



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 21 December 2011

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PUBLIC AUDIT COMMITTEE

10th Meeting 2011, Session 4

CONVENER

*Hugh Henry (Renfrewshire South) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)
*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Colin Keir (Edinburgh Western) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Drew Smith (Glasgow) (Lab)
*Humza Yousaf (Glasgow) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mr Robert Black (Auditor General for Scotland)
Barbara Hurst (Audit Scotland)
Bob Leishman (Audit Scotland)
Claire Sweeney (Audit Scotland)
Ally Taylor (Audit Scotland)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 1

Scottish Parliament

Public Audit Committee

Wednesday 21 December 2011

[The Convener *opened the meeting at 10:30*]

Interests

The Convener (Hugh Henry): I welcome everyone to the Public Audit Committee's 10th meeting in the fourth session of the Scottish Parliament. I remind members and others to ensure that all electronic devices are switched off. I have received no apologies.

Members will be aware that Mark McDonald has been transferred to the Finance Committee and that Colin Keir has taken his place. I welcome you, Colin, and I am sure that you will enjoy the Public Audit Committee. Members who have served on it for some time will testify that it is a fascinating committee that covers a variety of topics and can sometimes be challenging. I hope that you will enjoy your stint on the committee. I invite you to declare any relevant interests.

Colin Keir (Edinburgh Western) (SNP): I have no interests to declare. Thank you for the welcome, convener.

Decision on Taking Business in Private

10:31

The Convener: Under item 2, do we agree to take items 5 and 6 in private?

Members *indicated agreement.*

Section 23 Report

"Overview of the NHS in Scotland's performance 2010/11"

10:31

The Convener: For item 3, I invite the Auditor General for Scotland to brief the committee.

Mr Robert Black (Auditor General for Scotland): Good morning, convener. As I am sure committee members are aware, I bring a report on the national health service's finances to the Parliament through the committee every year. Every second year, we take a wider look at performance in the round, as well as finances. I am pleased to say that this is one of those years in which we have a more wide-ranging report.

It is a pleasure to report that, for the financial year 2010-11, we can present a generally good picture of performance by the health service in Scotland nationally. In the past financial year, all the boards met their financial targets. We continue to see good progress against the big three diseases of coronary heart disease, stroke and cancer.

That said, pressures on the health service continue to grow. There are increased costs from a variety of sources and rising expectations, needs and demands as a result of public health problems in our society and demographic changes such as the ageing population.

The first part of the report comments on pressures that the national health service faces. Part 2 sets out the financial performance in 2010-11 and looks at efficiency and productivity. Part 3 looks at the health service's performance in improving Scotland's health.

It goes without saying that we all recognise that changes to the Scottish population in coming decades will increase the demand for public sector services and for the health service and social care services in particular. That will result from there being more older people and from the challenges in the public health agenda. Such pressures will continue to intensify in coming decades, but it is important to realise that they are already having an effect. The changes are so significant that we suggested in the report that current ways of delivering services in all respects might not be sustainable.

It is not possible for the health service to plan for and respond to such changes on its own, so our report emphasises the need for strong shared leadership and better partnership working, whereby councils and health boards work together to deliver more services and more effective

services. One encouraging development has been the Scottish Government's recent announcement about plans to integrate further health and social care services. I remind members that that was one theme that came through our report on community health partnerships, which the committee considered recently. I am sure that that development will feature in Audit Scotland's work in the next few years.

The report confirms that the number of staff whom the NHS employs fell by about 2 per cent between September 2009 and March 2011. Exhibit 6 on page 10 shows that NHS bodies plan further reductions in 2011-12. There is perhaps understandably quite a lot of media and public interest in this issue. Therefore, it is probably worth noting that half the decrease was a result of reductions in nursing and midwifery staff, but the biggest percentage reduction was actually in administration and support services. Some challenging targets are set by the Scottish Government for a reduction in senior management staffing in the health service.

When any organisation is cutting its staff numbers—the health service is no exception—it is important to balance the risk of losing knowledge and experience during the period of change with the potential benefits of opening up opportunities for existing staff and employing new people who can bring new perspectives and carry it into the future.

