

AUDIT COMMITTEE

Tuesday 26 November 2002
(*Afternoon*)

Session 1

£5.00

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AUDIT COMMITTEE

16th 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)

WITNESSES

Dr Peter Collings (Scottish Executive Finance and Central Services Department)

Mr Ken Collins (Scottish Environment Protection Agency)

Mr John Ford (Scottish Environment Protection Agency)

Dr Campbell Gemmell (Scottish Environment Protection Agency)

Mr John Graham (Scottish Executive Environment and Rural Affairs Department)

Mr Willie Halcrow (Scottish Environment Protection Agency)

Ms Fiona Robertson (Scottish Executive Finance and Central Services Department)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Seán Wixted

LOCATION

The Chamber

Scottish Parliament

Audit Committee

Tuesday 26 November 2002

(Afternoon)

[THE CONVENER opened the meeting at 14:01]

The Convener (Mr Andrew Welsh): I welcome everybody to the 16th meeting in 2002 of the Audit Committee. As usual, mobile phones and pagers should be switched off. I have received no apologies.

Items in Private

The Convener: Agenda item 1 is consideration of whether to take items 2, 5, 6 and 7 in private. Item 2 is consideration of lines of questioning for witnesses; items 5 and 6 will enable the committee to consider the oral evidence taken during items 3 and 4; and item 7 is consideration of the committee's future work programme. All such items of business are normally conducted in private, in line with published guidance. Matters will become public in due course. Do members agree that we should consider items 2, 5, 6 and 7 in private?

Members indicated agreement.

The Convener: We now move into private session. We will pause briefly to allow members of the public and the press to leave and colleagues to join us.

14:02

Meeting continued in private.

14:12

Meeting continued in public.

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

The Convener: I call the meeting to order. Agenda item 3 is evidence taking for the committee's inquiry into the report by the Auditor General for Scotland entitled “Measuring Up? A follow-up report on performance measurement in the Scottish Environment Protection Agency”.

I welcome Mr John Graham, who is head of the Scottish Executive environment and rural affairs department, Mr John Ford, who is the acting accountable officer for SEPA, and their colleagues. We will examine issues that are raised in the follow-up report and ask questions on two main areas: SEPA's impact on environmental improvement and the management of SEPA's regulatory role.

As there are a number of witnesses, I propose that we should first direct questions to Mr Graham and Mr Ford, who can indicate if they would prefer one of their colleagues to answer. I hope that that is acceptable.

Do any of the witnesses wish to say anything before we begin? I should also welcome Mr Ken Collins and apologise for not mentioning him before.

Mr Ken Collins (Scottish Environment Protection Agency): We are pleased that we have been asked to come to the committee today. The Auditor General for Scotland's first report was helpful to us. Its findings focused on important areas, which we then tackled through structural organisational change, the adoption of an outcome-based performance measurement approach and by beginning a complete overhaul of the guidance and support provided for operational staff. Those steps have produced a fair amount of change in the organisation. The second report, and recent feedback from stakeholders, indicates that we have made quite significant progress in achieving the objectives, although we acknowledge that a great deal still has to be done. We are working to improve our performance even further and some of the impending legislation in the Scottish Parliament, notably in relation to water, will help us. We particularly welcome the committee's and Audit Scotland's continuing interest. Thank you again for inviting us today.

14:15

The Convener: The committee thanks you for your remarks. I would be grateful if you would introduce your other colleagues for the record.

Mr Collins: On my left is Mr John Ford, who is director of finance and support services. On his left is Mr Willie Halcrow, who is director of operations. On my far left, which is a strange place for him to be, is Dr Campbell Gemmell, who is director of strategic planning.

The Convener: You are all welcome; we look forward to your evidence. My question is on whether results supported by SEPA provide an accurate record of performance. The Auditor General notes on page 5 of his report that SEPA's performance results are based on "unaudited information". In those circumstances, how do you gain assurances that SEPA is producing the results that you expect from it?

Mr John Graham (Scottish Executive Environment and Rural Affairs Department): We rely on SEPA's data. We have had no reason in the past to find fault with the performance data that SEPA has supplied us with. We are also aware that many of the stakeholders who are watching SEPA's performance would alert us if anything was systematically wrong with its data.

The Convener: Mr Graham gave us the view from the department. Paragraph 2.5 of the report tells us that the Scottish Executive has recently produced new guidance, providing

"a clearer policy framework for SEPA".

In what way does that additional information allow SEPA to focus its work to meet the Executive's expectations?

Dr Campbell Gemmell (Scottish Environment Protection Agency): The structure that SEPA has followed for performance management and performance reporting is based on outcomes. We are in the process of bedding that in; we went through the full process once, during our corporate planning round. We found it extremely helpful that the Executive set out systematically new policy priorities, because that allowed us to begin the process of proper alignment between the activity of SEPA and the Executive's priorities. We have made good progress in that direction already, given that we were working closely in any case, but it is helpful to have the priorities spelled out explicitly.

The Convener: So you see improved focus and co-ordination in what you do.

Dr Gemmell: Absolutely, and that will improve over time as we go through further corporate planning rounds and are able to align everything more tightly.

Sarah Boyack (Edinburgh Central) (Lab): You have tried to show your anticipated results for 2001 against a range of indicators of progress towards expected improvements in the overall state of our environment. Going through the tables in exhibit 2, it is quite difficult to measure some of that progress. I pick the example of biodegradable waste. Why are you not able to assess whether we are on course to meet the European Community directives on the reduction of biodegradable waste that goes to landfill?

Mr Willie Halcrow (Scottish Environment Protection Agency): The target that is described in exhibit 2 is, by 2002, to reduce by 25 per cent the amount of biodegradable waste that goes to unengineered landfill. That target reflects previous practice and was dropped in 2000. It has now been superseded by targets that have been drawn from the national waste strategy and the landfill directive. The new targets are to reduce biodegradable waste to 1.5 million tonnes by 2006, which sweeps up part of the previous target, and to eliminate the disposal of any active waste to an unlined landfill. Although the directive has only just been implemented, it is interesting to note that 43 landfills in Scotland have already closed, following the production of site conditioning plans this summer.

Progress is being made on both fronts. However, I should point out that there are inherent difficulties in accurately measuring the waste streams that are disposed of or that go to landfill. In the past two years, we have established with the Executive's assistance a specialist unit and are gathering much better, more accurate and more timeous information.

Sarah Boyack: That is helpful. It might also be helpful for people to understand the significance of the new targets when we track progress in future.

The Convener: We move on to ask how, as far as the Executive is concerned, the revised performance measurement framework will highlight SEPA's contribution to environmental improvement.

Sarah Boyack: Paragraph 2.8 of the report says:

"SEPA's 2002/2003 Corporate Plan represents a significant change in its approach to its strategic planning and performance and monitoring processes."

What are the benefits to the Executive of having a clear picture of SEPA's work in relation to regulatory targets and measurable outcomes?

Mr Graham: Our key response to Audit Scotland's initial report on SEPA was the introduction of the policy priorities document, which is designed to bridge the gap between the Executive's published environmental aims and objectives and the measures that SEPA can take

to contribute towards them. The document is in the public domain—in fact, it is on the website—and articulates SEPA's role in contributing to the Executive's overall objectives. We have made it clear to SEPA that, in future corporate planning rounds, we expect the agency's performance measures to be set within the policy priorities framework to ensure that they are clearly tied in to the Executive's overall objectives.

Mr Keith Raffan (Mid Scotland and Fife) (LD): Exhibit 10 in the report shows how SEPA is developing performance information to support its outcome measures and to improve the focus of its performance results. What benefits do you expect to gain from those improvements?

Dr Gemmell: That forms part of the process of moving from a concentration on inputs and activities, as it were, to an examination of the impact of those activities in the real world. The most important benefit is that we are now concentrating on real delivery, not on what lies behind that. I should stress that moving towards such an approach is a major challenge; after all, outcome delivery is not solely in SEPA's hands. For example, one of our outcomes involves engendering respect for the environment. I am sure that we all agree that that is very important, but it is a task not for SEPA alone, but for a range of bodies. The same is true of water outcomes.

