



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 26 May 2010

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1695
SECTION 23 REPORTS	1696
"Overview of the NHS in Scotland's performance 2008/09"	1696
"Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games"	1699
PERFORMANCE AUDITS (PROGRAMME)	1707

PUBLIC AUDIT COMMITTEE
10th Meeting 2010, Session 3

CONVENER

*Hugh Henry (Paisley South) (Lab)

DEPUTY CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Loudoun) (SNP)
*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*George Foulkes (Lothians) (Lab)
*Bill Kidd (Glasgow) (SNP)
*Anne McLaughlin (Glasgow) (SNP)
*Nicol Stephen (Aberdeen South) (LD)

COMMITTEE SUBSTITUTES

Derek Brownlee (South of Scotland) (Con)
Linda Fabiani (Central Scotland) (SNP)
James Kelly (Glasgow Rutherglen) (Lab)
John Farquhar Munro (Ross, Skye and Inverness West) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)
Angela Cullen (Audit Scotland)
Barbara Hurst (Audit Scotland)
Tricia Meldrum (Audit Scotland)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 1

Scottish Parliament

Public Audit Committee

Wednesday 26 May 2010

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Hugh Henry): I welcome everyone to the 10th meeting in 2010 of the Public Audit Committee. I remind members and others to ensure that all electronic devices are switched off.

Do we agree to take item 5 in private?

Members *indicated agreement.*

Section 23 Reports

“Overview of the NHS in Scotland’s performance 2008/09”

10:00

The Convener: Item 2 is consideration of the section 23 report, “Overview of the NHS in Scotland’s performance 2008/09”. We have received correspondence from the accountable officer, which has been circulated to members.

There was one thing that struck and intrigued me and made me want further information. One of the witnesses from NHS Grampian, Dr Strachan, was quite explicit about the increase in the number of children under the age of 16 who present drunk at accident and emergency departments. She said that she believed that the figure had increased by “some 60 per cent” in her area.

However, the response from the accountable officer seems to indicate that there are no figures on that. Members were quite alarmed to hear what Dr Strachan, a senior member of staff, had to say, but Kevin Woods suggests that there is no evidence on the issue. I think that it would be helpful if we could clarify with Dr Strachan exactly how the figures that she used were compiled. It is in everyone’s interest for us to get to the bottom of an extremely serious suggestion. Do members agree to my proposal?

Members *indicated agreement.*

The Convener: Are there any other comments on Dr Woods’s response?

Anne McLaughlin (Glasgow) (SNP): Dr Woods says that the figures

“are currently not held centrally.”

Does that mean that there are figures and that, although we cannot access them centrally, we could get them health board by health board? Dr Woods also says:

“Information Services Division (ISD) Scotland is in the process of developing a national A&E data set which may include collection of the data requested.”

Would it be in order for the committee to write to ISD to ask it to consider including such data, if it is not already considering doing that?

The Convener: Those are two reasonable points, which we can follow up with Dr Woods.

George Foulkes (Lothians) (Lab): Anne McLaughlin has made an important point. How many times have we been told in letters or in oral evidence, by people who are supposed to be running the national health service with some kind of strategic overview, “We do not hold that

information centrally"? If they do not hold information centrally, how can they have a strategic overview? How can they make decisions about the health service? How can they allocate resources? I find it astonishing that with such a huge bureaucracy, which Murdo Fraser and his comrades will no doubt be having a look at—

Murdo Fraser (Mid Scotland and Fife) (Con): Comrades?

George Foulkes: How can the people in the huge bureaucracy down at Victoria Quay, or wherever it is now, who sit around purporting to direct the health service, have any oversight of it without such statistics? Anne McLaughlin's point is a good one, which we should pursue.

Murdo Fraser: I will need to ask my comrades in the Liberal Democrats how they intend to deal with the matter.

I have a slightly different point, which relates to the quite striking details of rates of alcoholic liver disease on the second page of Dr Woods's letter. The figures demonstrate substantial increases in such disease, particularly among younger age groups, which is an immensely serious matter. I am not suggesting that we should deal with it, but perhaps we should pass it on to the Health and Sport Committee, once we get the responses that we have talked about, and ask it to give the issue some attention, as it is clearly of some relevance to that committee's work. In particular, it is relevant to consideration of the Alcohol etc (Scotland) Bill, which is currently progressing through the parliamentary system.

The Convener: We will wait for the further information that we have agreed to request.

