

AUDIT COMMITTEE

Tuesday 20 March 2001
(*Afternoon*)

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AUDIT COMMITTEE 5th Meeting 2001, Session 1

CONVENER

Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Nick Johnston (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Scott Barrie (Dunfermline West) (Lab)
*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)
*Paul Martin (Glasgow Springburn) (Lab)
*Mr Lloyd Quinan (West of Scotland) (SNP)
*Mr Keith Raffan (Mid Scotland and Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)
Ms Margo MacDonald (Lothians) (SNP)

CLERK TO THE COMMITTEE

Callum Thomson

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 3

Scottish Parliament

Audit Committee

Tuesday 20 March 2001

(Afternoon)

[THE DEPUTY CONVENER *opened the meeting at 14:02*]

Committee Business

The Deputy Convener (Nick Johnston): Good afternoon. It is nice to be back. I say that without my tongue in my cheek.

We have apologies from Andrew Welsh. Margo MacDonald has indicated that she will join us later.

Item 1 is that we agree to take items 4 to 7 in private. Are we agreed?

Members *indicated agreement.*

Mr Keith Raffan (Mid Scotland and Fife) (LD): Can I raise a couple of points of order? The first concerns the timing of our meetings. Perhaps we should discuss the matter; obviously, other members are entitled to their views. I would find it a great deal easier if we could meet at 2.30 pm rather than 2 o'clock. Today, I had to put off a constituency engagement that I would have liked to undertake. I concede that parliamentary engagements come first, but I would find the extra, slight leeway helpful.

My second point is to thank the clerks for getting the papers to me last Thursday because I had realised that today's agenda would be considerable. In the past, and in other committees of which I have been a member, the papers have tended to arrive at the weekend and members have not actually got them until Monday. Could we consider, if the agenda is particularly heavy, having the papers sent out in two lots—I know that the convener has to approve the agenda—so that we can get them well in advance and have a chance to read them?

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): The papers were sent out in two lots this time. All papers for the committees on which I serve are received on a Saturday morning. That is why the clerks usually ask where we want the papers sent to.

Mr Raffan: Actually, I received them all at once, as I specifically requested, on Thursday. I do not want to make a big issue of this, but I would find it helpful to receive the papers on a Thursday, because we do not always have access to papers

or laptops on Saturdays. I am just trying to be constructive. It would be particularly helpful if papers were sent out in two lots when there are a lot of them.

Scott Barrie (Dunfermline West) (Lab): I do not want to prolong the issue unnecessarily, nor do I want to be awkward. I appreciate what Keith Raffan said about starting at 2.30 rather than 2 o'clock, but I urge us to stick to 2 o'clock, because occasionally our meetings have finished quite late. Once, we finished at nearly 5 o'clock. Some of us have constituency engagements on Tuesday nights, and I would rather have the half hour eat into my lunch time than my evening time.

The Deputy Convener: What is your feeling about timing, Margaret?

Margaret Jamieson: Since the committee started, we have met at 2 o'clock and I have accommodated that in my diary. I am disciplined in that regard, and I do not think that we should change it.

The Deputy Convener: May I take the question about the timing of meetings under advisement and speak to the convener about it? The issue was discussed at a previous meeting. It suits some of us to start at 2 o'clock, as Scott Barrie said. I have a 5 o'clock meeting every Tuesday, and it is difficult for me to get out of it. I will speak to the convener, and if he agrees we will put the item on the agenda for the next meeting and make a decision. It could be that, in search of the middle way, we compromise by 15 minutes.

My experience as a member of the Enterprise and Lifelong Learning Committee is that we are extremely lucky in the Audit Committee, with regard to the number of papers we get. This is the heaviest period that I have seen in two years of being on the Audit Committee. Some of the papers were sent to us on 2 and 7 February, but when you get two Auditor General reports in one envelope, it is somewhat daunting. It is daunting to get one, so two are doubly daunting. I will speak to the convener about when the papers are sent out.

I am slightly concerned about papers arriving in dribs and drabs, because I am not the most organised person—although my secretary is—and I have had papers go missing in the past. The difficulty is that because of where I live, the post does not arrive until Saturday, and if the postman misses Saturday, I do not get the mail until Monday, which can be a bit of a struggle. Does the clerk have anything to say?

Callum Thomson (Clerk): I do not have a microphone; I cannot speak.

The Deputy Convener: That can easily be remedied.

I think that our having so many papers was a

one-off, but the sending out of papers is an issue with which all committees must face difficulties. I will speak to Andrew Welsh; I do not like to take convener's decisions when he is not here, on matters that he should be involved in

I ask members to shout when they wish to speak, because, as a result of health problems, I have gone slightly deaf.

