

# **AUDIT COMMITTEE**

Tuesday 26 April 2005

Session 2

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## AUDIT COMMITTEE

### 9<sup>th</sup> Meeting 2005, Session 2

#### CONVENER

\*Mr Brian Monteith (Mid Scotland and Fife) (Con)

#### DEPUTY CONVENER

\*Mr Andrew Welsh (Angus) (SNP)

#### COMMITTEE MEMBERS

\*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

\*Robin Harper (Lothians) (Green)

\*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

George Lyon (Argyll and Bute) (LD)

\*Mrs Mary Mulligan (Linlithgow) (Lab)

#### COMMITTEE SUBSTITUTES

Chris Ballance (South of Scotland) (Green)

Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

Marlyn Glen (North East Scotland) (Lab)

Mr John Swinney (North Tayside) (SNP)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

#### CLERK TO THE COMMITTEE

Shelagh McKinlay

#### SENIOR ASSISTANT CLERK

David McLaren

#### ASSISTANT CLERK

Clare O'Neill

#### LOCATION

Committee Room 5



## Scottish Parliament

### Audit Committee

*Tuesday 26 April 2005*

[THE CONVENER *opened the meeting at 10:00*]

### Items in Private

**The Convener (Mr Brian Monteith):** I welcome everyone to the ninth meeting in 2005 of the Scottish Parliament Audit Committee. I am pleased to see members of Audit Scotland as well as committee members. We have apologies from George Lyon and from Andrew Welsh, who is at the Scottish Parliamentary Corporate Body meeting. Susan Deacon and Mary Mulligan have also given apologies because, depending on the length of the meeting, they might have to leave early to attend to constituency business. I remind everyone to switch off mobile phones and pagers

Item 1 is to seek the committee's agreement to consider a number of agenda items in private. Item 4 is to enable the committee to consider its approach to the report of the Auditor General entitled "A review of bowel cancer services: An early diagnosis". Item 5 is to enable the committee to consider a draft report on our inquiry into the section 22 report by the Auditor General for Scotland entitled "The 2003/04 Audit of the National Galleries of Scotland". Item 6 is to enable the committee to consider a further draft report on the inquiry into the report by the Auditor General entitled "Overview of the financial performance of the NHS in Scotland 2003/04". Item 7 is to enable the committee to consider a draft annual report for the committee for 2004-05.

The question is, that we take items 4, 5, 6 and 7 in private. Are we all agreed?

**Members** *indicated agreement.*

## Visits

10:02

**The Convener:** Agenda item 2 is to discuss committee visits, about which we had a discussion at the previous committee meeting when we agreed that a paper with further suggestions should be prepared. That paper has now been circulated. I open discussion on the paper by saying that I do not believe that the committee should go beyond Europe at present. A visit to Denmark or the Republic of Ireland would be adequate if we are to try to find out how other countries' audit systems work. It might be that in the future, having benefited from that experience, we could then look further afield and discuss at further meetings where we might go. Although the background information on Australia that is provided in the paper is useful, at present we should focus on the Republic of Ireland or Denmark. I am happy to hear others' views.

**Margaret Jamieson (Kilmarnock and Loudoun) (Lab):** At the previous meeting, it was made clear that other committee members and I want to gain from such visits. We have looked at models that are similar to our committee and we now have an opportunity to look at other countries that do things slightly differently so that we can learn from them. The model that is now up and running in Denmark is of interest, particularly in the light of the work that we do with the Scottish Commission for Public Audit. We would get a double hit if we were to visit Denmark.

**Mrs Mary Mulligan (Linlithgow) (Lab):** I agree with the convener's views and believe that we can learn from Denmark and, possibly, the Republic of Ireland. That is what we should consider. What is the timescale for deciding our visit? It is suggested in the paper that there might be a visit before the summer recess, but that otherwise we should leave it until September.

**The Convener:** If the committee makes a decision today, we can make a proposal to the next meeting of the Conveners Group in May and get a decision that would probably still allow us to go before the end of June—in other words, in the current parliamentary year. That would depend, of course, on the hosts being able to receive us—indeed, that applies to any proposal. If we do not make a decision today or if the hosts are not able to receive us before the end of June, we are probably looking at going in September.