Willie Coffey (Kilmarnock and Loudoun) (SNP): The question whether data are held centrally or locally has been a recurring issue in this committee and others for a long time, stretching back to the beginning of the Parliament. Members seem to be giving the message that sometimes we would like to know about the data in a national Scottish context. There is merit in asking for that from time to time. We will not get that context for every detail that we ask for in this committee and others, but we would like some indicators. For example, when we discussed antidepressant prescribing in a previous meeting, we were interested in the Scottish picture, but it was not readily available. It would be useful in some cases, but I am not certain which committee would be the one to point the way towards gathering those kinds of statistics for the other committees. It is something to think about.

The Convener: We previously agreed that we would invite the accountable officer to the committee to speak about that. It would be useful to pursue the matter with him, because a number

of members have raised similar concerns. If members agree, we can invite Dr Woods to the committee.

George Foulkes: On the whole report?

The Convener: Yes, and that issue would be a significant part of it.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): I know that this would not have been included in the Auditor General's report, but the letter from Dr Woods to the committee states:

"Almost two-thirds (64%) were sent home directly from the emergency department."

It would be interesting to see how the figures change for presentation at emergency departments when minor injury units are associated with the hospital. Presumably many of those people should have presented at a minor injury unit rather than A and E. It would be interesting to find out whether statistics are being gathered on that, as more and more hospitals, particularly in the Glasgow area, are running a full A and E with a minor injury unit close by.

The Convener: We can write to Dr Woods ahead of his evidence session to flag that issue up to him. He can respond in writing ahead of coming to the committee or address the point when he attends the meeting.

Anne McLaughlin: I just want to point out that although we do not have centrally held figures for the number of young people who are admitted to A and E because of alcohol, we have such figures for young people who are admitted to hospital overnight.

Willie Coffey is right—some figures are held centrally and some are not, but it would help if we were explicit in the letter. In the letter to Dr Woods we said that we

"would be grateful if you would provide figures, by health board".

Perhaps we should have added, "and if you do not hold them, could you get them in?", because then it would be possible for him to gather the information, rather than gathering it ourselves. As Dr Woods helpfully reminds us at the end of his letter, rates for liver cirrhosis in Scotland are

"50% higher than the EU average."

It is clear that alcohol is a huge problem, and we must do everything that we can to deal with it. Our questions should be more explicit.

The Convener: Okay. We will pursue the correspondence as we have agreed, and invite Dr Woods to the committee to give evidence.

“Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games”

10:09

The Convener: Item 3 is consideration of the section 23 report, “Commonwealth Games 2014: Progress report on planning for the delivery of the XXth Games”. Correspondence from the accountable officer has been circulated to members, and we will deal with it section by section. The first section is headed “Pension Arrangements”. Do members have any comments on it?

Anne McLaughlin: It is reassuring to know that the company has a maximum amount that it will spend. We are told that

“the scheme is not a ‘public sector final salary scheme’ meaning the company knows exactly how much it will pay for each employee”

and that it is

“substantially cheaper than the public sector equivalent.”

It is reassuring to know that the maximum cost will not exceed £3 million. Because of the new regulations, the company must provide pensions.

The Convener: I am intrigued. I am led to believe that the chief executive is a member of the Strathclyde Pension Fund, in which I declare an interest as a beneficiary through my previous employment. I do not understand why he is a member of that local authority fund rather than the pension arrangement that is outlined here. I would be interested to know the reasons for that and its implications. It appears that the company is making some provision and accounting for it. Does anyone from Audit Scotland want to comment on that, or are you reasonably happy with it?

Angela Cullen (Audit Scotland): We are reasonably happy with the response. We have not looked at the pension fund in detail.

The Convener: Okay. There is nothing else to say on that. “Road Map” is the next heading, which refers to page 17 of the business plan, which has been circulated. Do members have any thoughts or comments to make on that? I think that it is just a matter of record more than anything for the committee to comment on.

Murdo Fraser: Yes.

The Convener: The third heading is “Athletes’ Village”. My recollection is that, at the time, there were issues to do with the development of the village that the company could not comment on because the tendering process was at a significant stage. I do not know whether there are any issues arising from the conclusion of that process. Has

anyone from Audit Scotland looked at what has come out of the tendering process?

Angela Cullen: We have not looked at anything else since we published the report. We will look at the Commonwealth games again in a second report next year.

The Convener: Okay. Willie—sorry, Bill Kidd.

Bill Kidd (Glasgow) (SNP): I thought I was back at school—that is what everybody called me.

The last paragraph of this section mentions the “second phase of development” that was to be “undertaken after the conclusion of the Games” and “a further 750 units.” I wonder about the prospects of that development still going ahead, given the current economic circumstances. Will those have an impact on the finances of the games? Have any changes had to be made to the plans because of the economic situation, and will those 750 units still go ahead?

The Convener: We could clarify that.

Bill Kidd: I do not know whether the planned costs of the games included the cost of that further development taking place.