“Scottish Further Education Colleges: Managing Costs”

The Deputy Convener: Item 2 is a progress report on Scottish further education colleges, and the full management review of the Scottish Further Education Funding Council. The main thrust of the funding council's response will not be reported to the committee until the summer. The incomplete nature of some of the information that was requested by members suggests that the committee may be best advised to await further information from the funding council before deciding how it wishes to follow up the report. We will have more information in the overview report, which is due to be published by the Auditor General around July.

Some of the general issues that were raised in the Auditor General's original report will also crop up in the forthcoming report on Moray College. The forward work programme will suggest that we take evidence on that report in late May and early June. That may highlight some of the national problems and how they translate to the running of individual colleges.

Are we prepared to wait for Professor Sizer's further report later this year, or does the committee want to take the matter further now?

Margaret Jamieson: We could note the current report as a progress report, as some issues require us to wait until July 2001. Some of the recovery plans for the remaining 10 colleges are still in draft form; it would be crazy for us to comment on something that is incomplete.

The Deputy Convener: As a point of information, the Enterprise and Lifelong Learning Committee is examining the role and funding of colleges. That inquiry should be completed at the same time as Professor Sizer's report; it might give us more information.

Mr Raffan: I was not a member of the committee during the original inquiry. I am happy to wait until we get Professor Sizer's further report, but, in paper AU/01/5/5, the summary that refers to the relevant pages in the progress report specifically mentions that we do not have details of the scale of the backlog maintenance. Obviously, Professor Sizer will respond appropriately in his further report. That is one of the main points that I noted. It would be useful for the committee to know the extent of the backlog maintenance and the estimated cost of putting it right.

The Deputy Convener: Does the Auditor General want to comment?

Mr Robert Black (Auditor General for Scotland): I endorse your opening remarks, that a report on Moray College and, perhaps more significant, an overview report on the last full financial year of the further education colleges will be produced over the summer. Figures in those reports will be relevant to the committee's concerns about recovery plans.

I am comfortable with the suggestion that the committee might want to keep the matter under review and await the next two reports on FE before taking a final decision on whether it should take an active role.

The Deputy Convener: Thank you.

I assume that it would be in the committee's power to inquire into the scale of the backlog maintenance. A letter could be sent to that effect, asking for information. Shall we do that and defer the matter until Professor Sizer reports?

Members *indicated agreement.*

“The New Scottish Parliament Building”

The Deputy Convener: I apologise for having been ill; this item should have been on the agenda at our previous meeting, but the committee kindly agreed to wait until I was back. If it had not done so, that would have created slight difficulties since, as members know, Andrew Welsh has removed himself from this matter.

We have the response from the Scottish Executive. Does any member want to comment?

Ms Margo MacDonald (Lothians) (SNP): Is nobody else going to speak first?

The Deputy Convener: We are giving you, as a visitor, the opportunity to dive in.

Ms MacDonald: The letter to the committee from Paul Grice is well crafted, but it does not disguise the fact that, when the subject was last debated in Parliament, Parliament voted for a cost limit of £195 million, which was to be all inclusive. The Parliament had reference to the Spencely report at the time of that debate. Spencely said that if savings were made of about 10 per cent to 15 per cent in one part of the construction—the fitting-out stage—and 15 per cent to 20 per cent in another, we could get below a ceiling of just over £200 million. When the Parliament debated this, it did so in the context of a cost limit being put on the project.

As a result, it is disingenuous to claim now that members realised that the cost was exclusive of inflation or any other costs, which seems to be the gist of Paul Grice's letter.

14:15

Mr Raffan: Although I was not present at the inquiry, I was present at debates on the building and was opposed to the project at that time. However, Paul Grice's letter is helpful and very detailed.

I am not sure that I share in Margo MacDonald's continuous guerrilla warfare against the project; the important thing is that the project is going ahead, and we need to get it right.

Mr Grice makes a particular point about the financial effect of the redesign of the chamber, which, on a relatively restricted site, was bound to have a knock-on effect on other parts of the building. We need only consider the extension of the National Museum of Scotland, which took nearly 10 years from drawing board to completion; we are trying to complete a large project in extraordinarily rapid time. I will just leave that thought hanging in the air without drawing the

obvious conclusion.

The Deputy Convener: I should remind the committee that we decided to draw a line at the time the Scottish Parliamentary Corporate Body was set up, and it is not our role to project into the future. The Finance Committee has assigned a reporter to this issue and will examine the SPCB's budget proposals as part of the annual budget process. We asked Paul Grice to write to us with an indication of how the costs were progressing against budget, but that was more to do with putting down a marker in case we needed to return to the subject. In the light of the Finance Committee's current inquiry, it is probably reasonable to leave that committee to look forward and for us to look back, as is generally the case with auditors.

We need to decide our next course of action, and I throw open the question whether we should ask the conveners group to consider the issue for a debate in Parliament.

