

AUDIT COMMITTEE

Tuesday 17 September 2002
(*Afternoon*)

Session 1

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AUDIT COMMITTEE **12th Meeting 2002, Session 1**

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Mr David Davidson (North-East Scotland) (Con)

COMMITTEE MEMBERS

*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

Mr Lloyd Quinan (West of Scotland) (SNP)

Mr Keith Raffan (Mid Scotland and Fife) (LD)

COMMITTEE SUBSTITUTES

Miss Annabel Goldie (West of Scotland) (Con)

Mr Duncan Hamilton (Highlands and Islands) (SNP)

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

Barbara Hurst (Audit Scotland)

Arwel Roberts (Audit Scotland)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 2

Scottish Parliament

Audit Committee

Tuesday 17 September 2002

(Afternoon)

[THE CONVENER *opened the meeting at 14:01*]

Items in Private

The Convener (Mr Andrew Welsh): Welcome to the 12th meeting in 2002 of the Audit Committee. As usual, mobile phones and pagers should be switched off.

Agenda item 1 concerns items in private. I seek the committee's agreement to take agenda items 4 and 5 in private. The items are housekeeping items—agenda item 4 is on arrangements for evidence taking and agenda item 5 is consideration of our draft report on further education colleges. Both involve matters that will eventually become public and fully on record. Do members agree to take those items in private?

Members indicated agreement.

The Convener: The committee must also decide whether to discuss in private at its next meeting any further draft report on its inquiry into FE colleges, if that is necessary. It will be necessary only if the committee makes amendments to the draft that is before it today. A redraft would need to be considered at our next meeting, although I hope that the precaution will not be required. Are members agreed that discussions should be in private?

Members indicated agreement.

The Convener: Finally, does the committee agree to consider in private at its next meeting arrangements for a possible inquiry into the Auditor General for Scotland's report "Review of the management of waiting lists in Scotland"?

Members indicated agreement.

Work Programme (Audit Scotland)

The Convener: Agenda item 2 is consideration of Audit Scotland's proposed work programme for September 2002 to March 2003. Members have Audit Scotland's consultation document on the formulation of its work programme and I invite the Auditor General for Scotland to brief the committee on that programme.

Mr Robert Black (Auditor General for Scotland): In July, we circulated ideas to members of the Audit Committee relating to Audit Scotland's forward work programme for performance studies for the next couple years. During the summer, we consulted a wide range of stakeholders on that document. The formal closing date for replies to the consultation was early September. We are now analysing the responses and reaching a final view on studies that are likely to go ahead.

We were pleased with the range and quality of responses we received. The information will be extremely useful to us and we are grateful to everyone who took the time and trouble to read the document and give us their thoughts on it.

I welcome the opportunity to have the item on today's agenda. Primarily, I want to update the committee on where we have got to, but I also want to invite committee members to offer their views on what the work programme should look like. Members may do that either at today's meeting or before the end of September. By the time we come back to the Audit Committee after the recess, the programme will have been set. By that time, we shall have determined in the light of the consultation which topics should go ahead.

In the meantime, members of the committee may ask questions. If members require a further briefing, I am happy to provide it. I am in a position to give a general indication of which topics are the front-runners, so to speak. Do members want to react to that?

The Convener: Have members any comments?

Mr David Davidson (North-East Scotland) (Con): I firmly accept the Auditor General's offer of a further briefing, as it will give us some sense of focus to investigations. It would also be helpful if we could have an indication of what sort of time scales will be required for the inquiries that are listed on page 2.

Mr Black: The programme would be progressively introduced in the early months of 2003. The reports from the studies would be published, roughly speaking, towards the end of 2003 and into 2004. Some studies will be

completed more swiftly than others but, as members will have appreciated, some of the topics are quite ambitious and will require some scoping. As a rough rule of thumb, the studies should be thought of as kicking in round about the middle of 2003. The reports will come out at the end of that year and into 2004. That should give a sense of the time scale.