10:15

The Convener: It would be worth clarifying that. I am puzzling over whether we would clarify it with the organising committee or with Glasgow City Council. We will leave Jane Williams to determine who to ask whether the overall costings of the project are dependent on the final property development phase going ahead.

Under the next heading, “Inflation”, I was intrigued to read:

“It was suggested by the Committee during the evidence session on 27 January that inflation had been built into the financial planning for the Games for the first time only in 2010.”

My recollection is that it was actually Liz Hunter who said that—it is as if she is trying to rewrite her evidence. Her evidence at the meeting was somewhat contradictory and confused, but we can get hold of the *Official Report* and maybe we need to write back to her. It was certainly not the committee that said that; she said that and it is outrageous that she tries to say in her letter that we suggested it.

During the past few days I noticed that there was some coverage on accounting for inflation. Do members have comments on how inflation is being treated?

George Foulkes: In her subsequent letter, which is dated 6 May, Liz Hunter wrote:

“the agreed Games Budget would translate to £524m in cash terms”.

However, in the next paragraph, she went on to say:

“The Games partners are determined to work within the agreed budget which remains unchanged from that announced in November i.e. £454m at 2007 prices”.

Why is she still talking about 2007 prices? Why does not she stick to the £524 million?

The Convener: Can Audit Scotland throw any light on that?

Angela Cullen: We understand that the original bid to the Commonwealth Games Federation had to be in 2007 prices, to ensure that it was comparable against the bids of all the countries that were bidding. Updates on those costs against the budget at 2007 prices need to be maintained, as does updating for inflation—so there need to be two different comparable budgets.

George Foulkes: Okay, as long as we have a budget that is in cash terms, which is the one that people like us—I do not mean you lot in Audit Scotland—understand, because it is a bit more realistic.

The Convener: How can people make comparisons if the bid is at 2007 prices but the reality is that the cost will be in cash prices? If inflation is running at different levels in the countries that are bidding, how can comparisons be made?

Angela Cullen: I understand that if inflation in each country is stripped out and the 2007 prices are kept, there is more comparability. In some economies inflation might be running at 25 per cent, whereas in others it might be running at 2 per cent, so people would not be comparing like with like.

The Convener: So people are comparing what is actually delivered and pricing it accordingly.

Tricia Meldrum (Audit Scotland): There is a benchmark, so that the final costings can be compared with a clear statement of the initial cost on those prices.

Willie Coffey: I am looking at the tables on pages 21 and 22 of Glasgow 2014’s “Annual Business Plan 2010/11”. Table 1 shows the 2007 benchmark prices and table 2 shows the budget at projected outturn prices with the inflationary element across the board. We would be interested if any budget lines stood out, beyond the inflationary amount, which would suggest cost overruns and so on. There do not appear to be such issues, but that remains to be seen.

I am interested in the contingency figure that is expressed on page 20—the additional £20 million that has been set aside to be used only as a last resort. That money appears to be built into table 1 as a spend item, although I might be getting

confused about that, because several contingency pots have been established. One was £40 million, but it was then topped up. Is the Audit Scotland team aware of that? If the £20 million is to be used only as a last resort, I would not expect it to be built into the budget lines on page 21.

Angela Cullen: I will attempt to answer that and Tricia Meldrum can correct me if I am wrong. There are two contingencies. There is a contingency fund of £60 million—in 2007 prices—in table 1 on page 21, and there is a special contingency of £20 million that is to be used only in exceptional circumstances. No spend is forecast against the £20 million because it is to be used only as a last resort.

Willie Coffey: Thank you.

The Convener: Does anyone from Audit Scotland have any comment to make on the response on inflation?

Mr Robert Black (Auditor General for Scotland): I do not think so, convener.

The Convener: Okay. Are there any comments on the sections headed “OC-Generated Income” and “Ticketing”?

Anne McLaughlin: Can somebody remind me why we asked the organising committee about projected ticket sales? Is it because we were concerned that it was overestimating the number of tickets that will be sold? We asked a number of questions about that. The response tells us what the projections are based on, but it does not reassure me, because it admits that Glasgow is smaller than Manchester. We did ask the organising committee to compare Glasgow with Manchester. If our motivation for asking the question was the concern that I mentioned—I think that it was—I am not sure that the question has been answered.

Murdo Fraser: As I remember it, the committee was sceptical about whether the ticket sales projections were realistic given the population and catchment area of Glasgow and the likely spend. I am not sure that the answer that we have received fully reassures us.

The Convener: We should also bear in mind the point that it is not just the actual population of the defined area of the venue that is important but the socioeconomic profile and the willingness and ability of people in the area to spend money on events such as the games. My understanding is that the area on the periphery of Manchester probably contains more people with significantly more disposable income. That must impact on the potential ticket sales.

