

AUDIT COMMITTEE

Tuesday 12 November 2002
(*Afternoon*)

Session 1

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AUDIT COMMITTEE

15th Meeting 2002, Session 1

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Sarah Boyack (Edinburgh Central) (Lab)

*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)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Seán Wixted

LOCATION

The Hub

Scottish Parliament

Audit Committee

Tuesday 12 November 2002

(Afternoon)

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

The Convener (Mr Andrew Welsh): I welcome everybody to the Audit Committee's 15th meeting in 2002. I make the usual request for mobile phones and pagers dutifully to be switched off. I have an apology from David Davidson.

Item in Private

The Convener: Does the committee agree to take in private agenda item 7, which is consideration of arrangements for a possible forthcoming inquiry?

Members *indicated agreement.*

The Convener: That is a committee housekeeping matter. As always, the results of such discussions will be made fully public in due course.

Standing Orders

The Convener: We will proceed to item 3 and hold back item 2 pro tem. Item 3 is a proposed amendment to standing orders, which is a technical matter. The amendment involves a procedural issue that relates to the committee's remit. Members have a paper from the clerk that explains that we require to seek a change to the committee's remit as set out in standing orders.

Rule 6.7.1(b) of standing orders says that the committee's remit includes considering and reporting on

"any report laid before the Parliament by the Auditor General for Scotland",

but the Public Finance and Accountability (Scotland) Act 2000 does not give the Auditor General formal laying powers. Consequently, the Auditor General's value-for-money reports, or three Es reports, which the committee has considered to date, were not laid.

The solution that has been agreed with the Parliament's lawyers is to make a minor amendment to standing orders so that the committee is empowered to consider reports that the Auditor General has made to the Parliament. That change will make no practical difference to the way in which the committee considers reports.

I must put the matter to a vote. The question is, that the proposal that the Audit Committee formally request the Procedures Committee to seek the approval of Parliament for a change to rule 6.7.1 of standing orders as outlined in the preferred option set out in paper AU/02/15/1, be agreed to. Are we agreed?

Members *indicated agreement.*

The Convener: That is unanimous.

Interests

The Convener: Item 2 concerns interests. I warmly welcome Sarah Boyack to the committee and look forward to her positive contributions to our deliberations. I invite her to declare any interests.

Sarah Boyack (Edinburgh Central) (Lab): Thank you. I apologise for being late—that will not be my regular practice. I have previously declared membership of two bodies: I remain a member of the Educational Institute of Scotland and am a corporate member of the Royal Town Planning Institute.

Rhona Brankin (Midlothian) (Lab): I declare that from 1 November I have been chair of the Scottish Library and Information Council.

The Convener: That is appreciated. The clerk has noted it.

Public Accounts

The Convener: Item 4 is consideration of responses from the Scottish Executive to the committee's "Report on Public Accounts", which was published in July. We have received two letters from the Scottish Executive's principal finance officer, Dr Peter Collings. Members will see from the correspondence that the Executive has referred the issue of accounting practices for public-private partnership and private finance initiative contracts or projects to the Financial Reporting Advisory Board, which has decided to undertake a survey of the issue. It is expected that that survey will lead to a report in the new year.

I am also happy to report that the Executive has accepted the recommendation in our report on the monitoring of financial assistance to sponsored bodies to assure compliance with European Community state-aid rules. Guidance on compliance with state-aid rules has now been added to the Scottish public finance manual, which will require that European Community rules will be complied with at an early stage before the Executive provides any financial assistance. Again, that is a welcome development and a welcome response to the committee's recommendations.

As members do not seem to have any comments to make, are we agreed that the committee should await the FRAB report in the new year?

Members *indicated agreement.*

Parliamentary Audit Committees (Meetings)

The Convener: Item 5 is on a meeting with the public accounts and audit committees of the United Kingdom Parliament and the devolved institutions. The committee has received a letter from the chairman of the Northern Ireland Assembly's Public Accounts Committee, Mr Billy Bell MLA, on our proposed visit to meet members of the Public Accounts Committee at Stormont on 27 November.

Members will be aware that the Secretary of State for Northern Ireland suspended the Northern Ireland Assembly and Executive on 14 October and there is no indication of when devolved power will be restored to Northern Ireland. In the light of those developments, it is suggested that we postpone our planned visit. I suggest that if the Assembly and committee at Stormont resume their powers before the dissolution of our Parliament in March next year, we should rearrange our visit for a suitable date, if time permits. Is that agreed?

Members *indicated agreement.*

The Convener: We all hope to renew our acquaintance with our Northern Ireland Assembly colleagues and wish them well in resolving their problems.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I have been away, but I understand that we were given a choice of two dates for the meeting with the UK Public Accounts Committee—2 December and 4 December—and most members opted for 2 December, which is a Monday. The convener has been in that other place. Will anybody be there then?