Mr Raffan: Such outcomes are difficult to measure.

Dr Gemmell: Yes. However, we can use public perception surveys and other, more objective, measures wherever we can. Nonetheless, it is important that we measure outcomes that are hard to measure. I should point out that we are capable of dealing with more obviously robust items, such as water and air quality, although it has to be said that air quality is not solely SEPA's responsibility. We must also take into account the transport agenda and the role of local authorities; it is not a simple matter.

We are all going to have to work with the process over time. We cannot make radical changes to the situation quickly; it will take a lot of effort. We have already taken important steps, and clear guidance helps in that respect. However, we also need to develop relationships with other bodies and to ensure that, in its dealings with Scottish Natural Heritage, Scottish Water, Scottish Enterprise and Highlands and Islands Enterprise, Government recognises the connections that exist between SEPA's performance and the delivery of overall outcomes in which those other players are involved.

Mr Raffan: The crucial phrase that you used was "over time". In paragraph 2.10 of the report, SEPA has suggested that it will be 2007 before

"better performance information becomes available".

Why will that take such a long time?

Dr Gemmell: The situation varies from subject to subject; perhaps some of my colleagues will amplify that point. Some of the data processes that legislation requires us to put in place will not be introduced until 2006-07, which gives us an obvious target for having everything ready. That said, we are already making progress towards that target. We must ensure that we do not wait until the last minute to comply with important pieces of legislation, but that we comply in a planned and structured manner. As the year-on-year targets in our corporate plan make clear, we will make progress; however, we must do so on as even a front as possible to ensure that we have data that prove that we are performing to the standards that we say we are performing to.

Mr Raffan: What assurance can SEPA give the committee that the improved information will not be delayed and that it will meet the target of 2007?

Dr Gemmell: I can say with confidence that the systems are being developed and will be in place by 2007. With the help of the Executive on, for example, the water framework directive and other issues that are being addressed through Scottish legislation, SEPA is ensuring that the data and processes are in place to deliver on time. SEPA has a great deal of work to do in some areas, and it is reasonable to plan for a robust structure by 2006.

Mr Raffan: Will you give the committee a quick outline of those areas?

Dr Gemmell: That question would be easier for my colleagues to handle.

Mr Halcrow: Three critical areas are the main focus of regulation: the protection of air quality, the protection of water quality and safe, managed disposal of waste. It has taken many years to develop the reasonably accurate measurement systems that we have today, and further development of those systems will take considerably more time as the regimes are widened. That is why SEPA wants to proceed carefully in a structured manner.

By 2005, SEPA hopes that, for the first time, Scotland will proportionately regulate abstractions from watercourses and groundwaters. It also hopes that Scotland will regulate river works and other aspects of the water environment that have not been regulated previously. It will take considerable time before we are able to establish control systems in harmony with the rest of the United Kingdom and Europe, and SEPA does not anticipate that work being completed for some two to three years. In short, water is the biggest area in which regulation is required, as it involves a

regulatory regime that is new to Scotland. It will take two to three years to develop quality measurement systems, because Scotland's systems must mirror those of other European countries.

As someone remarked earlier, the control of air quality is a divided responsibility. SEPA regulates prescribed processes, whereas local authorities have a more general responsibility—for traffic pollution, for example. The general measurement of air quality is focused on cities and is covered by a UK-wide network. Scotland does not have its own comprehensive network. SEPA is investigating that and is developing a classification system for air quality. Again, that will take time.

As we shift the focus from municipal waste to all sorts of important priority waste streams, we have to develop the means of capturing information and ensuring that it is correct and publicly available. There is a great deal to do but, as Dr Gemmell said, we have plans in place to do all that. Those are the vital areas.

14:30

The Convener: How sure are you of 2006? Are you not aiming at a moving target?

Mr Halcrow: That is our experience. Inevitably, the target will move. We expect the work to expand and change because of the forthcoming landfill directive, the national waste strategy for Scotland and the water framework directive, but we have a core target.

Mr David Davidson (North-East Scotland) (Con): What we have heard so far is very much a comment on outcomes. The Scottish Executive—I presume—is helping ministers to set the outcomes that will be considered. SEPA has responsibility for delivering those outcomes, measuring progress, giving guidance and so on. In general, the Parliament is moving away from number crunching—asking how much money is spent, what one gets for the money and why it has to be spent. Will the Executive and SEPA comment quickly on how they are developing outcome measurement systems? There seems to be a slight difference in focus in what we have heard from them today.

Dr Gemmell: I would not characterise it in that way. SEPA and the Executive work together closely. The difficulty is that the targets that we have in place year on year are different in type and in detail from the outcomes. The outcomes are at a much higher level. We probably need the experience of a number of iterations with Government to be sure that the full suite of outcomes—not the SEPA outcomes, as it were, but the Government outcomes—fit better together. Where our contribution fits in will then be much clearer to us.

We are only one year into the outcomes approach and we have some methodological difficulties. Some of us have been exploring how outcome-based budgeting is done worldwide. We have learned a great deal from talking to the United States General Accounting Office, which in some ways has made more progress than many others on that front. The one note that we get from all the experts—people in Australia, in the health service and in the US—is that outcome-based budgeting is difficult. It is challenging and demanding. Apart from anything else, we all focus day to day on what is done and what it costs—people always tend to focus on those details. It can be difficult to connect that high-level vision and policy to the nuts and bolts. We are already talking and working together to try to focus at a higher level. The Government's strategy on that front and the views of the Scottish Executive and the Parliament are evolving. We have to work with that and see how we, too, can make progress.

Mr Davidson: Are you suggesting that, in the interim, outcome-based budgeting is more of an art form than a science, but you are trying to develop the science?

Dr Gemmell: That is not a bad characterisation of the situation. What we have learned about outcome budgeting is that it is a slightly mysterious art form; it is not terribly precise. However, we know that we probably have to go there if we are to be able to give the Parliament the confidence that it knows what bang it gets for the bucks.

Mr Davidson: Will the Executive comment?

Mr Graham: I am not sure that I recognise the discrepancy that Mr Davidson sees. In my judgment, the Executive has moved progressively towards making it clear to the Parliament in the budget documentation what it intends to buy with the resources that are at its disposal. In "Building a Better Scotland", which is the most recent example, a clear set of high-level objectives for my department is associated with the resources allocated to the department, and an explicit target—or pair of targets—is attached to each of the objectives. Those targets demonstrate specifically where we intend to get to. On waste, for example, which is a matter on which we are working closely with SEPA, "Building a Better Scotland" makes it clear what the target is and where we want to get to by when with the considerable increase in resources that we have.

The document details what we are looking for across the range of areas for which SEPA is responsible and translates the high-level intentions of the Executive into what we want from SEPA. Exhibit 9 in the Auditor General's report shows that set of relationships for the range of activities for which SEPA is responsible.

Mr Davidson: On page 21 of the report, under the heading "Conclusion", the top section seems to indicate that a measurement framework is already in place to go with the objectives that are set for SEPA. It strikes me that you are not both in harmony, but I am happy to leave the matter there.

The Convener: Margaret Jamieson will now consider how changes in SEPA's operations will improve consistency and efficiency in its regulatory role.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): Paragraph 2.13 sets out new guidance and a new code of standards of service that will make the quality that SEPA expects to deliver more transparent. How will the improved information lead to improved consistency in the way in which you deliver your services?

Mr Halcrow: You refer to the final bullet point in paragraph 2.13. The code of standards for service for regulated persons—which is a somewhat cumbersome title, but the best working title that we could adopt—sets out what a person who seeks to apply for a licence from SEPA can expect. They can expect to have a named officer assigned to look after them, to be told the amount of time that the process will take and to be informed of the transparency of the process. Those standards are all aimed squarely at the applicant—"the customer" is perhaps a useful phrase in this case. Although the code should ensure consistency throughout Scotland in those customer-related standards, it is not aimed at achieving the consistency of regulatory and environmental decision making that was behind the formation of an operations directorate. It is not unrelated, but it is not the heart of it.