Anne McLaughlin: The organising committee states that in its response. It acknowledges that there is a “lower average income” in Glasgow and a

lower population, but it does not state how it came to the conclusions that it reached. It mentions non-revenue seats, seat kills and so on, but those would be the same anywhere. I just cannot see anything in the response that makes me think, "Yes—that's how they came to that conclusion." Obviously, if there is going to be a problem and the organising committee is going to have to attract more ticket sales, the earlier it gets on to that, the better.

The Convener: We can certainly try to clarify that. Are there any comments on the remainder of the letter?

Willie Coffey: An alarm should sound on the broadcasting issue. It is not clear whether we are getting a deal with the BBC to broadcast the games. We already have a deal in place with Australia. That is great—it is to be welcomed—but I do not understand what the problem or issue is with the BBC. Did we get any clarification of what the difficulties are and when we might get a resolution? Does anybody know?

Tricia Meldrum: Our understanding is that hopefully something would be agreed by next year. That is fairly in line with typical timescales for agreeing these deals. The BBC has only recently agreed the deal to screen the Delhi games, which are happening this year, so things can happen a wee bit later. The Australian deal was concluded quite early in the process. It is still obviously a concern.

Willie Coffey: It is concerning that the letter states:

"The OC has also reviewed its domestic broadcast revenue target downwards during the budget review."

Why would it do that if it does not even have a deal—or any semblance of a deal—in place? What is going on? I do not get it.

The Convener: It says in the organising committee's business plan:

"During 2010/11 we aim to ... Continue to negotiate with the BBC with a view to achieving a 'bundled' agreement where the BBC agrees to act as Host Broadcaster in exchange for the domestic Rights to cover the Games."

Obviously such an agreement is fundamental to the financial success of the games. I suppose that we should ask for a progress report on when it expects that to be concluded.

Willie Coffey: We should also ask about the differing approach to covering Manchester compared with Glasgow. I do not know what the differing approach is or whether it is to do with scale. I would like to understand a wee bit more about the broadcasting issue and whether there is a plan for free-to-air broadcasting or internet media broadcasting. How the games are

broadcast to the public around the world is bound to be of interest.

The Convener: The business plan has been presented to us. The letter of 6 May comments on the spend profile, including inflation. Are there any comments on that?

George Foulkes: I have a general comment on the games partnership structure, which is shown on page 7 of the business plan. Accountability, which is illustrated on that page, seems to go round in circles. Does the organising committee report to any parliamentary committee other than the Public Audit Committee?

The Convener: It does not report to us. The only reason why we are looking at the business plan is that Audit Scotland has produced a report.

George Foulkes: Which committee deals with sport in the Parliament? Is it lifelong learning or the jumping up and down committee, or whatever it is called?

The Convener: It could be a couple of committees. The Health and Sport Committee would have an interest from the sports perspective and the Local Government and Communities Committee would probably have some degree of interest because of the involvement of Glasgow City Council.

George Foulkes: I am talking about a committee not just having an interest in it but regular oversight of it. We have four more years until the games. Things could go drastically wrong in the planning. All the people listed on page 7 of the business plan are Government or council people. There is no regular parliamentary scrutiny, is there?

The Convener: We will have the opportunity to look at this again next year once the Auditor General produces his next report. He will be reviewing progress.

George Foulkes: So, this committee will review regularly the proposed expenditure right up until 2014.

The Convener: Depending on what the Auditor General and Audit Scotland do, the committee might have the opportunity to do that, but we do not have the right to commission work on any issue at our own hand.

George Foulkes: You know my view on that. It is astonishing that a committee of the Parliament does not have the right to do that. I do not know why the hell we are here as an elected Parliament unless we have some degree of responsibility. I mean no disrespect to the Auditor General; he is very good, and produces a lot of reports. However, we ought at some point to be able to examine our remit so that we can commission reports from the

Auditor General, or else there is no reason for us to be sitting here.

10:30

The Convener: That is part of a bigger debate, on which a number of members have commented. As far as this is concerned, we are constrained by whatever the Auditor General and Audit Scotland decide to do. There will be a further report for us to comment on.

George Foulkes is right—given that the Glasgow 2014 strategic group is chaired by the First Minister, the wider issue is how Parliament is able to hold those who are involved to account. There are a number of levels at which that can be done. There will be financial implications, so there will be an opportunity each year at the budget debate. Other committees can decide to examine various aspects of the Commonwealth games bid and the progress that is being made. Those are the parliamentary opportunities, and in addition we will have the opportunity to comment on the progress report from the Auditor General.

