



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 26 April 2018

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 26 April 2018

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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
10th Meeting 2018, 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)

*Iain Gray (East Lothian) (Lab)

*Alex Neil (Airdrie and Shotts) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Antony Clark (Audit Scotland)

Caroline Gardner (Auditor General for Scotland)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 26 April 2018

[The Convener opened the meeting at 10:01]

Decision on Taking Business in Private

The Convener (Jenny Marra): Good morning and welcome to the 10th meeting of the Public Audit and Post-legislative Scrutiny Committee in 2018. I ask everyone in the public gallery to please switch off their mobile phones. Item 1 is a decision on taking business in private. Do we agree to take item 3 in private?

Members *indicated agreement.*

Audit Scotland (Future Work Programme)

10:01

The Convener: Item 2 is on Audit Scotland's future work programme. I welcome our witnesses today: Caroline Gardner, Auditor General for Scotland; and Antony Clark, assistant director of performance audit and best value at Audit Scotland. The Auditor General will make a statement before we move to questions.

Caroline Gardner (Auditor General for Scotland): I would like to introduce the briefing paper that you have before you. As you know, public audit plays an important role in supporting Government's accountability to Parliament and the public, and I am pleased to have the opportunity to brief the committee on my future work programme.

Public services face unprecedented challenges in terms of financial pressures, changing public expectations and demographic change. Public bodies also have to work in new ways to deliver more preventative services that address inequalities and improve long-term outcomes. That means increasingly difficult choices at a time of tight public finances. At the same time, Scotland's new financial powers are transforming the funding of public services. That will continue to be a major element of my work programme and I welcome the committee's interest in ensuring that Parliament is able to scrutinise the new powers effectively.

My work programme also includes audits that focus on policies such as health and social care integration, community empowerment, and the expansion of early learning and childcare. My annual overview reports on the national health service and colleges will provide the committee with evidence of how well those sectors are responding to the challenges that they face.

The briefing paper sets out the public sector risks that have informed the performance audit programme. I will keep those under review, given the rapidly changing environment in which we are all working. For example, I anticipate a suite of work on the impact of the United Kingdom's decision to leave the European Union, but the specific contents of that are still developing.

When I select areas to audit, I aim to focus on matters of real interest to the public and Parliament. The amount of money that is involved is obviously one key consideration, as reflected in the audits of Scotland's new financial powers and things such as the Forth replacement crossing, but I also consider a range of other factors, such as the implementation of major policies. The Government's commitment to improving

educational attainment and addressing child poverty are both examples of work on policy implementation in relation to which I hope that audit can support the committee in its post-legislative scrutiny role.

I also consider services that fall under the radar, perhaps because they do not affect large numbers of people or because the issues are seen as too complex to address easily. Examples include the proposed joint work with the Accounts Commission on improving outcomes for looked-after children, and potential audit work on climate change. In addition, I have tried to reflect the committee's interest in exploring some of the cross-cutting challenges that face the public sector. The work on digital and on workforce planning falls into that category, as does the proposed audit on housing in Scotland. I am keen to ensure that, wherever possible, the work reflects the needs and concerns of the people who rely on important public services, such as the recent audit of self-directed support, this year's audit of children's mental health services and the continuing work on the expansion of early learning and childcare.

The briefing paper sets out my proposed five-year rolling work programme. Appendix 1 provides information on the likely scope of the 17 performance audits planned for 2018-19 and 2019-20, and appendix 2 sets out the likely areas of focus for the later years of the programme. The independence of my role means that I am not constrained in selecting areas to audit or reporting my findings but it is obviously important that my work adds value, and I am keen to take into account proposals that are made by Parliament. I want to continue to engage with you and other committees so that I can ensure that my work addresses your interests and concerns. I know that you have a continuing interest in topics such as governance, accountability and public sector leadership, and those will continue to feature in my performance audit programme and section 22 reports.

The briefing paper highlights how I have responded to the useful feedback that you gathered from the subject committees. In most areas, the subjects that they suggested are reflected in the work programme and there are only a few areas, such as climate change, where I need to consider further how best to reflect the Parliament's interests in my work.

I am keen to get your feedback this morning on the overall work programme, and Antony Clark and I are happy to answer any questions that you have.

The Convener: Thank you very much, Auditor General.