Ms MacDonald: I ask the committee to do so. At one point, Mr Grice's letter says that as

"the Project spend is comfortably within cash allocations for this year and next ... there is ... no requirement to seek additional expenditure cover at this stage."

Mr Grice identifies elsewhere in his letter the percentage by which the project is likely to run over budget, so there will have to be a settling-up at some point and Parliament will have to be in full possession of all the facts.

The Deputy Convener: Thank you. However, although your comments are helpful, the decision is for the committee, not for a visitor to the committee.

I am sorry; I did not see which member had their hand up first. Let us be terribly sexist and defer to the ladies.

Margaret Jamieson: Margo MacDonald is paying particular attention to Paul Grice's letter, but he is advising us of the current situation as a matter of courtesy. Asking for such information was not within the committee's remit when we took evidence; we drew a line and it would be wrong to continue in the vein that Margo has suggested. We must address the aspects on which we took evidence and pull that issue together. For what it is worth, I do not think that we should ask for a debate in Parliament; we have had those debates. Each of the main political parties now has a representative overseeing the project and reporting regularly on it to the SPCB and the Parliament. We need to confine ourselves to the matter we were first charged with.

Mr Lloyd Quinan (West of Scotland) (SNP): I appreciate both what Margaret Jamieson says and the fact that I was not a member of the committee

when that decision was made. In light of the letter from Paul Grice, particularly its third last paragraph, which says that

"the contracts which comprise the Debating Chamber and Towers packages give us less cause for comfort than those finalised on the MSP building",

I think that an increase in the budget is likely—that is what I read between the lines. It is our responsibility to take that back to the Parliament.

I appreciate what Margaret Jamieson says about cross-party representation on the SPCB, but part of the problem with its structure is that there appears to be confusion about how the SPCB sees itself. Strictly speaking, each party's membership of the SPCB does not allow a direct line back to the party. I cannot count the number of times when, at our group meetings, our so-called representative on the SPCB has not been able to tell us things because they are confidential. Until the SPCB's relationship to the committee, the parliamentary groups of each party and the Parliament is finally cleared up, we would abrogate our responsibility to the public were we not to suggest that, at the least, we should go back and have an open debate on the possible increase in the budget.

Margaret Jamieson: I do not have a problem with that, but I think that that falls outwith the remits of the Auditor General's report and the committee. We are not to consider the current position—a line was drawn in the sand.

The Deputy Convener: I think that the committee has accepted that.

Scott Barrie: We may be focusing unduly on Paul Grice's letter. I hoped that we would consider the responses that we received, particularly that from the Scottish Executive, to decide whether they satisfied us on the questions in our report. We must remember that we are discussing the report that we produced, the questions that we asked of the various bodies and whether we are satisfied with their responses. We are not projecting into the future.

The Deputy Convener: I take your point on that, and we will come to it at some stage. The matter that I want to get out of the way is where we go in future and whether we should ask the conveners group for a committee slot to discuss the report.

Paul Martin (Glasgow Springburn) (Lab): I would not support our proceeding to a slot in the chamber. We must consider the report and whether lessons have been learned from the civil service's role in the project. Although it has been clear from the outset that the report has not been accepted completely, its recommendations deal with the issues that were raised when the committee took evidence and it is clear that

several issues from the recommendations—all of them, I believe—have been taken on board. Therefore, I see no purpose in proceeding to a slot in the chamber.

I also feel that we should consider whether to compete for a slot for other issues, such as the overview of the national health service, which we will consider in draft today. That report should be considered for the same time slot. The report on the Parliament building competes with other issues.

Lessons have been learned. I admit that I share the concern that the Executive has not taken on board all the issues, but I think that it has dealt with all the issues that we raised in our recommendations. My approach is to ask whether new procedures would be in place to prevent mismanagement from occurring if another project like the Scottish Parliament building started—that will not happen for some time.

Mr Raffan: I agree with much of what Paul Martin and Margaret Jamieson said. I am unsure what point a debate would serve at this juncture. I have a feeling that it would shed more heat than light and that there are far more important things for the committee to use its debating slots for.

I agree with Paul Martin that it is clear that the Executive has not taken on board all the points that the committee made. However, the recommendations mark a move in the right direction. The Holyrood progress group, other initiatives and the fact that the SPCB and the Executive have been held to account make it clear that the project—whether or not one agrees with it—is back on track.

The Deputy Convener: I do not think that that was quite our remit. However, we will excuse your ignorance.

Mr Raffan: I know that you were raking over the past and whether there are lessons to be learned from it.

The Deputy Convener: Raking over the past is one way of putting it. We were inquiring into the project at the date on which we drew a line under it.

Mr Quinan: I accept what Paul Martin is saying. We cannot consider competing for a slot in the chamber, as the issue also affects the Finance Committee. You are proposing that the issue be taken to the conveners group with the suggestion that there might be a debate on it. The information that I have in front of me says that it is likely that the project's cost will exceed the budget that has been agreed. If we do not put that information in the public domain—and, more important, accept our responsibility—and suggest that the conveners group reconsider the matter, we will be storing up

trouble for ourselves with the public yet again.