George Foulkes: I have a second, and even more general, question on the issue. In the past when I have asked about some issues, the Auditor General has said that he cannot report until after the expenditure has been incurred. In this case, very creditably, we are considering the expenditure at an early stage, before the vast majority of it has been incurred. Is that a change in policy? Can we do the same in other cases? If there is a major infrastructure project, for example, can we examine it at an early stage rather than waiting until the money is committed?

The Convener: I invite the Auditor General to comment.

Mr Black: Those things are a matter of judgment. Generally speaking, audit is a retrospective process, as the committee is aware. I would report to the committee only on expenditure that has already been incurred and audited, so that we have reliable financial numbers.

Over the years, I have adopted the policy that if there are very significant projects that might present significant risks to public money, I will ask Audit Scotland to report at key points during the project and—explicitly and implicitly—use the language of the risks that we see. For example, a couple of major areas of risk that we saw in relation to the Commonwealth games project were around the allowances for inflation, which are by no means clear, and some of the income projections, with the United Kingdom economy heading into quite a severe recession.

Using the language of risk is appropriate; we have done it in other reports. We did it first in relation to this Holyrood Parliament building, on which I made three reports that informed Lord Fraser's inquiry. As we go forward, we will bear in mind some of the major capital projects that have been committed and consider whether particular pieces of work need to be done.

That said, there is a limit to our resources. The team that does that type of work, under Barbara Hurst and Angela Cullen, is really stretched, and we cannot second-guess the desire of an organisation such as this, with all its expertise, to undertake projects such as this at its own hand. Fundamentally, the committee's role is to hold others to account for their actions and their performance. We are not resourced to second-guess that process, and nor should we be.

George Foulkes: Nevertheless, while accepting that constraint and qualification, we should welcome and encourage the initiative that the Auditor General has taken. Rather than crying over spilled milk and saying that it is terrible after the event, when hundreds of millions of pounds could have been saved, it is much better to get in at an early stage and say, "Unless you change this, you will spend—and waste—a huge amount unnecessarily." It is good that the Auditor General is doing that.

The Convener: Okay. I see that members have no further comments on the letter of 6 May.

Are we agreed that we will start to prepare a draft report, and in the meantime ask our clerking team to request further information and go back on the issue of inflation? We can then return to the matter.

Members indicated agreement.

Performance Audits (Programme)

10:35

The Convener: Item 4 is Audit Scotland's forward programme of performance audits. I invite the Auditor General to speak to the paper that has been circulated.

Mr Black: Thank you, convener. I will invite Barbara Hurst to lead on this item, if that is agreeable to you, but I will first give you a brief introduction. We are about two thirds of the way through the current performance audit programme. We have committed ourselves to refreshing it and rolling it forward for the next couple of years. My colleagues at Audit Scotland and I are really committed to consulting widely on this. Ultimately, I have to take a decision as to what goes into the programme, but it is really important that we consult widely. We started that process with the Accounts Commission and stakeholders in local government.

We thought that it would be useful to give you an early indication of some of the themes and topics that are emerging. We would be happy to get your immediate reaction. We will be consulting on it more widely over the summer recess months, including inviting MSPs to offer comments. It is right that the Public Audit Committee, as the gatekeeper and principal committee of the Parliament with which we interact, is aware of the process and the general lines of thinking that are developing.

My only other comment is that we are clearly heading into an extremely serious period for public finances. We would like to keep a fair bit of flexibility in the programme, because none of us is entirely clear how the next few years will play out in Scotland's public finances. We will need to develop that capacity.

The programme will almost certainly flex and change in some way as we move forward. We will endeavour to the best of our ability to have projects in the programme that help efficient service delivery in Scotland's public services.

With that, I hand over to Barbara Hurst to take you through where our thinking has got to.

Barbara Hurst (Audit Scotland): We believe that audit has a vital role to play in supporting the public sector in its difficult task of reducing its budgets. At the same time, we do not want to lose our focus on ensuring that services are effective and of a high quality. If they are not, they will not represent value for money.

We have agreed five themes with the Auditor General and the Accounts Commission, which will underpin the programme. I hope that they

demonstrate that we are trying to strike a balance between budget constraints and a necessary focus on the services that matter to people in Scotland. The first of the five themes, which are outlined in the paper that you have received, is—for obvious reasons—managing reductions in budgets. The second is investment in services, which is about looking not just at major areas of spend, important though that is—we have the capital programme in our own programme of audits—but at areas where, for an investment up front, you could get significant savings over the longer term. We are thinking in particular of services for children and families. We have included the theme of partnership working, which I know that the committee is interested in. We have kept the theme of user focus, because we think that it is hugely important in delivering public services, and we have the theme of environmental auditing.

