

AUDIT COMMITTEE

Tuesday 29 October 2002
(*Afternoon*)

Session 1

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CONTENTS

Tuesday 29 October 2002

	Col.
ITEMS IN PRIVATE	1179
WORK PROGRAMME (AUDIT SCOTLAND)	1180
“LOCAL ECONOMIC FORUMS: A BASELINE PERFORMANCE STATEMENT”	1185
“MEASURING UP? A FOLLOW-UP REPORT ON PERFORMANCE MEASURES IN THE SCOTTISH ENVIRONMENT PROTECTION AGENCY”	1187

AUDIT COMMITTEE

14th Meeting 2002, Session 1

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Rhona Brankin (Midlothian) (Lab)

*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)

Janis Hughes (Glasgow Rutherglen) (Lab)

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

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

Caroline Gardner (Audit Scotland)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 4

Scottish Parliament

Audit Committee

Tuesday 29 October 2002

(Afternoon)

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

The Convener (Mr Andrew Welsh): I bring the meeting to order and welcome everybody to the 14th meeting of the Audit Committee in 2002. I make the usual announcement about mobile phones and pagers: if you have them, please switch them off. Apologies have been received from Keith Raffan and Lloyd Quinan.

Items in Private

The Convener: Item 1 is to seek the committee's agreement to take items 5 and 6 in private, to allow the committee to consider arrangements for possible inquiries. They are housekeeping matters and will be made public in due course. Do I have the committee's agreement to take items 5 and 6 in private?

Members *indicated agreement.*

Work Programme (Audit Scotland)

The Convener: Today, we will receive a series of briefings from Audit Scotland, following which we will decide how best to proceed. Item 2 is consideration of Audit Scotland's proposed work programme for 2003-04. Audit Scotland has completed an extensive consultation with stakeholders in relation to the formulation of its work programme. I invite the Auditor General and his staff to brief the committee on Audit Scotland's proposed work programme.

Mr Robert Black (Auditor General for Scotland): At your meeting of 17 September, I presented a report that outlined a range of possible studies that we might undertake during 2003-04. The paper was presented at the end of the consultation period to which you referred. Since then, we have come to a final view on what the programme of studies might look like, taking into account all the representations that we received. I invite Caroline Gardner, the deputy auditor general, to give you a brief indication of why we settled on the projects that we have chosen and to outline some of the more significant features of the programme. As always, I shall be happy to answer your questions or address your comments after that.

Caroline Gardner (Audit Scotland): Committee members will be aware that the committee receives broadly two types of work from Audit Scotland. The first of those concerns things that have arisen from audits, either because specific problems have been identified or because we think that significant issues are worth drawing to your attention. The second type of work is that which is planned and proactive, which aims to take a more systematic look at the performance of public bodies in Scotland to promote accountability and support improvement.

The programme of studies concerns the second strand of that work, which is our planned work to ensure that most parts of the public sector are reviewed on a rolling cycle so that the committee can be given assurances about their performance.

Our proposed programme takes account of the wide range of responsibilities of the Auditor General and the Accounts Commission in relation to local government. The programme aims to ensure that we get a view across significant areas of public expenditure that are important to the public as citizens and service users. We also want to ensure that we balance studies on effectiveness with those on efficiency and balance new work with the follow-up of earlier studies to ensure that recommendations are being implemented and progress is being made.

The planned study programme on page 2 of our report sets out the work that is under way, our commitments for follow-up work and our proposals for new studies. The aim is to give the committee the context of the new proposals so that it can get a sense of how the whole programme hangs together as it rolls forward year on year.

I am happy to answer questions about anything in the programme, but I will concentrate for a couple of minutes on the key new areas that we are suggesting. In the justice policy area, we propose work initially on prisons. As the Auditor General outlined in September, we will almost certainly focus on the issue of meeting required standards in prisons and, in particular, on programmes to prevent reoffending. We will look at how reoffending programmes and the care of prisoners are being managed in Scottish prisons.