Colin Beattie (Midlothian North and Musselburgh) (SNP): In reading the work programme, one significant area that does not seem to feature is internal audit. As you know, I have expressed concern on a number of occasions about whether internal audit is in fact fit for purpose. We have a number of examples where, on the face of it, a layman looking from the outside would say that it failed or that it did not work. Are we taking the correct approach to internal audit? How do we assess whether we are getting value from it? How much input does Audit Scotland have in the choosing of the internal auditors, who are actually external, and their work programme?

Caroline Gardner: I completely recognise the interest, Mr Beattie. You are right: it does not feature as a performance audit in its own right, but it is something that every external auditor looks at every year in completing their audit of the financial statements and the wider governance of the body. Perhaps it might be useful for us to look at producing a briefing paper for the committee on the way that internal audit works, what we know about who the internal auditors are for different public bodies and the interaction that they have with the board of a public body and with external auditors, and use that as a basis for identifying whether there are questions that this committee might want to ask about some of those issues. I am happy to take that away.

Colin Beattie: To what extent do public bodies come to Audit Scotland and say that they are going to appoint an internal auditor? Are there guidelines from Audit Scotland? Is there support from Audit Scotland in determining what audit programme will be agreed?

Caroline Gardner: No, because internal auditors and external auditors play different roles. Internal auditors are appointed by the body itself as part of its own system of internal control to provide assurance about the way in which those controls operate in general and to drill down into specific issues. There is more general guidance available in the public sector internal audit standards, which all internal auditors are required to operate to in the public sector, and there is guidance on appointing internal auditors, which is relevant to bodies right across the economy, not just public sector bodies.

It is fair to say that it is unusual for a public body to contact us about the appointment of internal auditors unless it is struggling to recruit staff. We have had a number of informal approaches in cases in which people are struggling to appoint internal audit staff to their own internal audit service and are looking for pointers to other internal audit services that they can tap into, or guidance on how they might proceed, given that

they are required to have internal audit in place. I think that we can probably pull together some of our experience of the way the internal audit systems work in a briefing paper that would be useful to this committee and, potentially, to the public bodies.

Colin Beattie: I think that the perception is that internal audit is not working. That is the point. In multiple cases, we have situations in which something has gone wrong, internal audit apparently does its job according to what its remit is but things continue to go wrong. No internal audit, no matter what form it is, is going to pick up everything, but you have indicated in the past that internal audit is not there to pick up fraud and so on. Are the internal auditors only auditing process?

Caroline Gardner: What I have tried to say in the past is not that they are not there to pick up fraud but that, like any auditor, they cannot give an assurance that they will pick up any particular instance of fraud. There are some instances where things such as collusion are involved where that is very difficult indeed and is recognised to be so.

We see that some internal auditors are clearly more effective than others, but they are one part of the system of checks and balances. They relate to the overall system of governance within a body rather than being responsible for catching or preventing things from going wrong at all.

I think that there is an expectations gap, but that is not to say that every internal auditor is always operating at the top of their game all the time. I am happy to take away the suggestion that you have made this morning and the comments that you have made during a number of inquiries that this committee has carried out.

Colin Beattie: Primarily, my concern is about whether we are getting value for money and whether the format that internal audit currently follows is adequate. Is internal audit actually doing its job? Clearly, there are indications that it is not. How can that be addressed? I think that there is a serious issue here that we need to address.

The Convener: You have put your four questions to the Auditor General on this issue, Mr Beattie. I think that the Auditor General is quite aware of our having raised this topic over the past few weeks and months. We have a sufficient answer on that now, so I would like to move on from that line of questioning. Do you have another topic that you want to raise?

Colin Beattie: I have just one question on the back of what I was saying. When might that briefing be available?

Caroline Gardner: I would like to go away and talk to colleagues about what we might be able to pull together and the timescale. Given where we are now, it is unlikely that it would be before the summer recess, but I would aim to do it shortly after if we possibly can.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I would like to talk about the broader overarching principles behind audit. The programme looks fine to me but, from time to time, the committee talks about how we can close the loop in the audit process and how we make sure that your good recommendations are carried through. Auditor General, you might recall some discussion about an annual report looking back at the some of the organisations you have audited to see how they are doing. I am interested in your thoughts about that.