Still in the first part of the report, under the heading, "Pressures facing the NHS", we say that there continue to be some real challenges in developing and maintaining the physical estate—principally hospitals and health centres. The capital budget for the NHS reduced by 13 per cent to £474 million between 2010-11 and 2011-12 and it will fall again in real terms to £215 million by 2014-15.

I have commented previously on the high cost of addressing the backlog of maintenance and repair across the NHS estate. With the financial pressures that lie ahead, it might be even more difficult to maintain the existing NHS estate in a good condition.

In exhibit 8 on page 13, we set out details of 10 NHS capital schemes valued at more than £50 million that are currently under development. The Scottish Government is continuing to look at alternative ways of financing capital schemes and five of those projects will be funded through the non-profit-distributing methods.

The Scottish Futures Trust has an important role in facilitating the use of revenue finance for NHS investment; its role is outlined in exhibit 7 on page 12.

I turn to part 2 of the report, which summarises the financial performance of the health service. I am pleased to say that the overall financial performance of the NHS in 2010-11 was good, with all bodies meeting their financial targets.

Funding for the NHS continues to increase in cash terms, but in 2010-11 it reduced in real terms by 1 per cent from the previous year. The financial picture for territorial boards and special boards differs, with the Scottish Government allocating real-terms increases for territorial boards but real-terms reductions for the special boards in 2011-12. On pages 21 to 23 of the report you will see details of the variation in financial performance by health bodies.

In 2008, the Scottish Government introduced the NHS Scotland efficiency and productivity programme. NHS bodies clearly need to deliver efficiency savings in order to break even. In 2010-11, the NHS reported efficiency savings of £292 million. Those developments are encouraging, but as I have highlighted in several Audit Scotland reports in recent years it continues to be pretty difficult for the NHS to quantify productivity due to weaknesses in the underlying data and difficulties in linking costs, activity and quality. We have reported in the past on the challenges that we face in providing an independent assurance on the efficiency savings for reasons of information that is not quite up to the standard that we require.

The third part of the report provides a summary of progress in tackling health inequalities in Scotland and an outline of how the NHS performed against targets in 2010-11. There were some positive indicators. Personally, I am delighted to say that life expectancy in Scotland is increasing and death rates from the three main causes of premature death in Scotland—coronary heart disease, cancer and stroke—continue to fall.

As I am sure members know, there are many schemes in place to address some of those health inequalities—we summarise some of the main ones on pages 27 and 28 of the report. As I think we all recognise, there are still very significant differences in life expectancy between people living in the most deprived areas and those living in the least deprived areas of Scotland.

The NHS cannot tackle those challenges alone, which brings us back to partnership working. In that really important area, health bodies must work with their partners, especially the councils, to plan and deliver services that address inequality. Given the clear importance of those issues, Audit Scotland will carry out an audit of health inequalities in 2012.

In May 2010, the Scottish Government introduced the healthcare quality strategy for the NHS in Scotland, which was designed to help

NHS boards to improve service quality. A great deal of work has been carried out to reduce healthcare associated infections, and the Scottish patient safety programme has contributed to reductions of 37 per cent and 71 per cent in MRSA and *Clostridium difficile* infection rates respectively.

Finally, I am pleased to say that the NHS met three quarters of the NHS performance targets for health improvement, efficiency, access and treatment—which are known as HEAT targets—that were due for delivery in the 2010-11 financial year. However, I should also mention that performance varies at local level. Only four of the 28 targets due for delivery in 2010-11 were not met at a Scotland-wide level, but in those four areas—breastfeeding newborn children, booking general practitioner appointments 48 hours in advance, electronic out-patient referrals and reducing the frequency of HAIs—there was still improvement against performance in previous years. The NHS is also making good progress towards achieving an 18-week referral-to-treatment target by the end of this December.

As ever, my colleagues and I will do our best to answer members' questions.

The Convener: Thank you very much for that very full briefing.