We have developed a long list of topics where we think that audit can add value. In doing that, we have used intelligence from a range of sources, including your own interests. It is fair to say that the challenge is not in identifying the topics but in reducing them to a manageable number and in ensuring that we address high-risk areas, balanced across the whole public sector.

Appendix 1 of our paper for the committee provides a summary of the work that is in our current programme, on which we will report to the committee up to the spring of next year. The second column in the table shows the proposed programme of work that will start in the year that starts next spring. The third column, under the heading "Rolling programme", contains issues that we think are important and want to keep under review.

It is probably worth pointing out that two of the projects in the table are Accounts Commission for Scotland-only projects: physical recreation services, which is in the current programme; and charging for services, which is work that will start next year. All the other projects are either Auditor General or joint projects that will come to the committee.

To date, we have had a two-year programme. The Auditor General has said that we need to change that, because we need to build in flexibility to respond to emerging issues. I will try to explain the rolling programme idea, because it is new. We want to have an annual programme, to which we are committed, and a longer list of issues that we will bring forward for review against anything that emerges during the interim period. The approach will allow us to evaluate the items in the programme against emerging issues.

In practice, that means that we will have an annual programme that includes an indication of

our longer-term thinking, rather than a fixed two-year programme. A few things in our current two-year programme were overtaken by events and we are keen for that not to happen again. The new system will be more challenging to manage, but if we can make it work it will potentially have more value.

As the Auditor General said, we will consult widely in summer, through a web-based survey and by going out and talking to people. We will consult all MSPs, the public sector, equalities groups, user groups and the voluntary sector.

I will stop there, because this is the committee's opportunity to tell us what you think about our ideas and whether there is anything of great value that we should consider putting in the programme.

Mr Black: I add one comment, which is a pretty significant one, on the assumption of the level of resources that we will have to do the work. The programme will roll forward on the assumption that we will be taking efficiencies out of the budget in autumn. There was a recent discussion on that with the Scottish Commission for Public Audit, to which we will present our budget at the back end of the summer. Depending on the outcome of that meeting and the ultimate decision of the Parliament on the budget, it is clear that we will have to cut our coat according to whatever slack there is in the cloth that we are provided with—I wish I had not started that sentence.

Murdo Fraser: I will refrain from commenting on it.

I do not want to go into specifics about the topics that you have suggested. The rolling programme is a sensible approach. Given the resource that is likely, to what extent do you expect Audit Scotland and the Accounts Commission to be fully committed? How much scope and time will there be to consider aspects of the rolling programme in addition to the current and proposed programmes for the next two years?

Barbara Hurst: Our corporate plan commits us to eight to 12 performance audits per year. As you can see, we are up against that limit. We always have the ability to be flexible and push something further back if something important needs to be looked at—we are keen to explore that approach. Currently, we think that it would be valuable to consider all the issues in the rolling programme. We would re-evaluate them against any issues that came up, so there will be a constant process rather than one in which we commit ourselves to doing something in two years' time.

That was rather a long-winded answer. We are committed to retaining flexibility. Of course we cannot do everything, but we want to be able to respond to issues as they emerge.

Murdo Fraser: Are you saying that you would take on projects in the rolling programme at the expense of projects in the current and proposed programmes? I just want to be clear about that.

Barbara Hurst: We would ensure that we evaluated the projects to ascertain whether they were of greater importance—I can give you an assurance on that.

Murdo Fraser: Okay. Thank you.

10:45

George Foulkes: The paper is excellent and everyone concerned should be congratulated on the strategic thinking in it, which is encouraging. I hope that I will be forgiven if I move on to one or two pet issues.

I would like work to be done on investment, and particularly on early intervention, on which not enough has been done. It is a bit of a nettle to grasp as far as public policy is concerned. It is difficult for people to accept that families—however important they are—might create some of the problems that we face in child care, and that early intervention might not only save money, but be better for the children in the long term. I hope that something can be done on that.

The audit of the gathering will presumably include the year of homecoming, which seems to have been a spectacular failure and a waste of money. I hope that that can be examined in more detail.

I welcome the proposed performance audit of the Edinburgh trams. We have an astonishing situation in which a local authority in total disarray is implementing the scheme, and MSPs of the same political persuasion as at least some of those who are running the local authority are sniping away in the background. There are apparently fights between the contractors and the people involved. It really is a mess, and yet it is potentially one of the most exciting projects that we are undertaking in terms of the environment and public transport.

I have suggested to the City of Edinburgh Council that it considers other sources of funding, such as European money and a range of other sources. It appears that those things have not been considered because the council has been so preoccupied with the day-to-day troubles. I hope that the audit will take account of that.