Shelagh McKinlay (Clerk): We are waiting for the PAC's clerks to get back to us on Wednesday to confirm the availability of members. They have said to me previously that any day might be as easy or as difficult as any other. In any event, the date that we chose was 2 December.

Mr Raffan: I was at Westminster last week. Unless people are involved in business on Mondays, they tend to turn up only for votes. I am concerned about that. We are going to go down at some expense and there will be few members of the PAC to meet us.

The Convener: Do we know that there will be only a few members? Is the committee expecting us?

Shelagh McKinlay: We are hoping to confirm how many members will be there this week, before we make a final decision on travelling. The difficulty that we are juggling with is that, if we visit

on a Wednesday, many of our members will have parliamentary commitments here. We will wait to see what happens.

The Convener: So there will be further reports on the matter.

Shelagh McKinlay: Yes.

“How government works in Scotland”

The Convener: Item 6 is a briefing from the Auditor General on his latest report, which is entitled “How government works in Scotland”. It is the first detailed study to map out the structure and organisation of Government in Scotland since the introduction of devolution. It is intended to be a reference source and is designed to illustrate the systems and lines of responsibility by which public servants are held accountable. I invite the Auditor General to brief the committee on the report.

Mr Robert Black (Auditor General for Scotland): As members of the committee know, the Scottish Parliament is responsible for some £20 billion of public expenditure in Scotland. Now that the systems have settled down following devolution, I thought that it would be appropriate to examine the systems of accountability, governance and performance management throughout the public sector. It seems to me right that the responsibilities and accountabilities of public bodies in Scotland and how they relate to one another should be as transparent and well understood as possible. The report attempts to fulfil that.

I draw the committee’s attention to the small Christmas present inside the back cover. It is a wall chart, which is an attempt to capture in a way that can be easily read the overall framework of the organisation of public bodies in Scotland. We are circulating the report—including copies of the wall chart—widely to places such as public libraries.

More than 200 public bodies contribute to the government of Scotland these days. They can be divided into five main categories, which are described in some detail in the report and summarised in the wall chart.

First, we have the Scottish Executive’s core departments and executive agencies. The core departments are primarily concerned with the provision of policy advice and funding to other bodies in pursuit of policy objectives. The executive agencies are constituent parts of the departments, with a stronger focus on the operational management and direct delivery of public services.

The second category that I identify is what are called sponsored public bodies, such as non-departmental public bodies, national health service bodies, nationalised industries and public corporations. Those may carry out executive or regulatory functions. They may also be involved in the management and direct delivery of services. They tend to operate within a policy framework

that is set by ministers but manage their day-to-day activities free from ministerial intervention.

The third category is local spending bodies. Those include further education colleges, higher education institutes, local enterprise companies and registered social landlords. They tend to be not-for-profit bodies that are largely or wholly publicly funded. They tend to be subject to less ministerial control and are primarily involved in the direct delivery of services to their communities.

The fourth main category is local government bodies. They are primarily, of course, local authorities, but also police bodies and fire boards, which are accountable through elected councillors.

Finally, there is a small number of other public bodies. Those are mainly United Kingdom-wide bodies with lines of accountability into the Scottish Parliament and bodies that are independent of ministers.

The report is primarily a factual account of how government works in Scotland, but there are a number of general conclusions and issues which, if the convener is so minded, I might share with the committee.

The Convener: Sure.

Mr Black: The first is that the more that certain public bodies are responsible for direct local service delivery and are therefore independent of ministerial control and intervention, the more they tend to be accountable to the general public. On the other hand, we have public bodies that have a great deal of ministerial contact and whose first line of accountability tends to be to ministers and, through ministers, to the Parliament.

That means in effect that it is all the more important that those bodies that deliver services to the public and are more independent of direct ministerial intervention and control have strong corporate governance arrangements so that they can be held to account through the audit process, in public and, if appropriate, by the Audit Committee.

Another issue that occurs to me concerns the cross-cutting services agenda. In recent years, ministers have sought to improve the delivery of public services through greater emphasis on partnership working. Cross-cutting initiatives are important and a growing means of delivering public services. It is recognised that a multi-agency approach is required and that public bodies are dependent on each other to achieve partnership objectives. That means that there might be a need for new collective approaches to accountability, and we are exploring that within Audit Scotland and with the Executive, as you can imagine.

To put flesh on that, one example, which is described in some detail in appendix 5 of the report, concerns the arrangements for tackling drug abuse. That one single cross-cutting initiative involves five departments reporting to a Cabinet sub-committee, with the Executive providing support to 22 area-based drug action teams. Each of those action teams includes representatives of local authorities, police, the NHS, prisons and the voluntary sector. That clearly poses some interesting questions about accountability, as each and every accountable officer or chief executive of each and every one of those bodies is accountable for the public funds that are used. In relation to tackling drug abuse, however, they are reliant on their partner organisations, and they must therefore be held to account collectively. It is a complex agenda and one that the Audit Committee might well wish to bear in mind.