We propose work on the police, because that is an important public service to the people of Scotland, which accounts for a significant part of public expenditure. However, we propose to start that study a little later to allow for consultation with chief constables and with Her Majesty's inspectorate of constabulary to ensure that we focus the work appropriately and get the best possible area for the study. We will return with more information on that later.

On education, the people whom we consulted strongly supported examining the implementation of the McCrone agreement. That study will be a work in progress that will look at how implementation is being developed, at any issues arising and at how local authorities can learn from each other about effective implementation of the McCrone agreement.

On transport, we propose a study of the condition of Scottish roads that encompasses trunk roads and the roads that local authorities maintain. That is to be done because of the links between those two sets of roads and because we think that common lessons will be learned from that area.

On enterprise and lifelong learning, we propose to look at how access to further and higher education is being widened throughout Scotland. The study will probably start with further education colleges and follow up with higher education institutions.

Our proposal to carry out three studies on health reflects the importance of health as a public service in Scotland. One study will look at the balance in hospital prescribing between efficiency, costs and effectiveness—which is whether patients get access to the drugs that they require for their treatment.

Another study will look at the implementation of the Clinical Standards Board for Scotland's

recently published standards on colorectal cancer. Members will be aware that the CSBS has looked across Scotland at how those standards are being achieved. We discussed our study with the CSBS and we believe that we can complement its work by ensuring that that work is being organised and managed as well as possible to assure the implementation of the standards.

The third new study on health will be a follow-up of previous work on day surgery. It will look at how well hospital trusts organise day-surgery care for patients for whom that is an appropriate way of treating their health problems.

The next new study that is set out in page 2 of the report is health related, but it is specifically within the community care portfolio to take account of local authorities' role in ensuring that older people can be discharged safely and quickly from hospital to the care needed to keep them out of hospital. Community care is an important area of public policy, which has £100 million of new funds to ensure that it works properly. We are keen to ascertain whether we can spread good practice and give an assurance that community care is being managed well across the piece.

On the housing and environment strand, the two areas to focus on are probably our two proposed performance reviews of non-departmental public bodies on aspects that might not be picked up in thematic studies of services. Given our view of NDPBs and agencies and having scrutinised consultation responses, we propose performance management reviews of Scottish Natural Heritage and Historic Scotland. Those reviews will be similar to the review of the Scottish Environment Protection Agency on which there is a follow-up on today's agenda.

Finally, we propose studies on a couple of generic management issues that do not relate to particular sectors but which could cut across the range of public bodies. The first study will look at the private finance initiative. The Auditor General is keen to look across the areas of his responsibility to get a picture of how the PFI is being used and where there might be scope for further review.

There will also be a more focused study on property management that will probably focus on local authority property holdings, mainly in the context of community planning. We will examine how local authorities work with their local partners to identify better ways of using local authority property, getting best value from it and meeting the needs of local people more effectively.

The Convener: That is quite an agenda. Thank you. I invite members to comment.

Mr David Davidson (North-East Scotland) (Con): Will the community care study look at

where older people who are discharged from hospital might go? Is Audit Scotland interested in the options of where they may be treated? I presume that by "hospital" the acute sector is meant as opposed to the community.

Caroline Gardner: Yes, I mean primarily the acute sector. We are interested in how older people can avoid being admitted unnecessarily to acute hospital care and how, having been in acute hospital care, they can be moved on to the most appropriate setting for them thereafter.

Mr Davidson: That would include the voluntary and independent sectors, community hospitals and so on.

Caroline Gardner: Absolutely. It will include various sorts of long-term care as well as people's own homes.

Mr Davidson: My next question relates to the condition of Scottish roads. You explained that there is an obvious overlap because trunk roads and local authority roads link up. Will your study look at joint working? For example, some management contracts for trunk roads were partly done by local authorities previously. Obviously, there is an interchange in that. There is also tremendous public interest in the difficulties of the roll-out and management of the trunk road contracts and the advantages or otherwise for the people trying to use the roads. Will that aspect be a core part of the roads study?

Caroline Gardner: That will be a part of the study. However, Audit Scotland, on behalf of the Auditor General, previously looked at the letting of those trunk road contracts when the local authority contracts shifted to the two current contractors. We will obviously look at the effectiveness of the new contracts and link that to how local authorities are maintaining the roads for which they retain responsibility.