I have a couple of questions. Exhibit 6 on page 10, which sets out projected workforce changes, shows an increase of 421 for NHS Education for Scotland, which the footnote says is due largely to

"GP trainees being employed by NHS Education for Scotland rather than individual practices."

Under which headings would those people have previously been counted? After all, GPs are generally self-employed rather than employed by the NHS. Who previously received the budget for those staff and has it been transferred from wherever it was before to NHS Education for Scotland?

Claire Sweeney (Audit Scotland): Those GP numbers would not previously have been counted in these statistics.

The Convener: They might not have been included here, but where would they have been included?

Claire Sweeney: They would have been included in the numbers for GP practices and so would not have been reported in these statistics.

Mr Black: Are you saying, Claire, that, as a result, they were not included in the aggregate workforce numbers?

Claire Sweeney: Yes.

The Convener: So will the figures show a reduction in the number of GPs?

Claire Sweeney: Not necessarily. I am not familiar with how those figures are reported and I am not sure whether a separate set of figures would have been produced.

The Convener: Was the budget transferred?

Claire Sweeney: I assume that it would have been moved over, but I am not certain about that.

The Convener: If it had not been transferred, there would have been significant financial consequences. It might be worth seeking some clarification on that.

You have indicated that, although NHS funding continues to increase in cash terms, overall funding is decreasing in real terms. From what you have seen, do you think that it is possible for services to be maintained with a real-terms reduction?

Mr Black: The short answer is no—we are not in a position to look at that issue in this overview. As I mentioned in my opening remarks, we refer to reported efficiency savings of £292 million. We do not know how that figure is made up across all health boards, but in the report—I forget which page—we indicate some areas where efficiency savings have been achieved and suggest that more efficient use of theatres, techniques such as early discharge and so on will generate true efficiency savings because they free up capacity.

10:45

The Convener: When you said "no", did you mean that services would not be maintained or that you are not in a position to comment?

Mr Black: I beg your pardon for not being clear—I meant that we are not in a position to comment.

The Convener: Okay. Fourteen territorial boards reported an underlying recurring deficit. You explained that, from what you have seen over the past year, there is good management and there is a positive picture. In a number of reports that we have looked at over the years, the underlying recurring deficits have been a source of troubles. Are there grounds for concern about the cumulative impact of the underlying recurring deficits in any of the territorial boards?

Mr Black: I would hesitate to say formally on the record that we have concerns about any boards, but the challenges in some boards are possibly greater than they are in others. The island boards continue to have the highest recurring deficits as a percentage of funding, although the absolute numbers are small, and it is clear that there are some challenges in one or two mainland

boards but, from what we understand, they are being addressed.

Perhaps I should say to the committee, particularly for the benefit of members who have not been on the committee for a long time, that a number of years ago the problem of recurring deficits was quite significant. Boards were reliant, in my opinion rather excessively so, on one-off funding sources to get them through the financial year. A great deal of progress has been made in that area and, in aggregate terms, the level of recurring deficits is now relatively small.

Humza Yousaf (Glasgow) (SNP): Thank you for, as always, a very comprehensive briefing.

I am heartened by some of the developments that you touch on in the report. The overall financial performance seems to be good and we can all agree that the increase in life expectancy is a good thing. It is also heartening that mortality rates from the big three diseases are going down. However, you touch on the nub of the matter, which is that over the next 25 years there will be huge demand and huge pressure, because of what has been termed the demographic time bomb. From your experience, study and research, do you think that health boards are equipping themselves to face that challenge? Where should this Government and future Governments put their money to try to handle that pressure?

Mr Black: There is a very sound awareness in health boards and partner organisations of the challenges that are faced. As we say in the report, the response will have to include elements of service redesign. I guess that that is one of the principal reasons why the Government is making a new push to strengthen partnership working between social care and primary healthcare to facilitate service redesign and to push more services out into the community, with the change fund being used as a catalyst to help that happen. That is certainly the direction in which we have to move.

Humza Yousaf: You say that the Government is trying to encourage more partnership working by health boards. What about local authorities? I know that this is a difficult question to answer, but have local authorities throughout the country taken the message on board, understood the demands and responded to them?