I agree with Margaret Jamieson that the point of the visit is to gain information that would be helpful. I thought that the Danish model was interesting because it is quite different and involves people who are not politicians. I am

curious about how we can encourage more people to see the benefits of the audit process. How can we get people to discover the work that this committee does and how it can bring about change for the better in our society? I am interested in the Danish model because it engages more people in the audit process. We might be able to learn from that to help to improve value for money in our public services.

**Margaret Jamieson:** On timing and the summer recess, given that most of us will be elsewhere in July, there is a possibility that we could make arrangements for a visit in late August, if that provides further leeway.

**The Convener:** We can begin to look at the timescale more informally once the clerks have the authority to start moving the process forward and to seek dates for committee members' availability.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I make an addendum to my comments on this matter at the previous meeting. In planning the timescale for this work, we should give an assurance that we will build in an appropriate debriefing opportunity and a chance to reflect, because I am not convinced that that happened fully after our meeting with the Public Accounts Committee at Westminster. That happened informally and although I do not suggest that there has not been some element of learning and sharing of ideas, as I said at the previous meeting, we need to carve out some space in which to draw our thoughts together, not just from our experience elsewhere, but from our experience here.

Margaret Jamieson can keep us right as a member of the previous Audit Committee, but I understand that that committee carried out comparative research and it might be—I apologise if this is the case—that that was previously circulated to us. It is important to feed that into the melting pot. I would find it interesting to revisit that matter.

**The Convener:** I agree. Such is the nature of the committee's agenda that there has not been a great deal of opportunity to put such an item on the agenda formally because of the amount of work in our fortnightly cycle. What tends to happen is that discussion takes place afterwards at our away days. At the very least, such discussion should take place at away days, and if there is a possibility of having such a discussion or presenting a paper more formally, that should be done. However, that will depend on the amount of business that the formal agenda requires us to undertake. I agree with what Susan Deacon said and believe that it should be a prerequisite that we at least have a paper that comes out of any meetings. That should be part of the proposal.

I welcome Andrew Welsh, who has just arrived. I gave your apologies not knowing how long you would be or when you would be going to the SPCB meeting. I presume that you are going after this meeting.

**Mr Andrew Welsh (Angus) (SNP):** I am indeed. I apologise for my late arrival.

**The Convener:** That is fine.

In light of our previous discussion, I seek the committee's agreement for us to go to Denmark as long as we can be hosted there and as long as, when we return, we produce a paper that allows us to discuss what we can gain from the Danish system. Are members agreed?

**Members** *indicated agreement.*

## Accountable Officer Written Authority

10:10

**The Convener:** We move on to agenda item 3, which concerns accountable officer written authority. Members have received a copy of the written authority that has been given to the accountable officer of the Scottish Executive Enterprise, Transport and Lifelong Learning Department with regard to the Ballycastle to Campbeltown ferry. I invite Audit Scotland to provide some context to this matter.

Committee members should bear it in mind that, under our remit, we are tied to the consideration of laid documents. Under the terms of the Public Finance and Accountability (Scotland) Act 2000, we have been provided with this document so that we can note it. However, I will say more about that after the Auditor General for Scotland has addressed the committee.

**Mr Robert Black (Auditor General for Scotland):** It might help if I remind the committee of the legal background to this matter. If an accountable officer faces the need to take an action that he or she believes is inconsistent with their duties, they are required to seek a direction from the relevant minister if the matter is to proceed. The minister might then authorise the accountable officer to take such action.

Although not many such directions are made, they happen from time to time and most commonly relate to value-for-money issues. The 2000 act requires the accountable officer to make a copy of the direction available to the Auditor General, which is what has happened in this case. However, it does not specify what the Auditor General is expected to do with the direction. I guess that that is understandable because the direction usually precedes any incurring of expenditure. My interpretation of the matter is that if I receive notification of a direction, I alert the relevant auditor to ensure that the matter is subsequently reported, if that is felt appropriate.