Mr Davidson: I am sorry, but my intention is not to go over an old report. I am interested in future activity and anything that arises from the new contracts, which have been going for a year.

Caroline Gardner: Absolutely. We will look at the future scope for joining up the two areas of trunk roads and roads maintained by local authorities.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): The convener will not be surprised that I have a question on the performance management review of Historic Scotland. Hardly a month goes by without an MSP expressing a particular difficulty with Historic Scotland. In Audit Scotland's performance management review of Historic Scotland, will you take account of whether that organisation is open, transparent and accountable in its dealings,

particularly when it decides to support an organisation?

Will you consider why, when deciding whether to support a project, Historic Scotland considers supporting only phase 1 of the project? That practice means that by phase 2 organisations have their backs to the wall. However, they must continue with the project and bear the financial burdens. Will such aspects be considered in Historic Scotland's performance review in addition to considering how well the organisation is run?

Caroline Gardner: Each of the studies must be scoped to pick up issues that are particularly relevant to the body or service at which we will look. The performance management reviews, of which the Historic Scotland one is an example, will look broadly at how public bodies carry out the objectives that they get from the Scottish Executive and at how well they conform with good practice in aspects such as transparency, openness, budget planning, forward planning and matching those to available resources. Therefore, without pre-empting the likely scope of the review of Historic Scotland, we aim to investigate the whole picture of how well it carries out its business.

Margaret Jamieson: That is fine.

The Convener: Audit Scotland has once again provided us with a trailer of its forthcoming attractions. Its comprehensive work programme contains a depth and breadth of subjects, including justice, education, health, housing and economic matters.

I am also happy to note that the work programme includes modernising government, which will take the work of the Audit Committee into a new and important area. Prisons is another new area of work for Audit Scotland; the Justice 1 Committee will be happy that one of its priority issues is included in the Audit Scotland work programme. We have heard that Margaret Jamieson is pleased that Scottish Natural Heritage and Historic Scotland, in particular, are also included.

14:15

It is important that the recommendations that we make, which have been accepted, are implemented. Audit Scotland's work programme is an innovative and important part of our work to achieve positive results. I thank Audit Scotland for the trailer of its forthcoming attractions and ask the committee to agree to note Audit Scotland's proposed work programme.

Members indicated agreement.

“Local economic forums: A baseline performance statement”

The Convener: We move to agenda item 3, which is a briefing from the Auditor General on a baseline performance statement report on local economic forums—or fora—in Scotland. I invite the Auditor General to brief the committee on his report.

Mr Black: I would welcome advice outside the meeting as to whether we should use forums or fora. I took a strategic decision to use forums.

The Convener: The convener prefers fora, but we can argue about that later.

Mr Davidson: So does the deputy convener.

The Convener: That settles it.

Mr Black: I am truly independent of the committee.

As members of the Audit Committee know well, the Scottish Executive established local economic forums in April 2000 in response to a recommendation from the Parliament's Enterprise and Lifelong Learning Committee. The Auditor General and the Accounts Commission for Scotland gave a commitment to monitor the position and report on the subject.

This report is unusual, in that it sets out the position that the new organisations inherited as a baseline for monitoring future progress. At this stage, we have not drawn conclusions; we have produced evidence on which further studies can be developed. We also signal our intention to produce towards the end of 2003 a follow-up report that will detail the progress that has been made by each local economic forum. The report before the committee sets a marker for that process.

We attempted to outline the position of the forums against a series of indicators. Those indicators are included in a performance measurement framework that is designed to monitor the forums' performance. The report also sets out the important issues that the forums will be expected to address. The first is the clear perception among businesses of the existence of overlap and duplication. The second is the examples of overlap that the forums have identified, which include duplication of services and multiple application forms. The third is the scope to release and redirect funds for other purposes more efficiently and more effectively as an assistance to business. The final issue is the continuing need for close partnership working at a local level, which the forums have recognised as an issue.