Mr Black: I refer you to the community health planning partnerships report, which we produced a little while ago. A theme in that report—I am sure that Claire Sweeney will recall the detail—is that there needs to be strong shared leadership between councils and the NHS to identify a common approach to problems and there is a need for much-improved information to help them understand the needs in the local area, the

services that are being delivered and the pressures that will arise in future.

Claire Sweeney: The overall message from that report is the need for clear leadership and for commitment to working together to join up resources and ensure that they are used effectively between councils and NHS boards. The report highlighted examples of where that has started to happen. Good underpinning information on local needs is required to inform plans of where resources should be targeted and of how they will be used.

Mr Black: Earlier, I talked about whether we could sustain current levels of service delivery. In paragraph 11 on page 8 of the overview report, we drop in a statistic:

“the ratio of pensioners to people of working age is expected to increase from ... 32 pensioners per 100 people of working age to 38”.

That is a significant increase. Real issues will arise, not only in meeting the needs of those people but in finding the workforce to provide services for them. That brings us back to thinking about new ways of supporting people.

Humza Yousaf: And we should not consider it simply as an issue for the NHS. It is much wider.

Mr Black: Yes.

Humza Yousaf: I have no doubt that other members will pick up on that point.

Pages 27 and 30 of the overview raise interesting points on the misuse of alcohol and drugs, which, according to the report, costs Scotland more than £7 billion. That is a huge cost; it is one fifth of the block grant. Parliamentarians, as well as people in the NHS and others, know the statistics, and the issue has to be a priority. What lies behind the increase? Figures from 1990 to the present show a stark increase in the numbers of people who are misusing alcohol and drugs. Are the methods that the health service is providing just not working? Are more people drinking? Is it a result of the economic times? I do not imagine that you can give a magic answer, but did your research indicate any reason why costs might be rising and not falling?

Mr Black: I strongly commend to committee members the annual report of the chief medical officer for Scotland, which, by coincidence, came out just a day or so before we published our report. It contains a full narrative on issues such as alcohol and drug problems in Scotland; it is an interesting document if you want to understand the challenges in the public health agenda and in health inequality. A lot of information is around, although I guess that it would be difficult to give a summary this morning.

Humza Yousaf: Was there a lot of variation among health boards in the ways in which they tackled the problem? Were any health boards hitting the nail on the head, while others were not?

Claire Sweeney: I refer you back to our report on drug and alcohol services, which I think was published in 2009. In that report, we considered in detail local arrangements for the delivery of services and the ways in which people's needs were met. Again, an issue that arose was the need for partnership working among councils, NHS boards, the police and other partners, in order to address concerns about the levels of drug and alcohol misuse in Scotland.

Humza Yousaf: I will be sure to have a look.

Mr Black: We can certainly provide the committee with a summary of the key messages in that report, if you would find it useful.

Humza Yousaf: That would be incredibly useful. Thank you.

The Convener: You referred to the 2009 report. At that time, you spoke about the importance of early intervention and prevention but you mentioned a lack of investment in such services. Have you seen improvements since then?

Claire Sweeney: I think that it was the first time that anybody had tried to put any figures on how much was spent on prevention. We have not gone back to that piece of work, done the calculations again or asked agencies for information with which to update the data. The current overview of the NHS shows the need to focus on prevention at a time when demands on services continue to increase.

Tavish Scott (Shetland Islands) (LD): I would like to ask two questions. The first concerns data. I gathered from Mr Black's slight sense of exasperation that the data that underpin the figures on efficiency savings might not be all that they should be. Has that kind of thing been an on-going problem from the minute that a Government—by which I mean any previous Government as well as the current Government—starts to talk about efficiency savings? If so, how can we resolve the problem?

My second question relates to the very interesting perspective that you have brought to the current debate on bringing together social work and healthcare. How is governance going to work in that situation?

