step? You referred to one board member, but the report states:

“we found that many Members worked above the recommended ten days per month”.

How many board members worked above the recommended amount?

John Foley: I do not have that information to hand, but I am perfectly willing to provide it in writing to the—

The Convener: Mr Johnston might wish to come in on this. Once the review was carried out, was the view not that perhaps the funds should be recovered, given that the sum was above the Scottish Government guidelines?

Paul Johnston: As Mr Foley has said, the process involved the chair approving the claims made by Scottish Police Authority board members.

The Convener: Do you find that acceptable?

Paul Johnston: The process itself has been followed, in that the chair had discretion as to whether to approve the claims, and there has been no suggestion made to me that any members were claiming for work that they had not done. I want to make a distinction between two things. One is whether board members put in legitimate claims for work that they had done in furtherance of their responsibilities, and the answer to that is yes. The second is whether the Government was satisfied with the overall level of claims that were being made, and the answer to that is no, we were not.

The Convener: So why did you allow the claims to be paid, then?

Paul Johnston: The claims were paid on the basis that they related to work that had been

incurred and approved by the chair, and it was the chair's responsibility either to approve or to decline payment.

With regard to the overall issue of the number of days worked by board members, that has been subject to clear guidance from the Scottish Government, which has now brought down the number of days and tightened up the approval process.

The Convener: Let us go back to the issue again. I take it that the Scottish Government would have been aware of the recommendation in the document from Audit Scotland, which was first highlighted in 2012-13. Is that correct?

Paul Johnston: Yes.

The Convener: The Auditor General's report states:

"We recommended in 2012/13 that the Members' expenses policy and procedures be reviewed and updated."

That is correct, is it not?

Paul Johnston: Yes.

The Convener: So the Scottish Government would have been made aware of that. Could we therefore have expected the Scottish Government not to allow the payments to be made because its guidelines state that a maximum of 10 days per month can be claimed for? What role did Scottish Government civil servants play in ensuring that the process was carried out properly?

Paul Johnston: The civil servants worked closely with the SPA throughout that period on the issue of members' expenses. I highlight that the limit of 10 days per month was a recommended limit. At certain points the case was made—we accepted it—that, given the heavy workload and the onerous responsibilities of SPA members, particularly during the transitional period following reform when there was an increase in the number of meetings and the amount of work that was expected to be done, in some instances the number of days would be higher than the normal threshold. As I said, that has been the subject of on-going work and is now subject to new instruction from ministers regarding the maximum numbers and the process for making claims.

The Convener: The report also states:

"Furthermore there is no evidence that those individuals charged with approving the claims check them for consistency and provide corrective feedback, where necessary."

Given the significant public funds that have been paid to ensure that the SPA is managed properly, what kind of interrogation has the Scottish Government carried out to ensure that those functions are being carried out?

Paul Johnston: I can give you an assurance that officials in the directorate have been looking at claims and playing a scrutiny and challenge role with the SPA, and that that has led to new processes.

The Convener: Perhaps the committee could be provided with the necessary information concerning the number of claims that were made and the individuals who received the money. Given that significant public funds have been expended, it would be useful if you could provide that information to the committee and for the public record.

Paul Johnston: Yes, we can certainly provide that information to the committee.

The Convener: Is it in the public domain at present?

Paul Johnston: I am not immediately sure how much of it is in the public domain, but we can certainly provide the committee with the information that it seeks.

The Convener: The final question is from David Torrance.

David Torrance (Kirkcaldy) (SNP): The SPA's VAT liability is £26.7 million. In the experience of the panel members, do any other police authorities in the UK pay that?

Andrew Flanagan: No, they do not.

The Convener: I suspend the meeting briefly before we move to the next item.

11:23

Meeting suspended.

11:24

On resuming—

Section 23 Report

“Scotland’s colleges 2015”

The Convener: Item 4 is consideration of a follow-up response from the Scottish Government to the committee’s report entitled “Report on Scotland’s colleges 2015”. Members will wish to be aware that the Auditor General’s report on Scotland’s colleges 2016 will be published this summer. Are members content to note the response, or do they have any comments?

Mary Scanlon: This is probably my fault as I perhaps did not make myself clear at the time, but I would find it more helpful, rather than getting a snapshot of figures for student support for one year, to have the trends in those figures. We hear so often that the figures are going up or down, so it would be helpful if we could get figures for bursary, childcare and discretionary payments over the past five years.

Mark Griffin: If the committee is going to ask for further figures, it would also be helpful for us to ask for details of the in-year payments, or the top-ups to the budget. There are students who come to the end of the financial year and the budget is spent, and they are not sure whether they will get their bursary for the last few months of the college term. It would be worth while asking the Government why, year after year, it makes those top-up payments rather than giving clarity to students at the start of the term.

Stuart McMillan: Bearing in mind the time that we have left in this parliamentary session, I recommend that we put the issue in the legacy paper for the next committee to pick up after the election.

The Convener: I take on board the requests that have been made. The clerks will prepare an addition to the legacy paper. We will write to the Scottish Further and Higher Education Funding Council to request the further information to which Mary Scanlon and Mark Griffin referred. Are members agreed?

Members *indicated agreement.*

Settlement Agreements

11:27

The Convener: Item 5 relates to settlement agreements. We have a report from the Scottish Government following a year of operation of the new arrangements. We are invited to highlight our work in that area in the legacy paper and to agree that the Scottish Government should continue to report annually, with future reports going to Parliament and being lodged with the Scottish Parliament information centre. Do members have any comments?

Mary Scanlon: Convener, one of your colleagues, Ken Macintosh, was quite vociferous in his calls for more openness. To be fair, we are getting more openness, but I would certainly welcome—although I will not be here—future reports being addressed to the Parliament and being lodged with SPICe.

The Convener: If there are no other comments, we will, as previously agreed, move into private session.

11:27

Meeting continued in private until 12:07.

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