The rest of paragraph 2.13 describes fairly fully the other aspects of what we have done. The act of forming a single management unit supports consistency of decision making, although it does not bring it about without action, of course. We have harmonised all our procedures so that decisions are made in the same way and all the same factors are taken into consideration. We have introduced quality controls, which ensure that any important document—a licence or notice—is subject to appropriate scrutiny beyond the issuing officer. Above all, we have allocated resources to the generation of simple, clear guidance so that the people who conduct SEPA's business—the front-line staff—have an easy source of reference that is uniform across SEPA, legally correct and reasonable. All the actions are guided by simple guidance.

We also have a support network of officers and a helpdesk, where consistent, single answers are given to the many diverse questions that SEPA is asked every day through its field staff. We have brought together all SEPA's operational functions

and all the other functions that are necessary for consistent operational decision making in Scotland-level, cross-functional teams that have responsibility for approving guidance, supporting the networks and generally giving the direction that is necessary to achieve consistency of decision making.

Margaret Jamieson: That leads into my next question. Exhibit 12 lists a further nine quality improvement initiatives that are currently in train. Why are those additional initiatives important and when do you expect to see the benefits from them?

Mr Halcrow: Exhibit 12 sets out fully and in detail what I have just touched upon, and all the initiatives are important to that. Officers of SEPA can be remote because they are located across Scotland. It is vital that each officer has a common standard of training and an identical guiding philosophy on how SEPA regulates so that it can protect the environment effectively but at the same time be fair, reasonable and have regard to local conditions. As I said, it is also vital that an officer has immediate access to support by telephone or through guidance. Each of the initiatives is part of that network of guidance, advice and direction.

I am pleased to say that we are already receiving feedback—through surveys of regulated persons and directly—that people are finding SEPA more consistent. Mr Collins remarked on that at the start. Eighty per cent of respondents found us professional in our dealings with them. More than 50 per cent—I cannot recall the exact figure—believed that SEPA was consistent. We know that ourselves from what we see internally.

The restructuring was put into effect only just over a year ago. Although it is early days, the first signs are that we have achieved a great deal. However, the road is endless, and we aim to improve even further.

Mr Collins: I want to emphasise Mr Halcrow's point. Rather than saying when we expect to see results, we can see the comparison by considering the experience of the past two or three years. The entire point of restructuring SEPA a year and a half ago was to reduce and—if we are being really optimistic—perhaps even eliminate the disparities that existed in the three regions. The point was to ensure that we had consistent delivery across the community—I mean country. That is my old role coming back. All the same, let us not lack ambition.

The stakeholder feedback during the policy and financial management review—PFMR—process shows that there is quite a high degree of satisfaction with the restructuring. The stakeholders are already seeing the benefit and are anticipating the likely benefit in the next period.

I wanted to give a little emphasis to what Mr Halcrow said. I hope that it was helpful.

Mr Graham: Ken Collins, the chairman, has made the point that I was going to make, which is that we are in the middle of the periodic policy and financial management review process for SEPA. The quality and consistency of regulation are issues on which the team has been focusing and on which it has taken much evidence from stakeholders, the Confederation of British Industry and other business interests. As Ken Collins said, the feedback has been quite positive, and there is a clear perception that there have been improvements in the recent past, stemming from the reorganisation and from the other measures that are mentioned in the report. Of those measures, ISO 9000 accreditation is especially significant. That is the independent external accreditation of the quality of the process.

The Convener: We will move on. Rhona Brankin will pursue the issue of delivery.

Rhona Brankin (Midlothian) (Lab): I am interested in whether the accreditation of the process includes ensuring that the benefits of the additional initiatives are delivered on time.

Mr Halcrow: More than one of us may wish to contribute, but I will start. I have a feeling that the question is in two parts, and I regret to say that I am struggling.

Rhona Brankin: Perhaps I can help you. The second question that I was going to ask was about the improvements in how you monitor your efficiency, which seem to depend on the development of a time-recording system. Is that system fully operational and how is it being used to supply information on relative efficiencies? I suppose that the two questions are linked.

14:45

Mr Halcrow: That is helpful, and Mr Ford will start us off.

Mr John Ford (Scottish Environment Protection Agency): The system is fully operational and is used by approximately 95 per cent of SEPA staff, so it is representative of the activities that go on in SEPA. It provides SEPA with information for planning its workload and, post-event, allows us to monitor actual activity against the plan. That in turn allows us to compare by office or team the length of time that it takes to deal with an application under the Control of Pollution Act 1974, for example. We can now see whether there are significant disparities compared with the average and examine to see whether best practice is being used. The system provides key information to help us to target the offices or teams that are dealing with applications in the

shortest time and disseminate information from them.

Rhona Brankin: The system is 95 per cent operational at the moment.

Mr Ford: Yes, 95 per cent of all SEPA staff are on the time-recording system and utilise it.

Rhona Brankin: Presumably, that will rise to 100 per cent.

Mr Ford: We exempted some staff from using it, such as our boat crews and cleaners, so I think that the figure will sit at about the 95 per cent mark. That is probably the best that we can hope for.

Rhona Brankin: Would you regard 95 per cent as best practice?

Mr Ford: Yes.

The Convener: Our final questions are about how changes in performance measures will provide a more complete picture of the extent to which SEPA is addressing its regulatory function.

Mr Lloyd Quinan (West of Scotland) (SNP): Both exhibit 12 and paragraph 2.15 of the Auditor General's report note that SEPA intends to introduce guidance on the frequency of inspections. That appears to be basic information for a regulatory authority. How did you manage without such guidance until now?

Mr Halcrow: We introduced a risk-based inspection and sampling frequency some two years ago. Before that, there was no guidance in the United Kingdom, except when the Department of the Environment, as it was then, published "Waste Management Paper No. 4" in the early 1990s. It set out the frequency of inspections for sites governed by waste management licences depending on their size and nothing else. It was an attempt by the Department of the Environment to bring regularity to the activities of the local authorities, which were both regulator and disposal authority at that time. With the formation of SEPA and the Environment Agency down south, the dual role disappeared, and both agencies have been working to improve the inspection regime.

The only other matter on which guidance is given at a national level concerns sampling of sewage works covered by the urban waste water treatment directive, for which the frequency of sampling is set by statute. Otherwise, before we introduced a structured risk-assessment procedure, the frequency of site visits was based largely on custom, practice and the individual officer's perception of risk. Although that has served us well over the years, it does not always make best use of resources or ensure beyond doubt that zero-risk sites do not receive excessive

numbers of visits or that sites that are at risk of failing to comply receive an adequate frequency of visits.

Mr Quinan: The Auditor General's report says:

"Managers will be expected to record decisions taken where the frequency of inspection and sampling differs from those recommended in the manual."

You just made reference to the previous structure, wherein individual officers' perceptions were the basis on which decisions were made. As an element of that approach will be left, how will you ensure that your inspectors comply with the new guidance and what management information will you use to ensure that the necessary level of inspection is undertaken? Will there still be the freedom for individual officers' perceptions to form the basis of decision making?

Mr Halcrow: It would be wrong to remove all discretion from field officers. We rely very much on their judgment. We can guide, measure and change the way in which things are done, but, at the end of the day, the field officer must make a judgment.

We are keeping the guidance that we have issued under review, working closely with the Environment Agency. By taking account of the features of a site—whether it stores petrol, its compliance history, how it has been managed and so on—you arrive, through a formula, at a number that will guide you to the number of inspections. We have found that system to be satisfactory. Given that no formulaic system is perfect, there will always have to be an element of judgment.

Mr Quinan: Field officers' perceptions can be positive and they can be dangerous if they do not move with the times. Will the key to the structure be monitoring and the development of training for field officers?

Mr Halcrow: Absolutely.