Mr Black: On your first question, a recurring theme in our reports for many years now has been that the quality of information in the health service is not as good as it needs to be to manage the service, to demonstrate value for money and to drive the efficiency agenda. I might say, in a slightly sweeping generalisation, that the

aggregate numbers are probably pretty accurate—in other words, they identify the amount of money that has been taken out or freed up in the health service through what is called the efficiency programme. However, when we go down a level or two into what is actually happening in the system, it is very difficult to get data that link activity, cost and the quality of the impact. That can be seen across much of the health service.

One can understand a fair bit of what lies behind that—for example, clinicians spend their time in various care settings. I would not want for a moment to suggest that the health service needs to load itself with a new bureaucracy in order to capture data and to chase a mirage of the perfect data set. However, we need to recognise that it is an on-going problem; we think that, across the piece, the NHS could continue to do more to rise to the challenge. A little while ago, we produced a report on orthopaedic services—Claire Sweeney was project manager on that, as well. Even in what seemed like a reasonably self-contained and defined health business area, in which we felt there might be really quite good data, we found it remarkably difficult to form any conclusions on cost, activity and quality.

On your second question, the governance of partnership working presents a real challenge. That very point came through in our recent report on CHPs and our report on community planning partnerships. After reading the Government's recent high-level announcement on the matter, we felt that it might have been partly a response to the challenge that we highlighted of strengthening governance in the health service. However, a number of important questions will remain unanswered until we see the detail. We understand, for example, that the Convention of Scottish Local Authorities is still at a fairly early stage of negotiation with the Scottish Government over how the new partnership arrangements will operate and move on from the CHP model.

Tavish Scott: Indeed. I guess that the issue will be subject to some debate.

Again, I do not want to criticise the health service—I absolutely take your point that the last thing we need is more bean counters counting lots of beans. However, am I to take from your response to my first question that a degree of inaccuracy is built in to the figures for efficiency savings that are produced by the Government—by which I mean the Government over a period of time, not just the current Government—and that we simply have to accept that because of the difficulties that you have observed?

Mr Black: We would accept that. We have to recognise that the numbers are not in every case precise or scientifically built up from good local data.

Tavish Scott: This might be an oxymoron, but it is possible to be accurate about the inaccuracy of the figures?

Mr Black: I wish that it were; it would give me, as the Auditor General, comfort to be able to say how inaccurate the data are.

We covered a lot of these really important issues in the reports that we produced a couple of years ago on the efficiency programme. Barbara Hurst can perhaps recall some of the messages that came from the reports about quality of data and the sort of assurances that we were, or were not, able to give.

11:00

Barbara Hurst (Audit Scotland): Yes. The key difficulties were about whether something was actually an efficiency saving or a cut, and whether quality had been retained as costs had been reduced. A more general difficulty was that, because the numbers were so big, some of the work had to be based on assumptions and there was an issue about the validity of those underpinning assumptions. We could have gone in and pored over all the figures, but we felt in some ways that there was no point in doing so. After all, given what our big message was, what was the point of spending a lot of resources doing more work just to prove it? It is a very difficult area and in some of our other reports we have moved away from it to say, "You need to start setting priorities". The language of efficiencies is still important, but it is only part of the whole picture.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Paragraph 28 on page 14 shows the increase from £170 million to £197 million in the costs associated with private finance initiative projects, which is a little bit horrifying, but not unexpected. However, although the report comments that the costs will rise "in line with inflation", surely that increase is more than an inflation rise. Are we to assume that the increase covers PFI contracts that have already been signed up to and which are coming on-stream and require repayment? Do we have projections for the couple of years beyond 2011-12? After all, those years are going to be critical and that particular cost seems to be a little bit uncontrolled. I realise that pages 14 and 15 refer to a number of uncontrolled costs, including the cost of medicines, but surely on this issue you should at least have some sort of guesstimate about what is coming up.

My second question follows on a little bit from Tavish Scott's comments. Reading the report, I get the impression that, although Government indicators are broadly being achieved and although there are figures for those, the underlying

statistics that might support an awful lot of the decisions that are made in the NHS are not as obvious as they might be. A theme that has been emerging from a number of reports that I have read is that there are difficulties in bringing together the figures to support some of the assertions that are being made in audit reports. Would there be any merit in following that up in a separate piece of work? I realise that I am groping a little bit here, but one theme seems to be that public bodies are not getting the kind of statistics that they need to fully manage their business.