The Convener: I stress support for Audit Scotland's follow-up study work, which is essential for assuring the general public about public scrutiny. However, I notice that the consultation exercise does not include work on performance management studies. I encourage Audit Scotland to continue those studies, because they are useful in ensuring that best value for money is obtained and that individual quangos are subject to public scrutiny. I encourage Audit Scotland in its performance management studies.

Mr Black: The performance management studies generally involve single organisations. We took the thoughtful decision that, as it was unlikely that turkeys would vote for Christmas, it was appropriate for us simply to take general soundings on whether those studies were appropriate. It is good to have the convener's confirmation that that is the case. Performance management studies will feature in future programmes. If committee members have any thoughts about which organisations we should consider, we will be happy to try to take them on board.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): From a constituency point of view, I have had significant information on how Historic Scotland achieves best value. I certainly do not agree that Historic Scotland achieves best value, so I would like an independent study to be carried out to prove or disprove my own thoughts.

The Convener: I support that. Does David Davidson want to add anything?

Mr Davidson: Partly because of the briefs that I hold, I know that VisitScotland, Scottish Natural Heritage and Historic Scotland are the three areas that bring up the most questions not only in my region, but nationally. I do not say that the other two organisations listed on page 3 are not important, but those three seem to raise the most queries.

Mr Black: That is helpful.

The Convener: The briefing gives a wide selection of organisations on which performance management studies might be carried out. Is it possible to give an indication of any front-runners?

Mr Black: Yes. We attempt to get a balance across the major sectors of local government, the health service and central Government. We also

try to take into account the volume of expenditure involved and whether concerns are emerging about variation in performance. Increasingly, we will have an eye towards examining whether the new initiatives that have been launched are delivering what they were expected to deliver.

In the comments that I will now offer, I re-emphasise that our work programme is very much at a draft stage and is no more than a general indication of how things are going. In the block of studies called "Education and Children's Services", there is a fair measure of support for examining the implementation of the McCrone agreement. As the committee will be well aware, that agreement was contained in "A Teaching Profession for the 21st Century" and delivered a new deal for teachers. As part of the agreement, there were to be changes in the operation of the teaching profession in Scotland.

There is support for such a study, but as the implementation of McCrone will not be concluded until 2006, anything we do now will take the form of a progress report that will probably commence in the middle of 2003 and be issued in 2004. Considering the matter on that sort of time scale will mean that we will be able to issue our progress report using audit examination techniques in advance of McCrone's final phases, just in case some adjustments need to be made in the final year of implementation. As a result, a study on the McCrone agreement might be very possible.

As far as enterprise and lifelong learning is concerned, there is considerable interest in widening access to further and higher education. We intend to keep that in mind. Our best guess is that that study will happen further down the line and will not form part of next year's programme. That is partly because the committee will shortly receive a short report on the establishment of local economic forums. In the course of that—and as a result of our previous consultation exercise—we identified a measure of support for an audit examination of business support services in Scotland. Such a cross-cutting study would consider the role of local enterprise companies, local authorities and other agencies in providing business support services once the local economic forums have settled down. We are inclined to feel that business support services will feature in the field of enterprise and lifelong learning.

As for transport, the respondents—and the Scottish Executive—strongly supported a study on maintaining and improving the condition of Scottish roads. Such a study might well examine both local authority and trunk roads, because by that time the new trunk road contracts will have bedded in. Frankly, I would welcome the chance to

move the agenda on and examine actual performance in the round. Obviously, that would be a joint study with the Accounts Commission, as many of these studies would be.

We have not ruled out an examination of subsidies to ferry operators. At this point, I will ask Arwel Roberts, who is very knowledgeable in this area, to give us an indication of what might be involved. Our minds are still fluid on these matters.