The programme does not include higher education, yet expenditure in that area seems to be out of control. I recently got some freedom of information data on the cost of the vice-chancellors, the principals and the heads. We are spending £2.5 million on paying huge inflated salaries—which are in most cases greater than the

Prime Minister's salary—to the heads of 13 institutions. We seem to be unable to bring that under control. What can we do to put pressure on the Scottish Further and Higher Education Funding Council, or whoever is responsible? How do we bring that area under the responsibility of the Auditor General and the Public Audit Committee so that we can challenge some of those things? The situation is outrageous.

At the University of Aberdeen, for instance, the former principal has been brought in as a consultant and is, I understand, being paid his old salary while the new principal is in post. I have been refused information about that, and I have had to go through the appeals process. It is astonishing that the top people in those institutions are being paid so much money, and that we have so little control over it.

I have made a few points there.

Mr Black: I will step up to the crease.

In relation to the year of homecoming and the gathering, the piece of work that I have asked Audit Scotland to do should be reported to the committee before the summer recess. It is on the gathering event, because there was a fair degree of concern in the Parliament, and more widely among the public, about some of the reported problems with that. It is a specific one-off audit that will examine how the programme was managed and what the results were.

The wider expenditure on the year of homecoming will be audited through the Scottish Government's internal audit process in the normal way. Audit Scotland, as the external auditor, will not examine that area; we are simply not resourced to do so.

It is important to distinguish considering whether expenditure was properly incurred, what the benefits were and whether they were properly reported from considering how that fits in the overall policy context. I would not see us requiring to do a piece of work on the homecoming, unless concern—backed by evidence—was expressed to us that there was something improper in how the budget was managed. We have no evidence whatever of that and we have no role in the policy matters.

As the committee can imagine, we have received representations from time to time about the reported problems with the Edinburgh trams. The City of Edinburgh Council's auditor is monitoring the situation as it goes along, but the project is live and involves significant contractual disputes, so intervening is not really appropriate for the audit process—we simply cannot go into that. That is why trams are listed in the right-hand column—under the “Rolling programme” heading—of our audit programme. Audit Scotland

will judge when it might be appropriate to report on the trams.

It is right to say that the Auditor General has no locus or remit to audit HE institutions, which are in charge of their own activities and their own governance arrangements through their courts, so I cannot consider issues such as principals' salaries. The Scottish Parliament put in place legislation whereby I might undertake value-for-money studies in higher education, but the understanding was that that would be an exception.

About three years ago, we did a major piece of work on the higher education estate, which will—to be frank—be an issue again in the future. Maintaining the estate of older universities and some of the estate that was created in the 1960s will be a challenge with tight public finances. I acknowledge that concern might be felt about matters such as governance in relation to principals' salaries—on which I have no views, because I have no information. I venture to suggest that some issues might be even more significant in the medium term, such as the funding of HE and the estate that Scotland carries in the range of HE institutions. We have put nothing like that in the programme yet, but we need to keep the subject under review.

George Foulkes: I appreciate those helpful answers. Perhaps we need to keep such issues under review. I know that the convener has some concern about higher and further education expenditure—perhaps we need to consider that separately.

As a member of the Scottish commission—the SCPA—what is it called again?

The Convener: The Scottish Commission for Public Audit.

George Foulkes: The Scottish Commission for Public Audit—I am a member of it but I forgot its name. As an SCPA member, I noted the Auditor General's plea about his budget.

The Convener: Higher and further education is relevant, but the Auditor General is right to say that some of the issues that have been raised go beyond his remit. Fundamental accountability questions are involved. Such institutions can spend substantial amounts of public money on a handful of people and not be held to account, other than by an internal court. All politicians and all political parties should examine that issue closely, but it is not immediately for the committee.

Anne McLaughlin: I echo what everyone else said—as always, the way in which Audit Scotland moves forward and develops issues is impressive. I am particularly interested in the user focus theme, which is extremely important.

I want to help my colleague George Foulkes with information on homecoming Scotland. He might not have seen the recently published figures that show that homecoming Scotland generated a £53.7 million increase in tourism revenue, which exceeded the £44 million target by 22 per cent, and an additional 95,000 visitors. Now that he has that information, perhaps he will stop calling it a disaster. It was announced yesterday that there will be another homecoming Scotland in 2014 and I am sure that we all want that to be as much of a success as the previous one was.

George Foulkes: I do not think that there is any evidence of a link between the two things. We might well say that the level of the euro was a bigger factor in people holidaying in the United Kingdom. The visitors were mostly from England anyway.