Mr Quinan: Is that in-built?

Mr Halcrow: It is.

Mr Collins: It has to be appreciated that, previously, instead of one authority being responsible for the process, a great many local authorities whose practices varied were responsible. I was once a member of a town council that became part of a district council. When the boundaries changed, we discovered that the practices in the old county area were not acceptable to the people who had been in the borough because the standard was considerably lower. That is anecdotal, but the fact is that differences in practice account for some of the points that Mr Quinan is making.

On the developments that are under way, in the past year, the board of SEPA has acquired a

human resources committee that has established an HR strategy with a commitment to organisational development and so to training. We will be taking a much more systematic approach to training in the future than we have in the past. That will help considerably.

The third element concerns the need for managers to talk to their staff and listen to them. That can account for a great deal of the otherwise fairly mechanistic measurements that can be acquired in this area.

Mr Quinan: Will further funds be made available for HR to put in place a proper structure for professional development?

Mr Graham: We do not ring fence our funding to SEPA in that way.

Mr Quinan: Will the HR requirements be taken into account, though?

Mr Graham: Yes. Obviously, we consider all the new obligations and duties that the organisation is taking on when we assess the funding. We have significantly increased SEPA's funding for the forthcoming spending review period in recognition of a number of new responsibilities and burdens that it will have to take on.

Mr Quinan: Although you refer to burdens, it is clear that SEPA is looking not at burdens but at moving forward and developing its staff in a positive way, to allow them to deliver a better service. In its budgetary provision for SEPA, does the Executive fully recognise SEPA's desire to achieve its aims in that regard?

Mr Graham: We certainly think that we have taken that into account. You might wish to ask the SEPA representatives whether they think that we have given them enough.

Mr Quinan: We should do that.

The Convener: Mr Collins seems tempted beyond belief. I suspect that he would like to contribute.

Mr Collins: One always hesitates when one is sitting in front of Executive representatives. They would say that they are fully behind me. We are confident of our ability to convince the Executive of the worth of what we do. We work together. Although our relationship is not without occasional marital tiffs, they add to the general colour of the life that we lead.

Rhona Brankin: I want to follow up on the inspection business. You have described the different mechanisms and procedures that trigger inspections. In recent times, there has been additional pressure on SEPA, in particular, I suspect, from individuals who contact SEPA. In my constituency, there was recently an application for an extension to a landfill site, which has been

withdrawn. That triggered a significant amount of individual contact with the organisation. How do you build that into the inspection system?

Mr Halcrow: Individual contact does not necessarily influence the frequency of inspections, which is fixed. Any complaints that we receive are investigated. We visit all sites that are the subject of a complaint, unless they are so familiar to us that they are a class action. We take complaints very seriously—we seek to respond to them within 24 hours and we always seek to find an answer.

Public interest in licence applications is growing fast. SEPA can take account only of those things that statute allows it to take account of. Nevertheless, we attend public meetings and we feed back to people who make representations to us. Although it is true that individual contact is a burden that is increasing rapidly, it is good that the public are interested in such matters. The consultation process does not affect the regulatory process.

Mr Raffan: I do not want to delve too much into the marital tiffs, but does SEPA think that it has too many targets? Has it been put in a straitjacket of targets that inhibits its ability to do what it thinks is necessary to fulfil its objectives and functions?

Mr Collins: That will emerge from the PFMR process, the outcome of which I would not want to anticipate. It is true that any non-departmental public body has a constant dialogue with the Executive about the difference between the Executive's expectations and the NDPB's struggle to achieve its aims. I would be quite worried if there were no tensions between the Executive and SEPA. If there were no tensions, the system would not be working. If the Executive ever found that we were totally compliant and that we agreed with it in every respect, it would realise, in its quieter moments, that life was not nearly as interesting as it ought to be. The Executive would also think that it had appointed to SEPA people who were not worth appointing. I am relaxed about occasional differences. A divorce is not pending.

Mr Graham: It is not the case that we sit at Victoria Quay dreaming up targets, which we produce in a puff of white smoke and then hand over to SEPA. SEPA usually provides the initial proposals for the targets, after which we hold a series of discussions about what a sensible set of targets would be. The targets should reflect the Executive's expectations of the organisation. For the first time, the policy priorities paper has set down the key expectations on a single piece of paper. The intention is to give a clear signal to SEPA about the range of targets that we expect to appear in the next round of corporate planning. As Mr Collins said, we are considering the issue as part of the PFMR process, as it is vital to our relationship.

The Convener: As the witnesses have no final comments, I thank them for their attendance and their contributions. Their work is important for all of us, because it affects the whole country. We wish them well in that work. We will pause for a few minutes to allow for a changeover of witnesses.

15:01

Meeting suspended.

15:05

On resuming—

“How government works in Scotland”

The Convener: Item 4 is our inquiry into the Auditor General’s report “How government works in Scotland”. The Audit Committee is breaking new ground.

I welcome Dr Peter Collings, the principal finance officer of the Scottish Executive, and Fiona Robertson, the head of the public body and executive agency policy unit at the Scottish Executive. Today we will examine issues arising from “How government works in Scotland”, which explains the organisation of government in Scotland and how public servants are held accountable. I understand that Dr Collings assisted Audit Scotland in the preparation of the report. Is that correct?

Dr Peter Collings (Scottish Executive Finance and Central Services Department): Yes, that is correct.

The Convener: In today’s session, we will be asking questions in relation to five main areas: accountability arrangements in the Scottish Administration; corporate governance; performance management; cross-cutting initiatives, including partnership working, joint ventures and pooled budgets, and earmarked budgets; and scrutiny by the Parliament.

I will open by asking a general question about accountability in the Scottish Administration. I noticed that exhibit 5 on page 15 of the report spells out the responsibilities of the permanent secretary as principal accountable officer. How does he satisfy those responsibilities over such a complex area?

Dr Collings: The permanent secretary satisfies those responsibilities in a range of ways. Most fundamentally, he does so through his everyday work of managing the Scottish Executive. He does so through his management group, which consists of the heads of department, the principal establishments officer and me.

In addition to that day-to-day work, there are some areas where the permanent secretary requires assurances from the various people who report to him before he can sign such things as an internal control statement, or the accounts. He needs assurances from people such as the accountable officers and me that they have properly exercised the duties that he has delegated to them and that things are okay.

The Convener: The Scottish Government is a vast and complex organisation at the very heart of Scottish society and based throughout the country. Paragraph 2.14 of the report states that the permanent secretary might designate others as accountable officers. How does the permanent secretary ensure that they perform their accountability responsibilities consistently, given the size and complexity of the Government machinery?

Dr Collings: First, by clearly setting out the responsibilities of those accountable officers when they are appointed. Secondly, there is a range of guidance for such people. For example, within the Executive, we have a public finance manual that sets out a whole load of procedure and how particular accountable officer responsibilities are to be dealt with. We use that to ensure that those responsibilities are dealt with consistently.

Mr Raffan: Given that we treat the Scottish Executive as one department, rather than breaking it down to departmental silos as is the case in Whitehall, is it more difficult for us to gain that accountability?

Dr Collings: It does not make it more difficult. In some ways the accountability mechanism is similar; in Whitehall, accounting officers are appointed by the permanent secretary to the Treasury. If anything, the Scottish system is more straightforward. It makes the same appointments, but it has a single corporate management structure, which makes it easier to ensure that those duties are fulfilled.

The Convener: We need to consider the accountability arrangements for the Scottish Administration and explore whether the responsibilities and arrangements for holding sponsored public bodies to account are effective and robust.

Rhona Brankin: Paragraph 4.5 states:

“The terms of the management statement and financial memorandum are specific to each executive NDPB”.

Is there a risk of inconsistent accountability and performance measures across NDPBs?

Ms Fiona Robertson (Scottish Executive Finance and Central Services Department): There is a model management statement and financial memorandum as part of the Scottish public finance manual. It effectively defines the relationship between the sponsored body and the Executive and the parameters for that relationship, especially the responsibilities and lines of accountability. Specific regard should be given to the individual function, scale and nature of the public body concerned. A structure exists that should be followed.