Arwel Roberts (Audit Scotland): The Scottish Executive has issued a consultation document on the letting of a contract for ferry services to the Western Isles in anticipation of having arrangements in place by autumn 2004. Although the Executive has already established a contract for northern isles ferry services, the arrangements for the new service will be rather different. It is also possible that there will be subsidiary ferry services between Scotland and Northern Ireland. The purpose of our exercise is not so much to examine the performance of operators but to consider the merits and demerits of the different methods of procuring services. If there is any value in such an exercise, timing will be fairly crucial, because it is likely that any future contracts will be let for a considerable time. After all, operators have to put up significant costs for running services. As a result, we are focusing more on the means by which the services around Scotland are being or will be secured. It will take some time before the actual performance of the operators becomes clear.

14:15

Mr Black: We are inclined to the view that an audit examination of the Scottish Prison Service under the general heading "meeting required standards" is appropriate. The most likely study would be on meeting required standards in providing rehabilitation opportunities for prisoners. That would be a practical study to deliver. The National Audit Office has done some work on the issue recently, so we can take some of that work and do a similar examination in Scotland. That suggestion might well come through.

Two topics are suggested in relation to the police, both of which are important. Our guess is that those topics will take longer to scope out because we must work closely with chief constables and with the chief inspector of constabulary. Those topics might not be for next year, but we will keep them in mind. Perhaps the committee will have comments on that.

Barbara Hurst, who is the director of performance audit, has responsibility for health and community care. I invite her to say a word or two about how the programme for that area shapes up.

Barbara Hurst (Audit Scotland): We have had a huge number of responses on the health and community care agenda, which shows how important people think it is. Of the health issues, colorectal cancer services appear to be a strong front-runner. Cancer is a national priority for the health service in Scotland and there has been a lot of extra investment in it. We would complement and not duplicate the work of the Clinical Standards Board for Scotland by coming in on the back of its work.

We had a mixed response on whether we should study maternity services. The general feeling seems to be that now is not the right time for work in that area. We also had a mixed response on the issue of day surgery, but we are keen to keep it in the programme, because it would make for a quick, easy study, which would balance some of the bigger studies. As we have already done a lot of work on day surgery, the study would be a follow-up.

All the community care issues emerged as high priority, but the balance was in favour of a study on the discharge of older people from hospital. That relates to the issue of community provision for older people. We would have to be careful not to duplicate the work of others in the area, but there is a lot of information on which we could build. Rehabilitation services could be considered as a subset of discharge, although they could also form a study in their own right. We might try to pick up a few rehabilitation services issues in the study on discharge. It was felt that the timing was wrong for a study of adults with learning difficulties and of community-based substance misuse.

The Convener: Do you wish to finish off, Mr Black? You have covered a fair range already.

Mr Black: I want briefly to mention housing. It is generally accepted that an examination of housing stock transfers would be appropriate at some point, but it would be premature to do that next year because the situation is fluid. The study is more likely to be done in 2004 than in 2003.

I invite Arwel Roberts to mention water.

Arwel Roberts: We have embarked on an exercise on the water merger, which is based on the work of the appointed auditor for the three water authorities in 2000-01. Our aim is to comment on issues from the merger process, such as how it went, the likely costs—as far as they can be identified—and any lessons that have emerged for the new organisation.

The Convener: You have produced a wide-ranging and practical work programme, which could pay great dividends in improving quality and best practice in major daily national services for the Scottish people. I hope that Audit Scotland has noted the committee's enthusiasm for

performance management studies and our support for its work in that respect. We look forward to receiving the fruits of Audit Scotland's labour, which will be of benefit to the whole country.

Margaret Jamieson: I note that housing benefit overpayments and recovery are listed in the "Other" category. I am aware of the work that has been undertaken by the Department for Work and Pensions to ensure that initial applications are completed within a certain time frame. I understand that that continues to be a problem. Could your examination include the initial processing?

Mr Black: If we were to do that study, we would be concerned about systems and procedures. We will have to undertake such a study at some stage. However, in view of all the other elements in the programme, I am not sure whether we can fit it in next year.

Mr Davidson: I have two or three points to make, convener. I refer to the Auditor General's comments on the local economic forums and the business support services. The forums are a new invention and they have hardly got going—it is early days. However, there is certainly quite a bit to look at in respect of the business support services.