The committee's report says that it is unfortunate that the public believed that the budget was a certain amount, although a statement was made that that was not the amount. Nevertheless, the general perception is that the building's cost has exceeded its budget massively. If it is likely to exceed the budget that was agreed by the Parliament, we would be failing in our duty if we did not ask the conveners group for a debate on the matter. It is not our place to make a decision on the basis of the report that has been completed; we have received new information.

The Deputy Convener: I am sorry, Lloyd, but you are wrong. The report that is in front of us is the report that was published.

I suggest that we do not put the matter to a vote, as it is obvious which way members would vote. Let us examine the responses and determine whether the committee wants to take further action. That was Paul Martin's suggestion. We will return to the subject at the end of this agenda item.

I thank Anne Peat for the comprehensive summary of responses that we have received, which I have found extremely helpful. It was becoming difficult to juggle the responses from the Executive and the SPCB and the original report, and I am glad that Anne was more skilled at doing that than I was. I shall run through the responses in order, which is what Andrew Welsh usually does.

The SPCB welcomes the report and its response endorses the view of the committee. Do members have any comments on that response?

Members indicated disagreement.

The Deputy Convener: Are there any comments on the second response?

Mr Quinan: What I just said refers directly to the Audit Committee's conclusion, that

"it is imperative that the highest standards of financial management are achieved."

As I said, it is clear from Paul Grice's letter and the Executive's response that the project's cost is likely to exceed its budget.

Margaret Jamieson: Are we talking about the first response?

Mr Quinan: We are talking about the Audit Committee's conclusion and the first response.

Margaret Jamieson: I thought that we had agreed that.

The Deputy Convener: Okay. We note that point. Are there any comments on the second response? The Executive is giving a grudging nod

to the fact that we said that there was some confusion.

Ms MacDonald: Unfortunately, the Executive has not said that it was responsible for the confusion.

The Deputy Convener: We would not have expected it to do so.

Ms MacDonald: I would have—it is hands-up-and-own-up time.

The Deputy Convener: Margo MacDonald was ever the optimist.

Let us move on to our conclusion 3, which is that “There should have been much greater transparency in the cost reporting arrangements.”

Ms MacDonald: The reason for noting that conclusion and the soft words in the Executive response is that, when one reads Mr Grice’s letter in conjunction with the Executive response, one sees that cost reporting systems are still not transparent.

14:30

The Deputy Convener: The only comment that I would make is to ask: when is a concern a criticism? That, however, possibly takes us into the realms of semantics.

Mr Raffan: I do not want to prolong the debate, but the point is that Paul Grice’s letter is transparent. One can argue about Paul Grice not fully reporting to the SCPB in the past—he claims that there were reasons for that. I disagree with Ms MacDonald, as I think that the cost reporting arrangements are pretty transparent now.

Ms MacDonald: I want to put it on the record that I do not.

Paul Martin: There was concern that the cost reporting arrangements were not sufficient before the corporate body took over.

Ms MacDonald: Yes.

The Deputy Convener: Where the paper shows “n/a”, it means that the SPCB was not involved at the time to which the conclusion refers, as it was before the corporate body took over. We are concerned only with the Executive, which stepped into the role of the old Scottish Office in responding to our report. The point is noted.

We move on to conclusion 4.

Margaret Jamieson: I do not think that we really expected the Executive to agree with our belief that Mr Muir Russell was

“Semi-detached from the process”.

The Deputy Convener: The Executive said at one stage that it did not think that the evidence

that we had taken justified the conclusion that we came to.

Margaret Jamieson: What is also missing is that the Executive was unable to see Mr Russell’s body language, which said more about him than the words alone did.

The Deputy Convener: Shall we show the Executive the video? Possibly we should make a recommendation that videos of evidence-taking sessions should accompany the written word.

Paul Martin: The Executive could have accepted that although the evidence that was given was not conclusive on the issues that were raised, that was dealt with in the report recommendations.

The Deputy Convener: What do you think the committee should do about that? Do we want to have a ping-pong of letters going backwards and forwards?

Margaret Jamieson: I think that we have made our point.

The Deputy Convener: I agree; we have made the point. It would waste everybody’s time if we started such an exchange of letters.

Mr Quinan: I do not agree. The committee made a point, but the Executive’s response convinces me that it has not accepted the point that Muir Russell was responsible. The response is a total evasion. The deputy convener should write to the Executive and have it reconsider its response to that piece of evidence. That might make the point, as I think that we are meant to say, “Well, we are not getting anywhere with this; what is the point of carrying on?” The committee needs to write to the Executive, saying that its response is unacceptable and asking it to address the content of the committee’s criticism.