Audit is not entirely about picking up failure; it is about identifying and sharing good practice. I would like to see something, perhaps on an annual basis, that captures and encourages the sharing of good performance across the public sector. It has been a recurring theme for me in my time on the Public Audit and Post-legislative Scrutiny Committee. How do we capture the recurring themes that we see in many of the audit reports, particularly with information technology, data standards and data gathering, and how can we share that broadly across the sector so that lessons are learned and performance can improve?

Caroline Gardner: Those are all very good questions. We do our work because we want to make a difference, not just to produce a report that might gather a headline today and sit on a shelf thereafter. You will see that a number of the pieces of work in the programme have follow-ups built in.

A couple of months ago, the committee considered the early learning and childcare report. There will be another report next year and potentially one three or four years after that to follow the action that has been taken to respond to the recommendations. The same is true in a number of other areas such as integration of health and social care, where a series of work is coming through.

We also produce impact reports—I think that they are included in the briefing paper—which are deliberately designed for the audit teams to go back to after an appropriate period of time. It varies from subject to subject but they look at what action has been taken, what that means for the performance of a public service, and whether we are seeing the improvements that we hoped we would. We do not always report those to this committee because of the pressure of work on your time here but they are available, and we can

make them available to you and perhaps work with the clerking team to pull some of that together to give an overview of what is happening.

We try to tackle the question of good practice in two ways. In each individual report, we aim to identify good practice as well as where we think there is room for improvement. You will often see that in the form of case studies in a report when a particular body is being innovative and making a real difference. The aim is for the committee to see that and for other public bodies to learn from it.

Members might recall that, at the turn of the year, we produced a report on the principles of the good use of digital technology in providing public services. It drew from the range of work we have done in that area during the past five years or so. We aim to make that information available to the committee and, perhaps more importantly, to the bodies themselves, to show them what good use looks like and what might be the best approach in particular circumstances. I think that there is room for more of that from time to time. For example, we are producing a position paper on openness and transparency, which I know has been an issue that has come through some of the committee's recent work. It aims to give guidance to public bodies on the appropriate level of openness while also giving them the space to carry out their work effectively. That sort of thing might also be of interest to the committee and there is scope to do more of it.

10:15

Recurring themes might be an area in which the committee has a role to play. In your business planning session last summer, there was a really strong focus on some of the barriers to good governance and some of the things that go wrong with it. The committee might want to take some of that forward and we would be happy to support you in drawing lessons from different pieces of work that we have done and what the committee has seen during its inquiries for Government on how some of those barriers could be overcome or how good practice could be spread more widely.

Willie Coffey: Do you see any evidence that organisations are picking up and implementing the many examples of good practice that you highlight? It is one thing to say, "Here is some good practice, please follow it", but it is another thing to do it. Do you see any evidence that that is happening?

Caroline Gardner: I think that we see some evidence of it but it is not as systematic as I would like it to be. Antony Clark might want to add to that.

Antony Clark (Audit Scotland): Caroline Gardner referred to the digital principles report,

which has landed quite well with the digital community. Colleagues tell me that boards have been using it to think through their scrutiny of and challenges to programme development within digital sectors. Alongside the things that Caroline Gardner has already mentioned, we do quite a lot to communicate with people who provide services through things such as conferences, workshops and working with people across the public sector. That gives us some sense of people taking ownership of what we are doing. I am involved in impact reporting for the audits that I have been involved in and that often gives us a good sense that people are acting on our recommendations, although it is not always as consistent as we would like.

Alex Neil (Airdrie and Shotts) (SNP): My first question is about what is not in the programme. It strikes me that there are a number of areas that we look at regularly, with justification, but there are some areas that I do not think we are looking at all.

I have three examples, Auditor General. One is Scottish Water, which is effectively a nationalised industry. From where I am sitting, I would say that Scottish Water is generally a good organisation, but there are concerns about its employment practices and about water charges and the charging policy, for example. To the best of my knowledge, Parliament has never really looked at Scottish Water. It owes the Scottish Government a lot of money, of course.