Rhona Brankin: Paragraphs 4.23 to 4.26 detail the Executive's review of public bodies and the steps that are being taken to enhance openness and accountability to ministers and the public. What progress has been made to improve the accountability of NDPBs?

Ms Robertson: Various measures are on-going. A key objective of the public bodies review is to secure a set of principles that should underpin the organisation of devolved central Government services and public bodies in Scotland. During the review, several public bodies were targeted for abolition or review, and the progress that has been made on that is detailed in the Audit Scotland report.

Several measures have been undertaken also to enhance the openness and accountability of public bodies. Examples include the introduction this year of the Public Appointments and Public Bodies etc (Scotland) Bill, which provides for the establishment of a Scottish commissioner for public appointments; launching a public bodies website; preparing a guide to public bodies in Scotland; preparing an induction pack for board members; and the creation of the standards commission for Scotland, which, with new codes of conduct, will outline the standard of behaviour that is expected of members of devolved public bodies. In addition, internal work includes preparing guidance for sponsoring departments on how the various controls, including the management statements, should be used in an appropriate way, and encouraging public bodies to hold open annual meetings and make available papers, for example, on the internet.

Rhona Brankin: Thank you. That was a very full response.

The Convener: From what you have said, you seem to have a heavy work programme. I understand that there is to be a further review of 46 public bodies, which is a large undertaking. What is the current state of progress?

Ms Robertson: The Audit Scotland report reflects accurately the position of the review of public bodies, which is being progressed by Executive departments in line with the commitments that were made in "Public Bodies: Proposals for Change".

The Convener: Could you give us a note on the state of play?

Ms Robertson: Certainly. That is no problem.

Mr Raffan: I will return to my point. I appreciate what you are trying to do with the management statement and financial memorandum setting out a framework. Different bodies behave differently according to their functions and the people who are in charge of them. That is human fallibility at

work. I am concerned about the Executive's monitoring of those bodies' performance so that that does not get out of hand. I do not know how many people monitor the NDPBs. I am concerned about that monitoring and how quickly you can track whether an NDPB is getting into trouble.

15:15

Dr Collings: The departments that relate to the bodies monitor those bodies. I am most familiar with the details in the national health service, for which the health department has a series of indicators. The health department receives and monitors financial and non-financial information about each NHS body. If a body appears to have problems, early discussions are held with it about whether there are underlying problems.

Typically, a sponsored body—an NDPB—and the part of a department that it deals with have a close relationship. For example, they have regular meetings about how things are going. We have extensive monitoring mechanisms. Of course, we must rely on the information that we receive from the NDPB. History shows that that can be a problem, but we have sophisticated monitoring mechanisms.

The Convener: Monitoring is systematised. How do you deal with those vast quantities of information?

Dr Collings: It is systematised in that the models set out the relationship between the sponsored body and the part of a department that it deals with and the information on financial issues that the department will expect to receive regularly from the sponsored body. The system looks vast because you are looking at all of it. People who are in any one part of the system see only their part of it. Typically, a branch of the Executive might sponsor one or two NDPBs. It is only when we stand back and look at the whole system that we see its scale.

The Convener: We will move on to considering whether sufficient capacity exists for the Scottish Executive and ministers to intervene in the day-to-day management of public bodies that operate at arm's length from them.

Mr Davidson: That rolls on from Dr Collings's response about the view and how close we should move in. Normally, such bodies operate on a day-to-day basis without interference from ministers. In the chamber and in committees—but not this committee—we often have difficulty in pinning down who set which framework and the public body's performance in that. Will you explain the rules that govern how ministers can step in if they feel that something is wrong with a body that operates at arm's length but which is expected to deliver Government policy?

Dr Collings: There are two sorts of action. One is purely administrative—that is the norm. The other involves statutory mechanisms. Even if problems exist, the norm is administrative action. Somebody talks to the people in the public body, analyses the problem and agrees with those people what they will do about it.

Statutory powers are normally used in two situations. One is the appointment of the chair and board members. That is a strong power, because it allows the appointment and changing of those people. The second situation is the use of powers of direction to require public bodies to take certain actions. Those powers are exercised rarely. In some ways, the use of those powers is similar to the committee's use of its power to require witnesses to attend. The committee has that power, but I received a nice letter asking me to come. To some extent, the fact that you can require people to come defines your relationship with them, although you do not use the power every day. The Executive's relationship with public bodies is similar.

Mr Davidson: I do not want to be a sneak, but we have been fairly close to using that power on occasion. When matters are handled administratively, does the relevant sponsoring department go straight to the body concerned or does it inform the minister that it intends to speak to the body to try to discover what the difficulty is?

Dr Collings: That depends entirely on the scale and urgency of the matter. If the problem is a big one, the minister will be alerted quickly; if it is a warning sign, the officials will try to find out more before reporting back to the minister.

Mr Davidson: So the sponsor department acts as policeman and, to a minor extent, judge and jury in deciding whether a matter should be taken to the relevant minister.

Dr Collings: Usually, the minister will have meetings with the NDPB's board, so there are direct routes of communication.

Mr Davidson: We pick up from paragraph 4.26 of Audit Scotland's report that the Scottish Executive is developing guidance on the establishment and degree of independence of NDPBs. When will that guidance be completed and why is it necessary to develop new guidance?

Ms Robertson: The guidance on corporate governance and financial management has been completed, although other aspects of the project are on-going. What was the second part of the question?

Mr Davidson: Why is it necessary to upgrade the guidance? Is it a normal process of rolling forward or are you trying to start again?

Ms Robertson: It is a combination of the two and is based on the fact that guidance should be subject to continual review. After the review of public bodies, we were keen to examine closely the framework of guidance and that work has been on-going since that time.

Mr Davidson: To consider the matter from another point of view, I ask Dr Collings what procedures there are for NDPBs to have a poke at potential ministerial interference.

Dr Collings: Typically, the chairs of NDPBs do the job because they want to help with public service. If they feel that they have problems that make it difficult for them to carry out that function, they might decide to do something about those problems.

Mr Davidson: Is there a formal procedure for that?

Dr Collings: There is not a formal procedure that enables NDPBs to hold the Executive to account, but there are ways in which they can make their concerns apparent.

Mr Raffan: You referred earlier to speaking softly but carrying a big stick—you said that we wrote to you sweetly and did not require you to attend. However, ministers intervene sometimes. One example is the direct intervention of a ministerial task force in Tayside Health Board. I do not want to ask a loaded question, but to what extent does raising matters in the Parliament accelerate ministers' responses or interventions? Have you noticed a difference since the Parliament began?

Dr Collings: There is certainly a difference because the greater scrutiny means that, in general, we are under greater pressure to examine our procedures and to ensure that they are fit for purpose. Clearly, the speed at which things happen and the extent to which there is openness and scrutiny means that we must respond to that. There have been similar cases before devolution, where there have been problems in particular areas and particular things have been done. It is not new, but it is probably more common now than it was then.

The Convener: I want to follow on from that. This committee has examined Tayside Health Board and problems in further education colleges in depth. Do you believe that there are enough departmental early-warning systems?

Dr Collings: In general, we have a reasonable compromise between the need to give public bodies some space to operate and the need to hold them to account and have them report on how they are performing. It is a fine balance because if one takes it too far, one might wonder why we have bothered to establish the body at all

if we want to manage it ourselves. Generally, we maintain the right balance, but obviously there are occasions when the arrangements do not work as well as they should.

The Convener: We will move on to consider whether sufficient priority is being given to developing and maintaining sound corporate governance in public bodies.

Margaret Jamieson: How does the Scottish Executive ensure that the necessary corporate governance arrangements are in place across public bodies? To what extent do you depend on individual accountable officers to oversee that?

Dr Collings: There is a range of factors. We have internal guidance on corporate governance, covering aspects such as the establishment of an audit committee and the need to comply with the Turnbull recommendations and to have statements of internal control.