Mr Raffan: I am not quite sure what we would achieve by doing that. I think that it is regrettable that the Executive is not prepared to concede on that point. Humility is not perhaps the Executive’s most noted quality.

Paul Martin: Recommendation 1 deals with that concern as it states:

“For future high profile projects we recommend that accountable officers within the Scottish Administration carefully consider their responsibilities”.

Although the response to our original inquiry did not deal with that, our recommendation does.

The Deputy Convener: Yes—the point is that the Executive has accepted the committee’s recommendation.

I am noting down members’ comments and, at the end of this item, we will see whether there is enough substance to justify a response that is

slightly more robust than quibbling about one sentence.

I think that the Executive has accepted conclusion 5, about the risk assessment. It is for others to examine whether the current risk assessments are robust enough. That is not our particular concern, unless we return to the matter later.

What about the response to conclusion 6?

Ms MacDonald: It is absolute nonsense.

The Deputy Convener: This is where we start to come up against the SPCB—the Executive has obviously done a side swerve on the increase in the forecast construction costs after the transfer of client responsibility. It is not taking any responsibility after the handover. We encountered that grey area throughout our evidence taking.

The SPCB's response to conclusion 6 begins:

"In our opinion, the Committee has under-estimated the financial effect of the re-design of the chamber."

I disagree with that sentence. We heard evidence on that, and came to our conclusions on the basis of that evidence. If there is anything that I would quibble with, it is that response.

Ms MacDonald: The Executive's response to that conclusion says that

"the Executive's evidence explained that the design (for 'Stage D') was settled apart from minor details".

That is untrue, and can be proved to be untrue. In the past, I have asked for drawings, diagrams and details to be published. We now know why it was impossible to publish those. I take no pleasure in saying that it was because Señor Miralles was quite unable to contribute to the project at that vital stage. Stage D was nowhere near complete. We need only refer to the Spencely report for verification of that.

The Deputy Convener: Again, while we take your point, Margo, and although you have been very concerned with the detail, we were examining the Auditor General's response. I think that it is slightly disingenuous of the Executive to come back and try to convince us that stage D was settled. If it was settled, why was it not signed off? That is the point to which I kept returning. I will take that point up with the Executive, if the committee agrees.

Members indicated agreement.

Paul Martin: Recommendation 4 would deal with that—for the future as well as for this case. It advises that

"independent scrutineers to reinforce project monitoring at critical stages"

should be appointed.

The Deputy Convener: If we decided to write about that, we could reinforce that point.

Mr Raffan: I have already given my view on the impact of the redesign of the chamber on the rest of the project. This is not in the summary, but it is worth referring to the corporate body's response, in that, when the change in client took place and MSPs came into the picture, the area requirement increased significantly. That was the MSPs' response to consultation. That made a significant impact on the design and on the costs. I am not sure whether the SPCB, in its response to that recommendation, has made as much of that point as it could have done.

Ms MacDonald: With respect, convener, the point about the redesign of the chamber is that it did not take place because the MSPs or the corporate body ordered it; compared with the original drawings and the competition-winning plans that the architects submitted, the chamber had been drastically changed—to a completely different shape and, therefore, to a completely different context for the Parliament. The Presiding Officer asked that it be returned to the original specification, which was for a U-shaped chamber. We did not change the shape of the chamber; the architect changed it and then we asked for it to be changed back. That is just a matter of record, but it is quite important.

The Deputy Convener: It is interesting but not particularly relevant. The Auditor General's staff will no doubt correct me if I am wrong, but I think that the report says that the redesign of the chamber happened to have significant financial effect.

Ms MacDonald: That is right.

The Deputy Convener: If the committee wishes, we can take up that point with Paul Grice.

We move on to the Executive's response to conclusion 7. The conclusion and response are a bit he-said-she-said. The Executive regrets that we do not have confidence in the former accountable officer's view. The Executive will stick by its guns whatever we say. We are not in a position to take further evidence; we just have to point out that we take a different view from the Executive. Is that agreed?

Members indicated agreement.

The Deputy Convener: We move on to the response to conclusion 8. Do not worry: there are only 53 conclusions; there are not many more.

Ms MacDonald: Conclusion 8 is absolutely obvious. It is interesting that the Executive does not say anything; it had plenty to say at the time of the debate in Parliament.

Margaret Jamieson: It was not for the Executive to comment.

The Deputy Convener: The project was not the Executive's responsibility.

The only thing that I picked up on conclusion 8 was that

"the SPCB proceeded with the project on the basis of Parliament's instructions."

That brings us back to Margo MacDonald's point about what the Parliament's instructions were. That was quite a difficult aspect to take evidence on, because we were looking back and saying, with the benefit of hindsight, that an independent review would have been welcome. The SPCB did not exist until May 1999, so it is quite sensible for it to take the view that an independent review might have been useful to it.