Secondly, of great concern inside the national health service and to the public are the national health service management structures and the cost structures, particularly in relation to management. Also, for example, some targets, such as some of the waiting time targets, are costly and many medics would argue that they distort the allocation of resources to more effective uses inside the health service. I do not think that we have ever had a look at that. Two other areas that we have never looked at are health outcomes and the return for the money we put in, as well as procurement policies and the impact on local economies of framework contracts and the like. Those four areas should be of concern to the committee and I would like to see some work done on them.

My second question is seeking clarification. Will the higher education financing investigation due for 2019-20 also look at higher education performance and cost effectiveness, and will it include the role of the colleges in higher education, which is now extremely important, as well as the role of the universities?

Finally, I have a specific question about skills planning and investment. The key question about skills is whether the skills strategies that we

employ are meeting the needs of tomorrow's industries and companies. In looking at skills, we tend to look at processes rather than at how well tailored skills strategies are to meeting the actual needs of the economy.

Caroline Gardner: I will ask Antony Clark to pick up the questions about HE and skills.

You are right to say that we have not reported on Scottish Water for a while, although my predecessor as Auditor General reported on it about a decade ago. Interestingly, we were having the conversation in the office recently and were saying that it is a long time since we have audited it or produced any public reporting.

Alex Neil: Great minds think alike.

Caroline Gardner: Indeed, so thank you for that. We have been looking at the question of water charges and the interplay with the way investment is financed. We are also focused on the broader question of the overall investment programme and the choices being made there. I will take your question away and will take your suggestion seriously. Thank you.

On the NHS, we have reported quite frequently on the impacted targets in the context of the annual overview report and also the reports that we have done about transforming health and social care. In the past, I have reported that the extent to which the targets focus on access to acute healthcare and the extent to which they are the main focus of managers who work in the NHS produces at least the risk of making it harder to invest in community services and primary care services in a way that would help to unlock the tight pressures within acute healthcare. You are right that we do not know what the cost is in financial terms and we do not know the cost of focusing on short-term targets for things such as accident and emergency admissions or admissions for elective surgery in the context of trying to have a healthcare service that is more focused on maintaining people at home for as long as possible. There is a danger of perverse incentive. There is information that would support the committee inquiring into that further and we will aim to make sure that that information is updated in this year's overview report.

I will take away your other suggestions on management structures, health outcomes and procurement to see whether there is room for us to look at either getting them into our annual work or taking a look at them in their own right. I suspect that, of those topics, management structures will be the most difficult because of the overlap with structures and the extent to which that is a policy choice, but we will have a look at it and see what is possible.

Antony Clark: The higher education and finances audit followed up on the previous work that Caroline Gardner reported to the committee on the financial sustainability of the HE sector at a time of reducing public finances. In the piece of work that we propose to do, although not until spring 2020, we will look at the way in which college finances have changed over time and at what we get for the public money that is being invested; we will focus on outcomes. We already do work on the college sector, as you know, and Caroline Gardner reports on that to the committee every year, but we are aware of the important links between colleges and universities so it is likely that we will want to draw that out as we do that work.

The final question was about skills planning and investment. When we do that work, we are keen to understand how well the Scottish Government has responded to the recent review of skills investment and planning across the whole of the public sector—the role of local economic growth bodies, the role of Skills Development Scotland, and the role of higher and further education. An important bit of the work that we are exploring with stakeholders is about whether we are planning for the long term, which I think is the point that you raised, Mr Neil. We are very much planning to incorporate that in the scope of the work. We have a bit of time before we do the audit, so it is helpful to have these conversations now so that we can make sure we reflect your concerns as we take the work forward.

Alex Neil: I will draw out why that latter point is important. Six months ago, the Construction Industry Training Board reported that there is a skills shortage of about 12,500 people in the construction industry, and the absence of those skills, which are mainly in the wet trades, is a real threat to the success of house building targets in the private and public sectors. Despite all the paraphernalia of SDS, the CITB and all the rest of it, it begs a question: why do we have a shortage of 12,500, particularly when we still have 115,000 people who are unemployed and looking for work? It would be fairly easy to get a lot of people quickly into training and work through the wet trades. Looking further ahead and more widely, are we training people for the needs of employers? We do a lot of training in various guises, but how many people end up in employment as a result of their training and how many skills shortages are solved in the private sector as a result of public sector training programmes? I think there is a big question in there that we need to look at.