Mr Black: I am sure that the team will correct me if I get this wrong, but in our overview report on Scotland's public finances we said that the total annual costs of PFI will peak at about £1.1 billion in the early years of the 2020s and beyond. That is the magnitude of the costs to come. Of course, because a PFI is a contract, those costs are unavoidable.

Perhaps the team can help me out on the question of the recent increase.

Ally Taylor (Audit Scotland): In addition to the inflation rise, the main increase in 2010-11 was due to the opening of the Forth Valley royal hospital in Larbert, which was a PFI scheme.

Mr Black: As for your second question, I find interesting your suggestion that, as a project, we should revisit the fitness for purpose of data. Of course, that would not be easy because the system is so large and complex. However, we could go back and have a look at it. I believe that a little while ago we carried out a piece of work on information in the health service. To be frank, I cannot remember what we said in it. Perhaps Claire Sweeney can help.

Claire Sweeney: We have summarised for the committee the messages about information in the health service in all our recent reports. As Mr Beattie said, we picked up some common themes about particular gaps in that information.

I should also mention that in all the performance audits that we produce on particular health areas we will look at and comment on quality of data; I am sure that we do the same in our reports about the public sector. Because that work forms part of all the performance audit that we carry out, we were able to scoop up some of the messages and themes from the NHS reports in particular, and to summarise them in a list of generic issues.

Colin Beattie: This does not come out in the report, but is it correct that in large part the difficulty relates to not having information technology that can readily acquire the figures?

Mr Black: I would hesitate to give a simple answer to that question. My view is that, during the years when resources were more readily

available, there was not necessarily the drive to understand and minimise costs that we now need. If that is true, there will be issues to do with the fitness for purpose of the IT systems that bodies are using. The starting point must be a business strategy that is focused on driving costs down and quality up. The IT needs will flow from that.

Barbara Hurst: Especially in the acute sector, the health service probably has more data on its activity than any other part of the public sector. The activity in the community is less good, which matches what is going on around community care in councils. The point that we are trying to make is that people can have all the data they want—they can have loads of data—but they need to turn it into information on which they can make good judgments. The real gap is in cost information that can be linked with that. I do not want members of the committee to go away thinking that there is not much clinical data available on the health service; there is, which is why we can get such rich information over time about coronary heart disease and stroke outcomes, for example.

The Convener: I come back to paragraph 28 of the report, to which Colin Beattie referred, and the cost of PFI projects. Have you considered and reported on some of the other issues? I had discussions with local councillors about PFI or public-private partnership school projects in my area. My understanding was that the cleaning, maintenance and running costs were included in the PFI, which took pressure off revenue budgets elsewhere, and that periodic refurbishments were also to be carried out as part of the contracts. I presume that the same would apply to most such projects. Towards the end of the 25 or 30 years of the contract, people would therefore be left with an asset that would be viable for another 15 to 20 years, and there would be a potential capital saving at that point. Are such issues factored into your calculations in your reports?

Mr Black: They are not factored into the report that we are discussing, which is simply a presentation of the NHS's financial performance as we see it. The team may have something to add to what I will say.

Quite a number of years ago, we looked at the capital programme in education and what was happening in the schools sector. At that time, one of the findings that we put to Parliament was that the whole-life maintenance and repair costs were included up front in PFI-type contracts, but the major cyclical repairs and on-going maintenance and repairs of established capital assets were still not always properly costed. In other words, people—especially in local government—were not looking adequately at maintenance and repair costs. Over the years, that has contributed to some of the quite challenging numbers that we

have produced on backlogs in maintenance and repair in the existing capital stock. It is important to acknowledge that, sometimes, we are not comparing like with like until we build that factor in.

The Convener: No. Exactly.

Mary Scanlon (Highlands and Islands) (Con): I have two questions, the first of which is on staff. In your opening statement you said that between September 2009 and March 2011 staff numbers reduced by 2,500. A paper to the Health and Sport Committee in October showed that, in the 21 months up to that point, the NHS lost 3,910 staff. It seems that the pace at which staff are being lost in the NHS has increased. Do you have any information on that?