Fiona Robertson mentioned an induction pack. A key feature of corporate governance is not formalities; it is board members having adequate training and help in carrying out their functions because, in many public bodies, the board members are the key to good corporate governance. For example, I used to work in the health department, where there are arrangements for training new board members to help them to carry out those roles.

We also examine corporate governance when there are reviews of NDPBs. Each NDPB is subject to a policy and financial management review. When that is taking place, we look at corporate governance arrangements.

Margaret Jamieson mentioned relying heavily on accountable officers. That is certainly true. We have additional safeguards. The Auditor General and Audit Scotland are key safeguards.

Margaret Jamieson: Over the past three and a half years, this committee has seen in various areas—Tayside Health Board and Argyle and Clyde NHS Board are examples in the health service—where individual accountable officers have allowed things to get out of kilter. Those individuals have not been pulled up by their departments and have been allowed to go down that road. How can you then say that you are in control when that can happen?

Dr Collings: I return to my earlier point. With those bodies, we must strike a balance between looking after the public purse and the public interest and allowing bodies sufficient operational freedom to carry out the responsibilities effectively. Our systems attempt to get that balance right. We will not get it right all the time, but continually intervening in the operation of those bodies, apart from being extremely costly, would also make it

extremely difficult for the bodies to function properly.

On one hand, we want systems that identify when things are not going well and involve arrangements for review meetings and so on but, on the other hand, if every health body required our permission before it chose the colour that it painted one of its wards, that would be an ineffective way of working. We are attempting to strike a balance in the arrangements that we have.

15:30

The Convener: This committee has found that there are feelings of isolation and helplessness among the people who are carrying out those functions. People in Moray College felt that they were not being given the necessary back-up and that they were alone in their task. What can be done to alleviate that? Are you sure that the situation in Moray College is not replicated elsewhere?

Dr Collings: As Fiona Robertson said, we do not consider any of what we are doing to be finished business. The range of development work that is under way is important and we have to get better in that area, which is why we have the programme of work that I have described.

Mr Davidson: In the Scottish Executive, who ultimately makes the decision about how far down the route you should go from interference to a hands-off approach? Would it be the department head or somebody above that?

Dr Collings: That largely depends on the size of the body. If it is a large body, one would expect both the head of the department and the minister to take quite a close interest in the arrangements. If it was a small body, as some of the public bodies are, one would expect most of the attention to be at a much lower level than that.

Mr Davidson: Are you saying that, in the Executive, there is no firm policy line and that there is a degree of flexibility in management about who would be the person who was accountable and responsible?

Dr Collings: We are dealing with bodies with budgets that range from several hundred million pounds a year to ones that employ three staff. We have to have a range of responses to those bodies.

Mr Davidson: I accept that, but I would like to know how the responsibility is set up in the system.

Dr Collings: In formal terms, the responsibility would be with the head of department, as the accountable officer, and with the accountable officer of the body. In day-to-day terms, the

various responsibilities would be exercised at various levels.

Mr Raffan: As we saw in Tayside, things can slide out of control quickly. I am concerned about the number of bodies that are involved. There are 43 colleges in the further education sector, there are 22 drug action teams and so on. There is clearly a move in the FE sector towards having joint-financed administrations. Fife College of Further and Higher Education and Glenrothes College, for example, share a chief financial officer. Would having fewer people to deal with make the job of monitoring the bodies easier? I expect that it would certainly cut the cost of administration and enable more to be spent on front-line education.

Dr Collings: The joint-services approach is effective from the point of view of improving quality and saving money. There is a range of areas in the public service in which that is being pursued. It can offer some help in terms of monitoring and accountability as it makes standardisation easier. Often, however, the key factor is the interpretation of the numbers and that will typically still be done by people from the body concerned.

Mr Quinan: On the question of the point at which the approach would become interference, particularly with reference to relationships with board members, would accusations of interference be staved off if we operated a regime of proper training standards for board members in further and higher education institutions and in health boards?

Dr Collings: As I said, the training of board members is an important issue and is more readily dealt with in a relatively homogeneous area such as health. It is being considered for other areas, but jobs can vary a great deal.

Ms Robertson: Precise training requirements vary from board to board. Many public bodies have established for board members well-advanced training and induction packages that can involve the Scottish Executive. We included a commitment in the public bodies review report to produce an induction pack for board members, which will set out in great detail some of the broad and generic expectations for board members of public bodies. That work is on-going.

Mr Quinan: I fully appreciate that. However, I am suggesting that we should set standards instead of simply examining the variations between, for example, health boards. It has become clear to us over the past three and a half years that some of the people on health trust boards and boards in the FE sector are simply not up to standard. Surely it would improve performance and prevent accusations of interference if we made people accountable by

introducing a clear set of benchmark standards, if not an exam.

Dr Collings: My immediate reaction is that, although your suggestion is attractive for the reasons that you have mentioned, it could also narrow the range of people who participate.

Mr Quinan: Would that not be a good thing? At the moment, we have a broad range of people who, frankly, are incapable of doing the job. Perhaps we should narrow things down to ensure that we do not have people of a particular nature who say that they are prepared to serve on boards and then do not give up any time to do so. Such people simply use their board membership as a badge of status within their community. We do not need them.

Dr Collings: Instead of having a rigid exam process, we have strengthened the process for selection to public appointments.

Ms Robertson: A well-defined process has been established for appointing members to the boards of NDPBs. After discussions with the chair of the body, the body itself and the Scottish Executive, there should be a well-defined and tailored induction procedure for a new board member. As I said, we are supplementing that approach with a generic induction pack for all board members.

Margaret Jamieson: Paragraph 5.8 explains how the Scottish Executive has acted on the committee's recommendation to consult on governance and accountability arrangements in the FE sector, in particular the power to intervene directly in colleges that have poor governance. To what extent has the Scottish Executive considered the need for similar exercises in other types of local public spending bodies?

Dr Collings: That was a particular response to particular circumstances in the FE sector. We have not considered extending the power.

Margaret Jamieson: So you are considering the power only in relation to the FE sector. Are there any lessons that could be transposed into other sectors?

Dr Collings: We will certainly consider what emerges from that situation and find out whether there are any lessons that we can apply more widely. That could include a range of issues, from the way in which the department conducts its business to matters to do with the bodies themselves. However, at the moment, we do not have a programme of carrying out the same reviews for other public bodies.

Margaret Jamieson: It would be difficult to transpose that thinking into other areas, because in further education there is, in effect, a middleman—the Scottish Further Education

Funding Council. That area caused us concern, because it was not responsive in getting information back to the Scottish Executive. The question related to the FE sector, but there will be lessons that you can use in other areas.

Dr Collings: I agree.

Sarah Boyack: Organisations such as registered landlords and social housing providers are increasingly taking on bigger amounts of the local state expenditure with regard to housing provision. There are some quite complex issues in what we expect those organisations to do.

Margaret Jamieson made a point about how the Executive monitors changes in different sectors. Another example is the local health system, into which a huge amount of new resource is being pumped. However, the issue is seeing what comes out the other end. The governance structure is critical in terms of those organisations being able to cope with a different financial climate. There are accountability issues and, in addition, such organisations have to cope with our expectations, and those of citizens, of how they can respond to our questions.

Dr Collings: We have tended to adopt particular solutions for particular sectors because of the variety that Sarah Boyack mentioned. With registered social landlords, that sits squarely with Communities Scotland, which was recently created as part of the consequence of the NDPB review.

Sarah Boyack: I understand that. That was not my point. My point was more about to what extent you review those corporate governance guidelines in response to new challenges, which clearly exist with regard to major expenditure from central Government. I will leave that as a thought. I do not expect a lengthy answer; it was more of an observation.