The next step will happen late next year, when we will undertake an analysis of progress. I welcome the committee's support for that measure. That analysis will involve an examination of the performance of the forums against each performance indicator. We also recognise the need for a wider examination of the economy, efficiency and effectiveness of public sector delivery of support to businesses. It is probable that the study will extend beyond the examination of local economic forums that is predicated in the report in order to combine the results of that examination with a consideration of the wider issue of support to business.

I am happy to answer questions from the committee.

The Convener: I remind the committee that we are to consider those matters in detail under item 5. Do members have any general comments to make at this stage?

Mr Davidson: I have a question about overlap and delivery. Major changes are being made to the enterprise network in Scotland. The amalgamated enterprise trusts are becoming dependent on being the deliverers for local enterprise companies. I assume that that relationship will be explored in some detail, but will the discussions that are taking place about the proposed changes at Scottish Enterprise make it possible for you to do that? Does the time scale for the report depend on whether the Scottish Enterprise network comes up with further proposals about its own structure?

Mr Black: There is always a difficulty when the policy agenda in an area changes. It is quite possible that we will have to consider fine tuning the timing of the report, but we have set a target of towards the end of next year. I want to give the committee a firm commitment that, at the very least, we will examine the progress of the local economic forums. In other words, depending on the wider situation, we may have to restrict the scope of the report next year.

The Convener: I thank the Auditor General for that briefing. We will return to the report in greater depth later in the meeting.

“Measuring Up? A follow-up report on performance measures in the Scottish Environment Protection Agency”

The Convener: We move on to item 4 and our consideration of a briefing paper on the Auditor General's report on the Scottish Environment Protection Agency. I invite the Auditor General to brief the committee on the report.

Mr Black: The report is a follow-up to a baseline report that the Audit Committee received in January of last year. In the report, we record the progress that SEPA has made in reacting to the 11 recommendations that we made in our first report. We note progress made against each of SEPA's current performance measures.

In general, we found that SEPA has done a great deal to address the concerns that we expressed in our first report. However, we note that work has still to be done to ensure that SEPA has the right performance measures in place to be able to focus on its contribution to environmental improvement. We also note that, although SEPA meets most of its current targets, it has some way to go in certain areas.

I want to put the usual auditor's caveat on record. All the information in the report is based on unaudited information that was reported by SEPA. The 2001-02 information in the report is indicative, not final. However, I made the final judgment that, on balance, the committee would prefer to have the most up-to-date information that was available. The 2001-02 information will be reported formally later this year in SEPA's annual report, which I think is due to be published in December.

Our report shows that, although SEPA is achieving most of its performance targets, it has not achieved those for improving watercourses and that slightly fewer than expected Scottish beaches meet the European Commission standard. As we indicated in our earlier study, SEPA still does not have data to show whether the EC landfill directive on the reduction of biodegradable waste is going to be achieved.

SEPA has reacted positively to the recommendations in the baseline report, particularly with regard to those that relate to its own organisation. A new performance measurement framework has been developed, which will make SEPA more accountable for matters that are directly within its control. As information becomes available over the next few years, the outcome-based framework will lead to better performance indicators. SEPA's intentions in that area are well captured in its latest corporate

plan, which is a significant improvement on earlier documents.

Changes to SEPA's organisation and procedures should ensure greater consistency in the delivery of its services and address the variability of service that is delivered across Scotland. The new organisational structure should allow SEPA to deliver its services with greater consistency and to set more meaningful performance targets, and improved management information should allow it to produce better indicators of its efficiency.

We intend to keep SEPA's progress under review through the on-going audit process. At this stage, we have no plans for further reports. We have completed two: the baseline report, which examined the position that SEPA was in some time ago and which contained certain significant challenges for SEPA, and the latest report, which indicates that SEPA has made good progress. I am happy to answer questions from the committee.

The Convener: I refer the committee to item 6, under which we will return to our detailed consideration of the report. The fact that members do not have general comments to make shows that we are quite satisfied with the report.

We note that work has started on the 11 recommendations in the first report, but that that work is still in progress. Although I note that good progress has been made, the situation is on-going and we will definitely return to it. I thank the Auditor General for his briefing.

14:24

Meeting continued in private until 14:41.

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