Antony Clark: Indeed, and we want to look at the whole pipeline of planning and how the different parts fit together. We commented in the college review about the attrition rate and the

destinations of learners. That will be a feature of this work.

Alex Neil: My final point is very important to the Scottish economy. It is reckoned that, even to stand still on information technology, which is one of the three key target sectors for Scottish Enterprise, we need to produce 11,000 IT graduates every year. We are well short of that. Why are we repeatedly well short of that? What more do we need to do and why are we not investing in that? It is a big growth sector for employment, exports and outputs.

Antony Clark: That is a good question but I am not sure that I can answer it at the moment. We might want to explore as part of that future work.

The Convener: While we are on the topic of skills, did I see in the plan up to 2020-21 that there is some planned work on apprenticeships? Is that correct?

Antony Clark: We will do an impact report on the audit that we did on modern apprenticeships, which will be presented to Caroline Gardner as Auditor General later this year. When we look at the progress on modern apprenticeships, we will consider whether we need to do further work in that area.

The Convener: Will that include the quality of the apprenticeship programme, the pay for the job and all those different factors?

Antony Clark: It will focus on progress against the recommendations that we made in the previous report. I am not sure that specific points about pay were raised.

Bill Bowman (North East Scotland) (Con): Good morning. Following up on what Alex Neil said, I think it is interesting to consider what you are not proposing to look at. I do not know whether there are any other big-ticket issues. It might be useful to hear from you about that later.

In the short time that I have been here, I have noticed that, when you have published a report—bar one, I think—everybody has said, “Thank you very much”, agreed it and written some recommendations. I have read some that have been in artfully crafted English and have not been hugely specific or able to be tied down. I do not know so much about the impact reports, so I would be interested to hear a bit more about them. How do you take what are sometimes very general responses and look at how things are being implemented in real terms to address recommendations that you have made?

Caroline Gardner: It is a very good question. We aim to make sure that the recommendations in our reports are specific so that we will know whether they have been accepted or not and whether they have been implemented or not.

Often, when a public body or the Government writes to the committee, some of that specificity slips a little and there is more description and less about quantifiable progress that can be measured. To a great extent, that is why we do our own impact reports, where we go back and look at our recommendations and at what has happened in terms of the numbers in a service area—what is being spent, what performance looks like, how many people are being reached or whatever is appropriate.

The impact reports are done primarily as an indication for me and the Accounts Commission of the impact that our work has had. Beyond that, however, they have potential to be useful to the committee as our assessment of what progress has been made. As Antony Clark said, we also use them to identify where there is scope for further work in the same area. There is always a trade-off between looking again at an area that we have looked at previously versus looking at a new area, and the reports help to inform that decision making.

Bill Bowman: I would find it helpful to find out more about the reports.

Iain Gray (East Lothian) (Lab): I have three or four specific questions about work to do with education in the programme. In your briefing, Auditor General, you say that the programme covers

“Audit work on significant new policy developments”,

and you give two examples:

“changes to Educational Governance”

and

“implementation of new Child Poverty legislation.”

Maybe it is me, but although I found the work on the child poverty legislation in the programme, I could not find anything that looks specifically at changes to educational governance.

Caroline Gardner: I think that we are looking to pick that up as part of the work on educational outcomes, but I will let Antony Clark talk you through that.

Antony Clark: The work on educational outcomes will explore how well all the funding that goes into local government is delivering improved outcomes for young people. It will focus specifically on aspects to do with addressing the poverty-related outcome gap, but it will also look at the way in which the new funding that is flowing through the pupil equity fund and the challenge funding is working. Inevitably, as part of that, we will have to look at how the governance structures are working—

Iain Gray: Does that include things such as the regional collaboratives?

10:30

Antony Clark: Absolutely—yes. When we are conducting audits, we often bring people together to discuss what the key issues are and how we might focus our audit work. About four months ago, we held a round table with a wide group of people to explore education issues, and governance and changes to structures was an important topic for people, as was the impact and outcomes for young people. We are going to run another round table early next year before we finalise the scope of the audit, and we will try to make sure that those views are reflected. The points that you are making have been echoed by others.

Iain Gray: The other live issue in education is how we measure educational outcomes. The Government has just carried out a consultation and produced a large basket of ways of measuring educational outcomes, and there is a debate about the end of the literacy and numeracy survey and the introduction of standardised testing. I wonder how the educational outcome work will deal with that. What outcomes do you intend to audit?