Dr Collings: I will flow through the drivers behind that. In the recent spending review, which made the decisions about those extra resources, we set out the objectives and targets that were to be met with the resources. Where those relate to the work of public bodies, the department concerned is having a dialogue with the relevant public body to ensure that its role in helping to deliver those objectives and targets can be met. We are also having to set up monitoring arrangements to ensure that those targets will be met. That mechanism requires the interaction that you mentioned.

The Convener: Is the process dynamic or static? Do those guidelines evolve with the changing circumstances that we have heard about?

Dr Collings: They change as the policy

framework changes in that, if ministers have said that they want a public body to deliver certain things, the emphasis will very rapidly shift towards monitoring performance in those regards. The process moves about.

The Convener: So it is reasonably dynamic.

Dr Collings: It is quite a dynamic process in that sense.

The Convener: We will now consider whether sufficient priority has been given to performance management and performance reporting as a central part of the accountability arrangements.

Mr Quinan: It is clear that performance management and performance reporting provide essential information on the achievements of public bodies. More important, they properly support the accountability process. Without performance management and reporting, accountability could be undermined or, worse, could become superficial. That is quite clearly not what the creation or development of devolution was about.

Paragraphs 3.11 and 3.13 of the Auditor General's report explain that the Scottish Executive publishes details of its planned expenditure, key priorities, objectives and expected performance, but it does not publish an annual report analysing the results. Why is that?

Dr Collings: We publish a range of performance information. Our annual expenditure report includes a considerable amount of performance information. The budget—

Mr Quinan: I asked why a report that analyses the results is not produced.

15:45

Dr Collings: What I am saying is that—

Mr Quinan: I am aware that there are reports, but there is no analysis. The key question is why we do not get an analysis of targets that have or have not been achieved.

Dr Collings: We have from time to time—I think that the last time was last year—produced information, I think in response to a parliamentary question, about how—

Mr Quinan: You see, that is the key.

The Convener: Please let Dr Collings finish his answer.

Dr Collings: We have produced information about how we were performing against the targets set out in the programme for government. We put a great deal of information into the public domain, in a range of ways. We are considering whether we can do that in a more helpful way.

Mr Quinan: The reference to parliamentary questions as a means of getting information into the public domain is entirely at odds with the Parliament's principles of accountability and transparency. There is no question about that.

Sarah Boyack: That is an opinion.

Mr Quinan: Sorry?

The Convener: Could we have a question please—or have you finished?

Mr Quinan: No. I am still seeking an answer to the question why we cannot have a report of an analysis, rather than the lodging of parliamentary questions in order to publish the same information, which is a huge waste of public money. The newspapers regularly make an issue out of that. For the sake of accountability and of performance measurement, would it not be better to publish such a report?

Dr Collings: We publish our performance against a range of targets, not least when we set targets for all our spending and report outturns against those targets in the budget documents. We also set out a range of performance information in other publications, including the information that we publish on the social justice milestones, and the annual expenditure report. We are considering whether there are more helpful ways in which we could present the information. It is not, in my view, a matter of what we publish; it is about whether there are more helpful ways of bringing together the information. We are considering that at the moment.

The Convener: Would it be possible for you to give us a written note of what is done along the lines that you have described? The matter is complex, and it might be better if you could give us a detailed note.

Mr Quinan: Paragraph 3.14 of the Auditor General's report says that the Executive is developing

"an improved framework of financial and performance management",

which includes outcome targets. Relative to the question that I just asked, how will you measure and monitor performance against those outcome targets, and how will the results be published?

Dr Collings: Ministers announced in September the targets that they are setting. They have not yet made an announcement on reporting against those targets.

Mr Quinan: Has there been any discussion of how you will monitor, as opposed to report?

Dr Collings: There has been substantial internal discussion about monitoring. I believe that ministerial commitments have been made to the

Parliament that there will be proper monitoring and reporting. Ministers have not yet announced any decisions on the precise form of that.

The Convener: Could you give us any idea of the time scale for that?

Dr Collings: No, but there is an event in May next year, and I assume that we would want to be ahead of that.

The Convener: You had to remind us of that.

Mr Raffan: You touched on the fact that presentation is crucial. MSPs lodge a lot of parliamentary questions about information that exists but which is buried away. It is a matter of ease of access. In terms of openness and transparency, we should not have to dig any more than is strictly necessary. A lot of budget books—for example, in the States or in some European countries—are better presented than our own. Are you constantly reviewing that situation?

Dr Collings: Yes. In response to requests from committees, we have made major changes to our publications but one of our difficulties is that, thus far, those changes have all been additions. The publications have got fatter and fatter and that might have made them less helpful than they were previously. We are considering ways in which we can provide the committees with what they are asking for without making our basic documents so large as to be unwieldy.

Mr Raffan: Appendix 5 takes as a case study the drug misuse cross-cutting initiative. Paragraph 3.18 makes the point that a health board is individually responsible to its minister for its spending on tackling drug misuse, but the success of that expenditure might depend upon the other bodies that the health board is working with in the local drug and alcohol action team. To what extent is the Executive moving towards collective accountability in an area such as drug misuse and making the DAAT accountable as well as the individual health board, which is just one component of the whole?

Dr Collings: That is not my specialist area, but I understand that the DAATs report on drug misuse to the Cabinet sub-committee. The setting up of that sub-committee indicated that ministers give priority to that issue. They expect public bodies to work together to deliver the direct results and they are monitoring the situation to ensure that that is happening.

Mr Raffan: I am just pursuing the issue as a case study. The amount of money that has been spent in treatment is £140 million. An additional £100 million will be spent over the three years from 2001 to 2004. The police are incurring expenditure of £200 million on enforcement. It is difficult—even as convener of the cross-party

group on drug misuse, I find it difficult—to track the money. The situation has been made more complicated by the fact that 19 of the 22 teams are now drug and alcohol action teams. Some people see the DAATs as a barrier to the money getting to the front line.

The cross-party group on drug misuse has found difficulty—and this is typical of cross-cutting initiatives—in tracking the money and ensuring that the large sums of money that are often announced in the chamber are getting to those who need it, such as the drugs workers in the field.

Dr Collings: I am trying to work out what your question is.

Mr Raffan: The question arises from the fact that cross-cutting initiatives are complex and it is therefore more difficult to ensure that the money is getting through. We had a reference to that before. The sums of money are vast. Are they getting through? What is the accountability mechanism? An individual health board's spending is not enough. The DAATs make reports, but there is not enough monitoring of joint and collective expenditure. What will the Executive do to try and make them more accountable collectively on the financial front?

Dr Collings: In the consideration of cross-cutting issues, the key element of accountability needs to be on performance not on finance. There is heavy emphasis on whether results are being produced with regard to drug misuse.

Thus far, we have found that financial accountability is most readily exercised through the individual bodies and through monitoring by departments of what individual bodies are doing, with the ministerial committee taking an overview of the situation from time to time. I agree that it is difficult to monitor things that are operating in more than one way at a time.

Mr Raffan: It is difficult to monitor outcomes in many cross-cutting areas. We do not even know how many drug addicts we have; we have only Neil McKeganey's estimate of 55,000. The danger is that it is difficult to know what impact we are having on the problem. The financial accountability is important, but the performance, which is also important, is almost impossible to measure.

Dr Collings: I can only agree that that is difficult and say that we have made considerable efforts to do better. That sort of area is difficult.

The Convener: Would it be helpful for you to supplement in writing the evidence that you have given?

Dr Collings: Yes.

Margaret Jamieson: I want to pick up on what was said about DAATs. We might have an

announcement about new moneys for drug addiction. The money can go into the teams in various forms. It can come via the health budget or via the justice budget for the prison service, and local authorities and voluntary organisations can also bring something to the table—it is all public money. The process is not transparent to ensure that the money that is announced is filtering through the organisations in the middle and reaching the heart of delivering to the communities the services that the Executive acknowledges they need.

We should be able to trace where the £3 million that came from one place has gone. We are unable to trace the money, so we are unable to identify the outcomes of the initiative. As Keith Raffan said, we do not know how many people are drug addicts or how many have an alcohol addiction. We know how many people are going to the services and asking for assistance, but we do not analyse the outcomes of the provision of a particular service. We are providing the money, but we do not have checks and balances to see whether we are getting best value for the public pound in relation to whether people in the community are coming off their addiction.