The Convener: An independent report was done on the matter. At some point, there probably needs to be an examination of both the quality and the content of that report to see whether it withstands scrutiny. That is not a job for the Public Audit Committee, but it might well be that other committees in the Parliament will want to look at that in more depth. I am sure that George Foulkes and others will talk to members of the appropriate committees.

Bill Kidd: Like everyone, I want to say how impressed I am by the programme that is outlined in the briefing. There is no hiding place for anybody in any area of public life in Scotland because it is such a wide-ranging programme. It is not as if it is all concentrated in one particular area.

I am interested in the rolling programme item on women in custody, which links strongly to the following item on young people leaving care. I am also on the Equal Opportunities Committee, which compiled a report on women offenders in Scotland and custody, so I am aware of the range of issues that are involved. To my mind, and I think that the Equal Opportunities Committee would agree, prisons are still being used a little as a dumping ground—although I know that the report does not actually state that—for people with mental health problems and suchlike. We also heard about the damage that is done to families when people are put in prison without due respect for the impact that that will have on children. That item is therefore particularly important.

The Edinburgh trams item will be interesting. Of course, some of us were not in favour of the project in the first place, but it is going ahead. It is the only project of its type that is running—it is running away with money, in spite of the fact that there is a tram on Princes Street that has not moved yet.

The range of issues that are covered points to the fact that the Auditor General and his team are on the ball in ensuring that areas in which public money is spent are audited correctly.

The Convener: On the Edinburgh trams project, I return to your point, Mr Black, about looking at major projects and trying to ensure that, as they develop, there is value for money. The Forth crossing is clearly a controversial project. There are some who are in favour in principle, some who are against in principle, and others who support the principle but worry about the project's ability to stay within budget. If it goes ahead, will you start to look at it at an early stage? What assurances can the Parliament have, through you, that there will be better financial controls on that project than there were with the Edinburgh trams project, the Scottish Parliament project, and indeed—reflecting on the work that you did previously—the Edinburgh airport rail link?

Mr Black: If the Forth crossing were to go ahead, it would clearly be such a significant project for the Scottish budget that my colleagues and I would need to think about what role we would play in monitoring it as it proceeded. Until we have more information about it, it is difficult for me to give a more precise answer, but it is certainly something that we will have to keep under review.

11:00

The Convener: I am concerned that it is the type of project that can push a range of projects off the page. It is not just a big project—it has major implications for other aspects of Scottish infrastructure. If its management goes wrong, the whole country will pay not just financially but in the development of other services. It would be helpful if the project could be monitored.

Willie Coffey: My question touches on themes that the convener and others have mentioned. Do members recall the concerns that we expressed about various projects and project management approaches? We were keeping an eye on various methodologies for managing projects and keeping them under control. Will that be an on-going piece of work in the programme—as part of the work on major capital projects, for example?

Mr Black: The planned piece of work on the management of capital projects will look at all those issues. Our first report, in which the committee was interested, commented on and suggested improvements in project management. We will undertake an evaluation of the current state of play in the area.

Willie Coffey: It is encouraging to hear that. Inevitably, perhaps, contract disputes arise from time to time. Is it Audit Scotland's business to look

at such processes? We could mention the Edinburgh trams project in that context. Are there ways of resolving disputes that would save the public money? As we all know, ending up in court to resolve disputes is very expensive. Could other mechanisms, such as mediation, be deployed at an earlier stage to resolve disputes as they arise?

Mr Black: I will give a two-part answer. First, if a contract is going into dispute, the external auditor has no part to play in the process while it is live. That is the simple truth of the matter. Secondly, to minimise the risk of contract disputes arising, it is important to specify the project well and to have good project control in place at the outset. It is perfectly appropriate for audit to come in after the event to assess the quality of project specification and management throughout the course of the project. We did that for the Holyrood Parliament building project, which gave rise to disputes.

Willie Coffey: That is a really important message. Perhaps when project plans and so on are defined in future, there should be some kind of agreement to have mediation before the legal stage is reached, to reduce the ultimate expense to the public purse that inevitably arises from court proceedings. That is wise advice.

A few members have picked up Barbara Hurst's point about user focus. I am always seeking to establish whether the public perceives that a public service has improved. Although your resources are quite tight, in much of your work it is crucial for you to have some engagement with the public. One of my favourite issues is police call management and whether the public thinks that the service is improving. I would expect a future report that you produced on the issue to include a statement on the extent to which the public in various police board areas thought that the service had improved.

Barbara Hurst: I agree. We try to build in user focus as much as we can, as any service that people provide is being provided to someone. We have in house many skills relating to survey design and running focus groups. We will continue to take that approach, when we can.

The Convener: I thank the Auditor General for his briefing.

11:04

Meeting continued in private until 11:05.

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