Antony Clark: There was discussion at our round table about the quality and reliability of data in the past, present and future. It is quite likely that the audit will focus on the national measures and targets, but we also want to look at local data and how that is being gathered. We got the sense from stakeholders that there is better and more reliable data, but that there is still a challenge about getting it at the right level and with the right level of specificity to really understand both what is making a difference in the classroom and the impact of other things outside school that can improve outcomes. It is something that we want to explore in some depth as part of the audit.

Iain Gray: So, to a degree, you make your own judgment about outcomes.

Caroline Gardner: I think our starting point will be what Government says its policy is. We will then make an assessment of whether the outcome measures are actually measuring what the policy aims are, and we will follow through to what is actually happening on that.

Iain Gray: Okay—thank you. One of the audits in the programme is about teacher workforce planning, which is another issue in education, but the work is planned for 2020-21. Given the current problems in teacher recruitment, do you not feel that that is a little late? An earlier look might be useful.

Caroline Gardner: A couple of members of the committee have asked about how we decide what we will not be doing. As always, we are looking to prioritise what we can do with the resources that we have available, considering the right timing for particular pieces of work and all the other things that we would do in an ideal world. That is the timing that feels right to us, but I take your point that there are pressures on teacher recruitment at the moment. Part of the thinking is that we hope that we can build on the experience that we are building up through the work on NHS workforce planning so that we can do it more quickly and more effectively, having made the investment there.

Iain Gray: That work also tells you that, in workforce planning, the impact is seen years down the line, does it not?

Caroline Gardner: Absolutely—it is longer term. We will keep the matter under review as the programme as a whole moves, but we are constrained by our resources, like everybody else.

Iain Gray: Alex Neil talked about a particular body—Scottish Water, where it has been some time since there has been an audit. Two national bodies are critical to the delivery of education, particularly in schools—Education Scotland and the Scottish Qualifications Authority. They seem not to feature explicitly in the work programme. I wonder why, or whether you do in fact intend to audit their work.

Caroline Gardner: Again, I think that their work will be part of the work on educational outcomes, because they both have a really important part to play. Antony Clark might want to build on that.

Antony Clark: When we reported previously on educational attainment, we worked closely with Education Scotland and we passed comment on its role in reporting both improvement and the performance of local authorities. It is very likely that that will feature as part of the work on educational outcomes.

Iain Gray: Working with it is not quite the same as auditing its performance, is it?

Antony Clark: We passed comment on its role in supporting educational attainment.

Iain Gray: Okay. Thank you.

Liam Kerr (North East Scotland) (Con): Good morning. Various members of the committee have asked about what is not being done and what might be done. The question that is begged is how you decide on the specific topics that you are going to consider. In paragraph 8 of your report, you say, "This is what we're going to do". How did you come to that? From there, how does the Parliament or a committee influence what you

choose to audit? The specific example that I have in mind is the Aberdeen western peripheral route.

Caroline Gardner: We have a well-developed process for programme development, which Antony Clark leads for me and the commission, in order to avoid the risk that what goes into the programme are the things that are getting the biggest headlines or are somebody's pet project at the moment. The aim is that people who are specialists in particular policy areas, working in clusters on things such as education, enterprise and lifelong learning, develop their understanding of policy developments and what is happening with spend, performance and outcomes, and come forward with proposals on what they think would be good pieces of the planned performance audit work that we do.

We also look at a wider level at what we see as being the public sector audit risks, and you will see that in the report as well. Things such as the new financial powers and the UK's exit from the European Union are playing into that, and we are thinking about what they might mean. The aim is that the team pulls together for agreement by me and the commission a five-year rolling programme that we will refresh annually.

On input from the committee and individual members of it, this process is a very important part. The programme is fixed only for the next year or 18 months. Beyond that, we are flexing it, and the comments that you make today will be fed into our thinking about how we tweak individual audits and whether there is something that we are missing or that we should bring forward in the pecking order. I regularly meet individual members of the committee, and I am always happy to do that to hear about your concerns. I have clocked your mention of the Aberdeen western peripheral route.