As an administrative act, the principal accountable officer has arranged that accountable officers should copy the notification of the direction to the clerk of the Audit Committee to ensure that committee members are made aware of it. There is nothing that I must do formally, but I should ensure that the relevant auditor is aware that a direction has been made and is vigilant about any spending that may occur. That said, I venture to suggest that, given that no expenditure has yet been incurred, the Audit Committee has no power to act at this time.

**The Convener:** We have been circulated with a paper that sets out the written authority. There are several options that the committee can choose from. First, we can write to the Executive for information, but I suspect that we would not get much of a response at this stage. As the Auditor General has explained, Audit Scotland will take into account the fact that written authority has been sought, and we will have something to discuss once Audit Scotland has something to report to us.

We could also write to the Local Government and Transport Committee to allow it to note the matter and to take whatever decision it wishes on it. After all, it is not tied by our remit, which allows us to discuss only laid documents.

I think that the written authority has been submitted simply for us to note. At this point, I invite members to ask the Auditor General any questions if they think that that might be of help or to make any points or comments. I should add that George Lyon, who has sent his apologies, asked me to point out that he supported the ministerial direction. However, on this matter committee members' support is neither here nor there.

10:15

**Mr Welsh:** Am I right in thinking that this notification has triggered a safety device in the Public Finance and Accountability (Scotland) Act 2000? I see that the committee is invited to note the document and to draw it to the Local Government and Transport Committee's attention. However, I am tempted to add the word "strongly" to that invitation. The situation must be quite serious for an accountable officer to seek what is de facto an indemnity for an action that he has been asked to undertake. In any case, we should certainly alert the Local Government and Transport Committee. It is part of that committee's remit to consider whether it should press the matter any further.

**The Convener:** We can certainly draw the matter to the Local Government and Transport Committee's attention. It does not really matter whether we do so weakly or strongly; I think that it is more than adequate simply to draw the document to that committee's attention, as we will not have to get drawn into any discussion about the policy issues that surround it.

**Mr Welsh:** I know that we cannot get drawn into such discussions. However, it is our duty to point out that the notification has triggered a safety mechanism in the 2000 act.

**Mrs Mulligan:** The Auditor General has made it clear that the written authority will be notified to the relevant auditor, who can examine the matter more fully. Perhaps at that stage the committee

might feel that it has some role to play. However, at the moment, we do not have any role other than to note the notification of the written authority. I accept Andrew Welsh's point that we should draw the matter to the relevant committee's attention; what happens then will be a matter for that committee.

**Margaret Jamieson:** I wonder why we are not flagging the matter up to the Finance Committee as well. After all, it examines the budget.

**The Convener:** I am quite open to the suggestion that we copy the Finance Committee into our notification of the matter to the Local Government and Transport Committee.

**Robin Harper (Lothians) (Green):** I am clearly missing something here. In what circumstances could the accountable officer feel that the action that he has been asked to take might be

"inconsistent with the proper performance of"

his function?

**The Convener:** The question is whether value for money is being achieved, and the accountable officer makes this determination if he is concerned about value-for-money issues. I seek the Auditor General's guidance, but that is my understanding of the purpose of the written authority.

**Mr Black** *indicated agreement.*

**Robin Harper:** So that is the indemnity. The accountable officer might think that something is not a good idea.

**The Convener:** We have received such notifications before. For example, we received one about the relocation of Scottish Natural Heritage.

**Mr Welsh:** I believe that Robin Harper's point is covered by section 15(8) of the 2000 act, which states that accountable officers have a duty to obtain written authority from ministers if they consider that any action that they are required to take is

"inconsistent with the proper performance"

of their functions. I believe that that is straightforward.

**The Convener:** Given that there is little more that we can say or do about the matter, that, as Andrew Welsh has pointed out, it is a question simply of notifying Audit Scotland and the Audit Committee about the written authority, and that—perhaps for good reason—the 2000 act is not specific about the actions that the Auditor General is meant to take, I suggest that the committee simply notes the written authority. It has also been proposed that we inform the Local Government and Transport Committee and that we copy the Finance Committee into that correspondence. Are members agreed?

**Members** *indicated agreement.*

**The Convener:** We will take those actions. We now move into private session for the rest of the agenda.

10:19

*Meeting continued in private until 11:17.*



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