Mr Black: Unfortunately, we have no information to add to what is in the report.

Mary Scanlon: The difference is quite significant.

My second question is on targets, which you raised at the beginning of the meeting. Two targets that are mentioned in the report—one on sickness absence, and one on mental health—were Government targets, neither of which was met, and both were subsequently abandoned. When we are talking about targets that have not been met, we are not measuring the ones that have been abandoned.

Paragraph 21 on page 11 of the report mentions a

“target of four per cent for sickness absence”.

No health board in Scotland met that target two or three years ago; I think that only NHS Education for Scotland met the target. The target has since been abandoned.

The paragraph continues:

“Six NHS bodies continue to report sickness absence rates higher than five per cent; the remaining NHS bodies report sickness absence rates of between four and five per cent.”

In the private sector, I understand that the sickness absence rate is between 2 and 3 per cent. Why is sickness absence so high in the NHS, and what should be done—

Mr Black: That question would best be answered by NHS managers. I do not think that we are close enough to what is happening in the health service to allow us to answer that.

As, I am sure, Mrs Scanlon has picked up, the direction of travel in sickness absence in the health service has been good. The health service has been addressing the issue, and we know from local audit reports that health boards have been taking the issue seriously. It is one of those turnaround issues that cannot be fixed

immediately, but health boards have made some progress.

There would be a huge variation between a reasonable sickness absence target in a high-pressure public service such as the health service, and a reasonable sickness absence target in other types of business in the private sector. I am sorry, but I am not sure that we are expert enough to offer Mrs Scanlon further advice on that.

Mary Scanlon: Perhaps you can offer advice on another target that was missed and then abandoned. Paragraph 93 of your report mentions mental health; from memory, the target was a zero per cent increase in prescribing of antidepressants.

Mr Black: Yes.

Mary Scanlon: In fact, the increase last year was 8 per cent. Not only that, there has been a 60 per cent increase in defined daily doses over the past 10 years.

I really just wanted to highlight the fact that several targets have not been met and have therefore been abandoned. Are you aware of other targets—apart from the two that I have mentioned—that have been abandoned because they were not met?

Claire Sweeney: In preparing the report, we thought a lot about how best to present data on performance, and we have tried something different this time in some of the exhibits. We considered how we might comment on issues such as the one that Mrs Scanlon has raised. Two slightly different issues arise. The first concerns the level of detail that we can present in an overview report, and the second concerns where we should pick up on particular specialties or issues.

11:15

The committee might remember that we produced a report, "Overview of mental health services" a few years ago, in which we got into quite a lot of detail—even in an overview of services—and said that we would go back and look at other issues to do with mental health services. The committee spent some time looking at issues to do with antidepressant prescribing and started to get into much more detail.

The issue is not one that we are unaware of or have forgotten about; it is just that we did not go into a huge amount of detail about it in the report that we are considering. We have made general comments about performance reporting and where things need to be strengthened, and we have talked about some of the issues in that regard, but there could be something there about other targets. If targets are no longer HEAT targets,

there will still be some monitoring information, which we will have looked at as part of producing the overview report. There is other information in that regard, but perhaps the decision was taken not to go into too much detail on mental health, for example, because of the number of issues that we were able to fit into the space that we had.

Mary Scanlon: Given that the target was a zero per cent increase, an 8 per cent increase in only one year is significant.

The Convener: I understand; it is entirely appropriate that Audit Scotland did not have the opportunity to go into such detail in the report. However, Mary Scanlon has made a significant point. When you undertake analysis or research, will you continue to comment on whether targets that the Government set were met, even when the targets have been abandoned? If you do not do that work, no one will ever know whether there has been failure and whether political expediency led to the abandonment of targets.

Barbara Hurst: In previous overview reports we have been quite firm about asking why targets have been dropped, because of the loss of trend data—bearing in mind that we cannot keep adding in the targets.