Last year, the committee helpfully wrote to other committees of the Parliament to ask for their views and, as the report shows, we have been able to build most of those into the programme in ways that I hope will satisfy their interests.

As always, it is an art rather than a science but, apart from the fact that I am required to take account of Parliament's interests, I would be pretty foolish, as Auditor General, not to do that. I am very keen to hear the views of the committee and of individual members about issues that we should include in the programme or how we should flex individual pieces of work to make sure we are covering the things that are of interest to you.

Liam Kerr: Thank you. On that note, the AWPR is a specific infrastructure project, but you could also take a thematic approach. The first thing that I have in my mind in that regard is that a number of the reports that we have looked at have discussed

significant governance issues. Two in particular spring to mind as having found overall governance to be wanting. Do you have any plans to review that as a theme? I think that, in 2010, there was a report on the role of boards. Do you intend to revisit that? Do you intend to revisit the theme of governance at all?

Caroline Gardner: We keep a close eye out for those recurring themes, as you would expect. I discussed the subject with colleagues recently. My sense is that, for most of those areas, there is not much more for us to say about what good practice looks like. The work on the role of boards informed the committee's business planning last summer, and I think that the principles in it stand up pretty well. The committee explored topics such as the public appointments process and the sponsorship relationship between the public body and Government and how that works. I am happy to engage with the committee on how we can support your interests in those areas.

We are looking at where there might be specific aspects where we can help by providing a bit more clarity about auditors' expectations. I mentioned the briefing on openness and transparency that we are planning to publish quite soon. Most failings come to light through section 22 reports rather than through the planned work programme: they tend to be produced when something has gone wrong in a body, and they are brought to the committee. I am keen to discuss with the committee how we can get more impact and capital from the cumulative effect of those by pulling them together and using the committee's role to engage with Government about what changes it might consider making in response to those symptomatic failings of the wider system elsewhere.

Liam Kerr: Sticking with the thematic approach, Willie Coffey mentioned earlier that we have seen a lot of instances of there being a lack of data. A lack of data means that policy making seems to be done in a vacuum, and also that it is difficult for the Government or whoever to measure the impact and the effectiveness of a policy. Is that theme of a lack of data something that you will explore?

Caroline Gardner: The problem is often not a lack of data but people having the wrong data. You are right: we have reported several times on cases in which a policy intervention in a major policy area for Government was not well informed by data and where plans for how you would know whether it was having the desired impact were not built in at the beginning. We have seen that recently in the original expansion of early learning and childcare. We have reported several times on the fact that, although we are now very close to 2020, which the original 10-year vision for transforming health and social care was aiming

for, we still have very little data about what is happening in community health services as opposed to acute healthcare services.

We are considering a piece of work that is about planning for outcomes and closing that loop around the piece. It is one of the areas where the committee could have an impact through discussing with Government what is happening with an individual piece of work and by taking that up a level to the overall way in which the national performance framework—the outcomes approach—is being put into practice in individual policy areas. We both have a role to play in this area. We are considering producing a briefing on what “good” looks like in planning for outcomes, and that would provide a basis for that sort of work.

The Convener: I would like to put a couple of issues on the record. The first concerns the apprenticeships issue. Mr Clark, if it is possible to cover rates of pay for all the different levels of apprenticeships in your report, I would be very interested to see that when that piece of work comes forward.

The second thing that I want to put on the record concerns drugs services across Scotland, which I have mentioned to you privately, Auditor General. Heartbreakingly, Scotland has the highest rate of drugs deaths in the whole of Europe. You know that that is of particular interest to me locally but I think that it is an issue for the whole of Scotland. I have spoken with Audit Scotland about that fact that it is about 10 years, I think, since we have looked at a briefing on drugs services. Given the impact of the issue in our communities and the level of concern about it, I would be interested in seeing a piece of work in your formal work programme on that.

I want to ask a question on preventative spend. I noted in the papers that you gave us that preventative spend is one of the factors that affects your decisions on what you do a report on. It has been a few years since the Christie commission, so how possible would it be to do a standalone piece of work on public spend to see how we are managing that shift from what we are spending money on now to preventative work across the piece?

Caroline Gardner: As we have considered that issue over the years, it has become clearer to us that preventative spend is not a different thing from the other spending on public services. In many ways, it involves spending money on the same thing but moving that spend upstream in order to intervene earlier to focus on a different group of people from the ones who are turning up now in hospitals or general practitioners' practices.