The Convener: The danger is that the committee is giving more evidence than are the witnesses.

Dr Collings: In some instances, money has been ring fenced for specific purposes and, in most cases, we can be quite clear that the money has been spent for those purposes. The difficulties that you mentioned with regard to monitoring are why we have a ministerial sub-committee. We also have people working on the drugs issue across departments to try to ensure that things are working as they ought to and to try to pull together information about what is happening.

Mr Davidson: Dr Collings mentioned the ring fencing of money for particular projects. I am not talking about the drugs aspect in particular, but the Finance Committee is researching cross-cutting initiatives, because the giving end of the budget is fairly opaque, to say the least. What work is going on within the Executive to come up with a set of performance indicators across departments? Are you working on things like that, which can be applied to the different cross-cutting exercises that are going on?

Dr Collings: Not across the piece. We look at performance indicators on specific cross-cutting initiatives. We try to set targets for what we are trying to achieve and to monitor progress against those targets.

Mr Davidson: So the targets are developed after ministers decide that there should be some form of cross-cutting initiative. There is no

guidance at the beginning; the targets have to be made up as you go along, virtually on the hoof.

Dr Collings: Ministers decide on the cross-cutting policy and we then consider the most appropriate ways of measuring its success and monitoring whether it is going to plan.

Mr Davidson: If you set a performance indicator, the monitoring sets the targets that people would try to work to.

Dr Collings: That is why targets need to be set very carefully, once one has decided on the policy that one is applying in a particular area. One should not have monitoring and targeting arrangements that are divorced from the policy.

Mr Davidson: And the arrangements are reviewed as they go along.

Dr Collings: Yes.

Rhona Brankin: I have two quick questions. Presumably, sustainability indicators are examples of indicators that cut across departments.

Dr Collings: Indeed.

Rhona Brankin: How is accountability delivered when there is not a cross-cutting ministerial committee for that particular cross-cutting initiative? Is there correspondence between departments?

16:00

Dr Collings: In most cases there is correspondence. In other cases there is a clear lead minister. For example, the Minister for Social Justice is the lead minister on "Better Communities in Scotland: Closing the gap". Very often, we have both.

The Convener: We move to the last section, on effective parliamentary scrutiny.

Sarah Boyack: We have spent the afternoon talking about scrutiny, but how could we improve accountability and effective parliamentary scrutiny?

Dr Collings: Compared with the situation pre-devolution, I feel very scrutinised, so you have achieved quite a lot already. Quite honestly, a good start has been made in the sense that, for example, this committee is clearly trying to find out the facts about things and to arrive at whatever conclusions are best. That is exactly the right approach. It is not a witch hunt.

On cross-cutting, I have a point to make to the committee. To a fairly substantial extent, the arrangements that have been set up by the Parliament to scrutinise the Executive mirror the silos that we were talking about earlier. We have a form of scrutiny that fits the form of the

organisation that we have in the Executive. As the Executive develops cross-cutting ways of working, Parliament will have to develop scrutiny mechanisms that go alongside that. Just as we are finding cross-cutting working to be a challenge, I suspect that, equally, the Parliament will find scrutiny mechanisms to be a challenge.

Sarah Boyack: That may be something for us to reflect on.

We started off by talking about accountable officers and how they are accountable to the permanent secretary. Are you confident that accountable officers in all public bodies fully understand the full range of their responsibilities? How would you measure that?

Dr Collings: I would measure it in two ways. One way would be through my personal contacts with people, who take such responsibilities extremely seriously. On occasions, accountable officers in public bodies have said that they have concerns about something that we are thinking about doing, because they feel that it will make it more difficult to exercise their responsibilities. I am fairly clear about that through my personal contacts.

When one considers the scale of the public sector, as reflected in the Audit Scotland report, the number of occasions on which Audit Scotland has found accountable officers who are not realising their responsibilities and not fulfilling them seriously is very small. There are, of course, times when officers do not succeed in meeting those responsibilities, but in the overwhelming majority of cases that I see in the Audit Scotland report, accountable officers have been clear about their responsibilities.

The Convener: That leads neatly to the final question, for which we switch focus to the Auditor General. Do you wish to add anything about how public audit can contribute to the way in which public bodies are held to account?

Mr Robert Black (Auditor General for Scotland): I would like to offer one or two thoughts, if time allows. Audit is about reporting independently and objectively on who spends the money, what it is spent on, whether it is spent properly—in accordance with law and good standards—and whether it is spent wisely, so that we get value for money.

There is a diagram on page 12 of the report that addresses the basic question of who spends the money. One of the interesting things for all of us, including me and my colleagues at Audit Scotland, is that only 12 per cent of the expenditure is spent directly by the Scottish Executive, its core departments and its statutory office holders. All the rest of the money is spent by local government, the health service and various other arm's-length

bodies with varying degrees of independence from the Executive. The report is long and complex because that is the nature of Government under devolution.

That has some quite significant implications for audit. Devolution provided the opportunity to devise an audit system that fitted that structure of Government. We therefore have a system in Scotland that is significantly different from the system that prevails in the United Kingdom Government. I took the opportunity that was open to me under the Public Finance and Accountability (Scotland) Act 2000 to appoint auditors to each public body in Scotland, so more than 200 public bodies in Scotland now have an appointed auditor.

Those auditors are expected to operate to a core of audit practice, which means that not only do they have to look at the financial accounts and report on them but they should be looking at standards of governance, financial stewardship and performance. The auditors are expected to report in a way that is helpful to management without compromising their integrity and independence. That means that each and every public body should receive at the end of the audit a report that addresses the big issues that have been found as a result of the audit. We would expect the accountable officers to prepare, with the assurance of the auditor, an action plan to correct things that are found to be at fault. Rather than simply apportioning blame, that process contributes to the improvement that we all want. It also means that the issues that come before the Audit Committee—there has been no shortage of them—are the big issues that really matter. A lot of activity is now taking place in public audit in Scotland that is adding value, improving standards of governance and improving performance, but which need not be reported at this level.

The other thought that I would like to voice in answering your questions concerns the business of cross-cutting services. That is a challenge for audit. Peter Collings mentioned the various documents that are produced by Government, and there is certainly a lot more performance reporting taking place now, through various channels, than ever took place before devolution. I suggest that that has been a very positive development.

Documents such as “Building a Better Scotland” contain high-level objectives such as:

“To build a healthy, caring Scotland”,

and

“To create a safer and fairer Scotland.”

That is about cross-cutting issues, and the committee has, quite rightly, been concerned to ask questions of Peter Collings on those matters. Those issues also present a challenge to audit.

We are attempting to work with audited bodies and with the Executive to find ways of using audit to report on some of those big cross-cutting issues. In our forward programme, I anticipate that we will have one major study of that type a year. Such studies are difficult to do and quite onerous in terms of the information that we require the Executive and agencies to supply us with, but it is right that we attempt to do them. Within a couple of weeks, I will be laying before the Parliament possibly the most ambitious of those studies so far—the youth justice study.

There are no simple solutions to those matters, but I assure the committee that we are trying to address those real challenges.

The Convener: I thank Audit Scotland for that sensible and sensitive pathway to the future. I extend a last opportunity to our witnesses to speak, if they have any final comments.

Dr Collings: I hope that the document will be of use to the committee. We had not realised that we probably should have produced something like that ourselves for the benefit of the people who work in the public sector and for our own staff. We are grateful to Audit Scotland for producing that document and we can foresee various uses that we might make of it. It has been a useful piece of work and I hope that the committee and Audit Scotland will talk about how to keep it up to date.

The Convener: Those issues are at the very centre of our democratic system. I look forward to exploring them on an on-going basis. I thank Dr Peter Collings and Fiona Robertson for their attendance and evidence today.

16:10

Meeting continued in private until 16:50.

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