We do not need to say anything about that conclusion.

We move on to conclusion 9. I think that that conclusion relates to the point in the evidence at which Paul Grice said that he had taken the decision himself not to pass on information. I felt that that was transparent. We could all second-guess him, but I think that he was being as honest as possible.

Mr Raffan: I wish that the SPCB had managed to respond in a somewhat less convoluted way. The response is very Jimmy Carter—"On the one hand ... on the other hand." It all boils down to, "The chief executive was exercising his own judgment, but we wish he'd told us." They are obviously trying to protect him.

The Deputy Convener: I wonder what checks and balances there are to ensure that such things are reported. That is just my individual musing. It does not really refer to the Auditor General's report.

Ms MacDonald: Is that what Paul Grice is referring to in his letter when he says that

"anecdotal evidence suggests that some of the publicity surrounding the project at an earlier stage as well as the tight timescale ... may have had a negative impact on our competitiveness in the market place"?

I must admit that, when I read his letter, I was at a loss to know what that meant. Now I realise that perhaps it means his decision not to pass on information. If the SPCB had owned up and been more—

The Deputy Convener: I am sorry, Margo: where is that in Paul Grice's letter?

Ms MacDonald: At the bottom of page 2.

The Deputy Convener: Do you mean in the paragraph that begins

"Following the Auditor General's report"?

Ms MacDonald: Is that what it refers to? Is it an admission of some sort of guilt and that Parliament and public were misled?

The Deputy Convener: I do not know. I cannot really answer that question.

Mr Quinan: We need to ask whether the decision was taken to operate on the basis of commercial confidentiality so that the SPCB would not get stung. In my days doing budgets at Scottish Television, exactly the kind of sentence that Margo MacDonald quoted was sent in when we were trying to avoid letting people know what the costs actually were in case we were penalised at a later stage.

Margaret Jamieson: If you go back to the evidence, you will see that that is certainly not what Paul Grice was on about. He was very hands-up, saying that, with hindsight, he should have passed on the information. I do not recall anything in his evidence to suggest that he was going down that route.

Mr Quinan: Then why is he telling us that in the letter?

Margaret Jamieson: All that we can do is look at the evidence and then at the letter—

Mr Quinan: Which is a response to that evidence.

Margaret Jamieson: It is not a response to the evidence.

Mr Quinan: It is a response to the report, which was based on evidence.

Margaret Jamieson: It is also based on the work of the Auditor General. Is it worth while asking the Auditor General whether he has a specific view?

14:45

Mr Black: I am having a little difficulty in hearing what is being said, but I am happy to answer any questions that members have for me.

The Deputy Convener: Is there a specific question that we want to ask the Auditor General? I think that we are probably getting into areas that are more speculation than evidence-based. I am quite happy to go back to Paul Grice and ask questions based on his letter, but I am not sure which specific question members would like to ask him.

Mr Quinan: We should seek clarification of his statement that

"anecdotal evidence suggests that some of the publicity surrounding the project at an earlier stage as well as the tight timescale for completion of works may have had a

negative impact on our competitiveness in the market place.”

What does he mean by that? Was information withheld from the public so that the project—

The Deputy Convener: It was not withheld from the public. It was withheld from the corporate body. That was the point; it was not reported to the corporate body.

Ms MacDonald: Which could not then report it to Parliament.

The Deputy Convener: I am not sure that the corporate body has ever reported to Parliament.

I shall certainly ask Paul Grice what he bases the statement on, if we decide to write at all.

Ms MacDonald: I am not at all sure about the SPCB's response to the Audit Committee's conclusion 10, which reads:

“We note the Committee's encouraging comments and conclusions regarding the post-Spencely management structure.”

There certainly had to be an improvement, but I am not sure that independent scrutiny, political control and transparency have been greatly helped by the advent of the progress group.

The Deputy Convener: Our report said that we felt that the SPCB's response to the Spencely report was encouraging. We said that the progress group added an element of independent scrutiny. It is noted that there is now a settled design and cost plan in place. All that Paul Grice is saying is that the SPCB notes our comments on the post-Spencely progress group. We are not here to examine the progress group; that is for somebody else to do.

Ms MacDonald: So the SPCB is saying, “We note your comments, but we're not telling you exactly how much we are over budget.”

The Deputy Convener: With respect, Margo, the SPCB was not asked that question.

Scott Barrie: When we were discussing the response to conclusion 9, I was going to raise a point that has just been borne out by what we have read in response to conclusion 11. The letter from Paul Grice refers specifically to that part of the report, which goes some way towards answering Lloyd Quinan's earlier question.

The Deputy Convener: Sorry, what was the last bit? I missed it.

Scott Barrie: The question that Lloyd Quinan asked about the response to conclusion 9 is answered by the response to conclusion 11. That is the whole basis of Paul Grice's letter. It is about what the corporate body has done in response to his report.