Doing a piece of work on preventative spend is difficult, but looking at public services through that preventative lens, as we try to do in our work on health services, early learning and childcare and educational outcomes, is possible. We will take that away and make sure that we are doing what we can in that regard in relation to individual pieces of work and to ensure that we are articulating what we understand as being preventative spending in ways that are a bit more sophisticated than all of us understood when prevention first became a big priority at the time of the Christie report.

This is probably a good opportunity for me to say that, alongside the programme of formal performance audits that you are seeing here today in our proposals, we are thinking about where there is scope for us to do more briefings on things like drug and alcohol services that I hope are useful to the committee in the work that you are doing, and which will inform our own pieces of work as well. I am keen to engage with you on how we can make that useful to you and how we can do that in a way that is timely, given the pressures on your time and ours.

The Convener: Are you saying that you might make clearer in current performance audits what you consider to be effective preventative spend within that area?

Caroline Gardner: That is a good way of putting it.

The Convener: I want to turn to something that we have discussed at length recently, which is health and social care. I was interested in the points that the then convener of the Health and Sport Committee raised with you in response to a letter that I wrote. You said in your reply that you will be looking at funding models, but you also made the point that you are considering how your NHS overview might develop in the context of health and social care integration. Can you expand a little bit on that? I think that we are all concerned about the issue. We have been doing specific work on NHS Tayside, as you know, but we are becoming aware that other boards across Scotland are facing similar financial pressures, even if they are not as acute, in relation to the role of integration joint boards and how the whole financial model works. How does Audit Scotland plan to reflect that?

10:45

Caroline Gardner: We are very conscious of the central role that the IJBs can play in transforming health and social care, helping to meet the demographic pressures on health services with regard to the issue of the growing number of older people with chronic health

conditions who need support as opposed to younger people for whom one operation or treatment can resolve a problem, and also, I hope, helping to respond to the financial pressures. They are not an answer but they are part of rebalancing what health and social care have provided.

Because of my responsibilities, my NHS overview focuses on the 14 territorial health boards and the special purpose boards. IJBs are not within my remit on their own—they are local government bodies, and the Accounts Commission appoints their auditors. For now, we have responded to that by having shared pieces of work on the IJBs in relation to how effective they are and the challenges that they are facing. However, it is timely to start thinking about how my overview report might pick up that wider sense of what health and social care are doing in a way that respects their separate status but gives this committee a much clearer line of sight on the whole system rather than just the bit that happens to involve NHS boards that are accountable through the parliamentary route. We do not have an answer to that yet but I am aware of it as an issue that this committee and others will have an interest in.

The Convener: Am I right in thinking that the report on IJBs is due out this December?

Caroline Gardner: That is right—towards the end of year.

Willie Coffey: We discussed the digital audit earlier. Would it be possible to keep on your radar our relationship with the European Union in that regard? I know that you mentioned Brexit earlier, Auditor General. I am interested in that because of things such as the fact that we will comply with the general data protection regulation after it comes in next month, despite the fact we are leaving the European Union. There are issues in there about data security, data protection and so on. The wider digital economy in Europe is something that, whether we want to or not, we can probably never escape from, and there has to be a relationship for us with Europe on that subject. Is that beyond the scope of your work, Auditor General, or is it something that you could keep on your radar?

Caroline Gardner: It is something that we are keeping on our radar. We know that the UK's withdrawal from Europe will have an impact on the Scottish Government and Scottish public services. We do not know really know any more than any of you do what that impact will be yet, as none of us knows what the terms of the deal will be and what will happen with things such as the devolution of powers to Scotland as opposed to Westminster. We have identified a number of areas in which we know that there is likely to be an impact and, when there is more clarity about the deal, we will be in a position to start engaging with the Government

about its response in those areas. Digital is on that list. It is not at the top of it, but it is something that we will keep an eye on, and we will be looking at the Government's response as it potentially takes on new responsibilities or faces new risks as a result of the withdrawal from the EU.

The Convener: We have all found this session very useful. As members have no further questions, I thank you for taking us through your work programme this morning. I now close the public part of the meeting.

10:48

Meeting continued in private until 11:15.

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

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