On transport, I see a clear difference between local authority and trunk roads, not only in terms of responsibility, but because the trunk road maintenance contracts have only just gone out. Although one could take issue about the first winter of the trunk road maintenance contracts, I wonder whether it is early days in respect of those contracts. However, we have evidence from across Scotland about problems in the management of maintenance of council-controlled roads. For that reason, I would have thought that a focus might have been placed on local authority roads.

As far as health is concerned, evidence seems to show difficulties in colorectal cancer services in certain areas of Scotland. Those difficulties resulted in a considerable amount of communication; given that health is part of the Executive's focus, the issue is an important area to cover. I would appreciate an examination of the "Day surgery revisited" heading, if that is not too big an area. I can see a need for that study fairly early on, as there is a lot of movement between general practice and local community hospital activity and the trusts. A bit of clarity needs to be brought to bear on that area.

In respect of the "Baseline study of housing stock transfers" heading, what are your thoughts about examining the operation of the housing associations, especially those that have been around for a while?

Mr Black: I will answer the questions in the order in which they were put. The study of the local economic forums is a light-touch piece of work that follows on from a request made by the committee. It provides an independent commentary on whether the arrangements that have been put in place by the Executive and at local level are likely to be fit for their purpose. In other words, the study considers whether the arrangements are bedding in. It is not an attempt to consider the performance of the forums at this early stage in their development.

I am sure that the committee will recall that the forums have a limited remit, which is to address overlaps in services and to improve communication between local business clients and the various service providers. That report will be laid before the Parliament in the near future. However, as you correctly point out, that leaves the wider issue of business support services, which would be a significant piece of work in the medium term.

We have not decided whether we will look at trunk roads and council roads together. The study might concentrate on council roads only. However, my concern is that people might ask how that relates to what is happening with trunk roads. We would like to keep open the option of looking across the piece. However, I take the point about it being early days in relation to trunk roads following the letting of the new contracts.

On colorectal cancer services, I had a useful conversation recently with the chairman and chief executive of the Clinical Standards Board for Scotland. They were supportive of the study because, as we know, they have recently promulgated standards. There is a shared concern to evaluate, using an audit methodology, how the standards are bedding in and the systems and processes that operate throughout Scotland.

We would like to consider day surgery again for the reason that you gave, which is that there is much fluidity in service delivery. The organisational context of day surgery is changing again and we have evidence of variations in day-surgery rates, not only within Scotland—which is of primary concern—but in England. There might be challenges for the national health service in Scotland to achieve the best possible standards.

On housing stock transfers, we do not plan at the moment to look specifically at housing associations although, if there was a specific concern, we could look at them again. We have developed a partnership agreement with Communities Scotland, which has the prime responsibility for looking after housing associations. I am sure that, if there is an area of concern, we could have a conversation with Communities Scotland and consider whether any work was required.

Mr Davidson: Perhaps I might just say to the Auditor General that I will write to him on that topic.

The Convener: You sound ministerial.

I thank Audit Scotland. Does the committee agree to note the proposed work programme?

Members *indicated agreement.*

External Research

The Convener: Item 3 is on external committee research. We have a follow-up paper from the clerk on the outline proposals for external research that the committee agreed to at our previous meeting. The paper sets out a more detailed remit and time frame for the external research exercise. The main aims are to consolidate and build on our liaison with other legislatures, to develop our examination of audit processes internationally and to build a platform for a possible civic participation event or seminar during this session.

The committee will note that the desk-based work could be completed in time for the results to be reported to us in late January 2003. We might wish to consider holding a civic participation event in early 2003. I invite comments.

Mr Davidson: I would like a little more detail on who would attend a civic participation event and what that would mean for the external research process.

The Convener: We have the broad outline and the first timetable, within which the committee will decide who will attend the event. Therefore, we will return to that subject. We want maximum input from outside organisations in line with our objectives.

Does the committee agree to the outlined remit and time frame for the external research?

Members *indicated agreement.*

The Convener: The matter will return to the committee.

14:28

Meeting continued in private until 14:44.

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