Ms MacDonald: I agree that that is the thrust of it, but I am not at all sure that we can draw any conclusions from the figures that we have.

We know that the cost of the packages referred to in page 1 of Paul Grice's letter will be between 16 and 17 per cent higher. However, working out the expected inflation—and therefore what the higher costs are likely to be—becomes less clear when we come to paragraph 2 of his letter, in which he says, more or less, that he cannot be precise about the different packages

“for reasons of commercial confidentiality”.

I have taken an interest in what is happening about the contracts for the wood and stone that are to be used. What I am trying to say is that calling information about the contracts “confidential” is a grand smokescreen. After the packages have been let, there is no reason why we should not find out how much they cost, but the letter says that there is a reason.

Margaret Jamieson: There is such a reason—making the information public could impinge on the next lot of contracts, because someone could bump up their prices if they knew that we had made a saving.

The Deputy Convener: With respect, that matter is really nothing to do with what we are talking about. We will suggest that another committee is needed to examine the Holyrood project.

What are we saying about the response to conclusion 11? Scott Barrie thinks that that answers the queries that Lloyd Quinan raised in relation to conclusion 9. Is that right?

Scott Barrie: I understand that the letter that we received from Paul Grice relates to that conclusion. Lloyd Quinan's questioning of what Paul Grice may have meant in one sentence must be seen in the context of our report.

Mr Quinan: I believe that I said that the context was that of reading all the information together. I understand what Scott Barrie is saying about that paragraph potentially addressing my concerns about that sentence, but I must say that it does not do so.

The Deputy Convener: Members' comments have been noted.

I think that recommendation 1 deals with the point that Paul Martin made earlier.

Paul Martin: Yes.

The Deputy Convener: We recommended that the accountable officers should

“consider carefully their responsibilities to answer to Ministers and to the Parliament”.

The Executive is saying that it tried to address that point. When people look back at our report, it will be judged in the light of whether appropriate arrangements have been made.

Do members have comments about recommendation 2?

Ms MacDonald: That is an important recommendation. Here's me being nice to the Executive: I think that it realises that it must tighten up in that area.

The Deputy Convener: It has given us as grudging an acceptance as it could possibly have been expected to.

Recommendation 3 refers to the evidence that the chief architect gave us. If we allow excessive figures for risk, there is no incentive for managers to try to come in on budget. The Executive is reasserting that bit of the evidence in its response to recommendation 3. There is no contention about that, is there? We highlighted risk and—

Ms MacDonald: It is good project management to get the right figures.

Margaret Jamieson: The Executive is not saying anything other than that. The issue is to do with the reporting mechanism and making the knowledge public. That is when people could push up the price.

Ms MacDonald: I know that, but I niggle about these matters because the Executive will find that the packages are coming in a bit higher than anticipated because it has imposed a time constraint: we must get into the new Parliament for a photo opportunity before the end of this parliamentary session. That is what is likely to drive up tender prices.

The Deputy Convener: Members will be aware of my background in building. I would not have approached the project in this way, but we must accept that this is the way in which it has been done, and that both the Auditor General and the Audit Committee have reported on that approach.

With my tongue slightly in my cheek, I draw the committee's attention to the part of the document that tells us that the Scottish Executive believes that the Parliament

"will be able to track progress with these projects through subsequent Budget Bill information and the published accounts."

I must say that I have not yet seen any evidence of the process being transparent enough for the Parliament to be able to track it. However, that is a problem for the future and I expect that the Finance Committee will consider it.

On recommendation 4, we read that independent scrutiny will reinforce project

monitoring.

Ms MacDonald: The Audit Committee deserves a pat on the back for highlighting the need for that. Can I apply for the job?

The Deputy Convener: I think that we accept that the Auditor General exists to say that such actions have not been taken.

Paul Martin and Lloyd Quinan both suggested that we might have to revisit conclusion 4.

Does the committee want me to draw up a letter on conclusions 6, 9 and 11? Conclusion 11 was a rebuttal of conclusion 9, of course.

Paul Martin: My point was that, while the Scottish Executive has not accepted what we brought forward in our evidence, the response to recommendation 4 deals with that. It is worth noting that, although the Executive did not agree with our report, the recommendations have, in effect, overtaken events.

Margaret Jamieson: The final sentence of the Executive's response to recommendation 1 is:

"Accordingly, arrangements have been made for the Committee's recommendation to be brought to the attention of all Accountable Officers."

Ms MacDonald: The response to our recommendations feature fine sentiments, but we must keep watching the Executive.

The Deputy Convener: Okay.

The substantive point in relation to conclusion 6 came from Paul Grice, who said:

"the Committee has under-estimated the financial effect of the re-design of the chamber."