14:15

The next issue that I want to highlight concerns performance. I have mentioned that good public accountability, particularly for those bodies that are delivering direct public services, requires good corporate governance, good audit and public reporting on how those bodies are performing and looking after public money. There is also a requirement to have performance systems in place that will provide reliable and meaningful information on achievements and on how well bodies perform. I believe that audit has a role to provide independent assurance and challenge on the performance reporting that is made public.

The next thought that I would like to share with you is that public audit has a key role in supporting democratic scrutiny. I remain committed to working with the Scottish Parliament's Audit Committee to help to hold public bodies to account. To date, my reports have covered a wide range of topics across all sectors. The annual overview reports on the NHS and the further education sector are well known to you, and I intend to develop a similar approach in relation to central Government. In my opinion, accountability and scrutiny have been significantly strengthened under the Scottish Parliament, and the report that we are considering today might help to highlight the complexity of the accountability arrangements that exist in Scotland. It should help the committee and the Parliament, as it is helping Audit Scotland staff, to hold public servants to account in an informed and effective way.

I am happy, as always, to answer any questions that members may have.

The Convener: I thank the Auditor General, and I welcome Lloyd Quinan to the committee.

As we will be looking at the subject in detail

under item 7 on today's agenda, I ask members to make comments only of a general nature at this stage.

Mr Raffan: I am interested in appendix 5. I have not studied it in detail, but it is even more complex than it appears. Mr Black mentioned the DATs, which are drug action teams, but most of the 22 teams are now DAATs, or drug and alcohol action teams. One of them is a substance abuse team—an SAT, not a DAT. It is a complex area, and I know from lodging parliamentary questions that it is very difficult to find out where the broad sums announced by ministers are actually going. I am not suggesting for a moment that the Executive is trying to obfuscate the situation or prevent us from finding out, but it is difficult because it has been the principal cross-cutting issue so far.

I have another general point and I would like to know whether the Auditor General has addressed it. I remember being on the Finance Committee when we were examining the whole structure of the Scottish Executive. Sarah Boyack and Rhona Brankin will know far more about that than I do. We made comparisons with Whitehall, which is in departmental silos whereas there are no departments of the same kind in the Scottish Executive. Depending on the issue that a Scottish minister is dealing with, he or she can therefore go to one Scottish Executive department or another, rather than having his or her own departmental base and backing. There are many arguments against the Whitehall silo structure, as it leads to friction between ministers, but I wonder whether the Auditor General looked at that in the process of compiling his report.

Mr Black: The short answer is no, not directly. The report is purely a description of the system as we find it. It is fair to conclude that the great majority of expenditure in Scotland will continue to be driven through departmental accountability. However, it is also true to say that resources at the margin are increasingly going either to programmes that have earmarked funding for a particular purpose or to cross-cutting initiatives, such as tackling drug abuse. Within the Executive, a lot of attention is paid to making internal systems more effective and joined up. We are increasingly seeing performance indicators being developed on a cross-cutting basis, which we would all welcome. Good progress is being made on that.

The Convener: In its own quiet, effective way, audit is making a major step forward in democratic accountability. I believe that the report is an important innovation, which explores new territory in mapping out and interrelating the range of government institutions in Scotland. The effectiveness and efficiency of the machinery of government are of major importance for the functioning of our whole democratic system, and I

look forward to exploring further the issues and ideas that will be stimulated by Audit Scotland's pioneering work and by the work of the committee.

The report will be not only of academic significant but of more general interest. It should help that we now have committee members who have practical inside experience of Government machinery. I look forward to the inquiry.

Sarah Boyack: I wanted to add my welcome to the welcome extended by other members of the committee. Those of us who are in the system, whether as members of the Parliament or as members of the Government, take a lot of the information in the report for granted. However, it is very useful to map out the whole system, so that members of the public and people in different bodies and organisations can see how they fit in and how the lines of accountability are set out.

Keith Raffan's point is valid. About three and a half years into a new system, now is a good time to set out the lines of accountability in practice. It is right to identify the issues associated with cross-cutting initiatives. As Keith said, ministers are responsible not for a particular department but for subjects within a department. Over time, there will be other things that we will want to reflect on. The report is important and I hope that it gets wide circulation, so that people who will find it useful can get access to it.

The Convener: Absolutely. I wish that I had had this report when I taught on central Government in further education.

I thank the Auditor General for Scotland. The committee will now move into private session.

14:21

Meeting continued in private until 14:27.

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