We could ask the Scottish Parliamentary Corporate Body what its estimate of the financial effect of the redesign is, but I do not know whether that will take us any further forward.

Ms MacDonald: History, dear boy, history. We should make these things clear.

Mr Quinan: The point is that the change in the design of the chamber was the only change instructed by the client prior to the feasibility study that was carried out in November 1999. As Margo MacDonald has pointed out, the change was made by the architect and the Presiding Officer asked for the design to be changed back to the earlier design, but when did the Presiding Officer become the client?

The Deputy Convener: He is the chair of the Scottish Parliamentary Corporate Body, is he not?

Ms MacDonald: He became the client when he was handed the responsibility on 1 June.

Mr Quinan: He became the client at that time, but without reference to us. Consequently—

Margaret Jamieson: That is another issue.

Mr Quinan: The issue is one of clarity.

Ms MacDonald: I just want to get the record straight; there is nothing that we can do about it now.

Paul Martin: Would it be helpful to write to Paul Grice to draw a line under the issue but requesting that information for the historical purposes to which Margo MacDonald refers?

The Deputy Convener: That is a good recommendation.

Mr Raffan: Will the information concern the redesign of the chamber?

The Deputy Convener: Yes.

Mr Raffan: Can we also ask about the associated point of the significant increase in area? I have seen figures for that, but the increase had an impact on the cost. The rushed nature of the job and the change in client resulted in a chaotic mess.

The Deputy Convener: That issue was fairly well covered in the Auditor General's report. I am not sure that we will get any more information than the Auditor General did. With respect, I think that you are asking for that information because you were not involved with the committee's consideration of the matter at an earlier stage.

Mr Raffan: Yes, probably.

Ms MacDonald: For the record, I should say that the original tender document talked about a traditionally constructed building that would accommodate 250 persons and would be built on an area of 16,000 sq m of cleared land. That was an unrealistic specification.

It is important to put that on record, so that people understand that it was not their elected representatives who suddenly went daft; it was not. That was the original spec, against which subsequent changes were judged.

The Deputy Convener: The Scottish Parliamentary Corporate Body had nothing to do with the original spec.

Ms MacDonald: Exactly. It had nothing to do with it. That is the whole point. It was the Executive that drew up the original spec—*[Interruption.]*

The Deputy Convener: Can you wait a minute, Margo, while the frantic search for the errant mobile phone concludes?

Mr Black: Not guilty.

Mr Raffan: The Executive has worded its response well. I accept Paul Grice's point and I accept the point about the increase in area, but

the concerns were not just about the redesign but about the knock-on effects on the layout and on what are called the adjacencies. It would be helpful if the Executive elaborated on those specific points.

15:00

The Deputy Convener: If we are writing this letter anyway, there will be no problem in asking for that information for the historical record.

Conclusion 9 concerns the last paragraph on page 2 of Paul Grice's letter. It is fairly clear what we are doing. I know that Scott Barrie believes that the point is covered in conclusion 11, but we will ask the Executive again.

Having considered all those points, is there sufficient justification for the committee to ask the conveners group for a debate on our report? As Lloyd Quinan has said, we should bear in mind the very high public profile of this project. The public are concerned—rightly—about the cost of the project. However, I know what will happen if I ask the committee whether it wants a debate: Labour members will shake their heads.

Mr Raffan: A debate would shed more heat than light. We have already opened the process up. It is very transparent. I really do not see what purpose a debate would serve. People know that I am independent-minded, so I am not just saying this for the sake of it.

Ms MacDonald: How will the Audit Committee, or the Finance Committee, judge whether value for money is being obtained from the way in which the project is being managed?

The Deputy Convener: That would have to be the subject of a new inquiry by the Auditor General. At some stage, we could write to him to ask about value for money. It would then be up to him to decide whether his resources would allow him to conduct an inquiry and whether that would be a valid use of his time.

Ms MacDonald: I appreciate that that is the way that the committee works. However, if the Executive has said that an independent scrutineer is a good idea, I presume that that would be the running check on the management of the project.

That comment has a bearing on what I have said before about the Holyrood progress group. I have to be absolutely honest and say that I do not believe that the current reporting system on the management of the project is satisfactory. I hear what is happening, I hear that there will be a visitor centre costing a quarter of a million quid, and so on; but I want to know whether that is a good use of money.

The Deputy Convener: That will be for a future Audit Committee to decide.

Ms MacDonald: Once the money has been spent.

The Deputy Convener: In my eyes, the arrangements that the Parliament has put in place to scrutinise this particular project are not robust enough and I think that many would share that view. However, I sense that the committee does not wish this matter to go to the conveners group.

I do not see any point in putting it to a vote because I would lose and I hate losing. However, had it gone to a vote, I would have voted for a debate on the project.

Agenda item 4 will be taken in private.

15:03

Meeting adjourned until 15:11 and continued in private thereafter until 16:50.

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