Mental health is on our radar; we want to do more work on it, and we have to identify which part of the mental health system to look at. To date, we have thought to look at dementia, but there are concerns about the rise in use of basic drugs in a much wider population group, which we might need to look at.

It is fair to say that we would not necessarily track every target that had been dropped, which would potentially be a big job. However, we have been robust with Government civil servants in asking them to be clear to the public about why targets are being dropped, if that is happening. The committee might also want to ask about that.

The Convener: It might be worth the committee's while to look at the general issue. By setting a new target that is nothing like the original target, the Government might be able to meet the new target and claim success, but that would hide an underlying failure. The Government made a commitment on teacher numbers but, with local councils, set a target that was lower than the previous target. Lo and behold! The new target has been met, but it is not the target that was originally set.

If Audit Scotland, through its objective analysis, cannot look at claims on targets, there will be no way that the Parliament can track failure, manoeuvring, obfuscation or anything else that is going on. It is about transparency, so it is important to have a mechanism whereby we can track commitments that have been made and find

out the reasons for their being abandoned or not met. The committee might well want to come back to the issue, but it would also be useful if Audit Scotland kept an eye on the matter, because there are significant financial implications.

Mr Black: We note your concern, convener. We will take the matter on board for the future.

Mary Scanlon: One of our debates in the chamber this week will be on the Welfare Reform Bill. Some 43.7 per cent of people on benefits have a mental health problem. I feel passionately about the issue. There was an 8 per cent increase in the prescribing of antidepressants last year, and the doses are up. When people are called in for a work capability assessment, they will say, "Well, I've been on antidepressants for 10 years." I would have liked to see the target on antidepressants being met, because there is a lot of pressure on people with mental health problems and that ties in with the Welfare Reform Bill.

Mr Black: That is clearly and understandably an issue of great concern to members of the Parliament. Thinking in real time, I would say that the scoping of our work on health inequalities should take that into account. We cannot look at health inequalities in a narrow box; we have to look at them in context, as we do with everything to do with the public health agenda.

Drew Smith (Glasgow) (Lab): I will return to targets, but before I do so, I will go back to your initial discussion with the convener on the overall budgets. Clearly, there are some political issues, in that the Government's commitment to maintain the budget has been met by putting money into the territorial boards but removing it from the special boards. Is there any evidence either that the special boards are doing less as a result or that functions are formally or informally being transferred from the special boards to the territorial boards to take up the slack of the things that the special boards no longer do?

Claire Sweeney: No.

Mr Black: No.

Drew Smith: Do you envisage going back to special boards?

Mr Black: I am sorry; I did not catch that.

Drew Smith: I appreciate that the Public Audit Committee is always asking you to do other pieces of work, but do you envisage taking another look at the special boards?

Mr Black: We would need to have a clear understanding of the purpose of that work. The special boards have been set some pretty challenging financial targets—the percentage reductions for some are significant. We know that there are pressures, but we are not in a position to

comment on how well the special boards are managing the financial pressures that they face. If there are areas of particular concern to the committee, we could always look at them and feed them into the annual audit work that is undertaken, as part of which we audit all the special boards.

Drew Smith: Okay. I return to the indicators, targets and data. I appreciate that exhibit 22 on page 37 just contains examples, but two things concern me, and I want to ask you how concerned the committee should be. Mary Scanlon talked about targets being abandoned and we are told that no national data exists on the national target to reduce the proportion of pregnant women who smoke to 20 per cent by 2010. What is the point of having that national target if we are not measuring progress against it? Will you comment on the extent to which that happens?

Also, can you give us any assurance on single outcome agreements? You simply say that, because variation exists, you cannot comment on whether the targets are being met. Exhibit 22 gives some examples, but is there a widespread problem in the interaction between the health service and local government on single outcome agreements?

Claire Sweeney: I will talk in broad terms about performance measures and use the exhibit as an example of our trying to do something more interesting to show what the information looks like and means. In quite a few Audit Scotland reports, we have commented on the problem of having different performance measures, on the need for clarity about what we are trying to achieve, on what different agencies contribute and what the measures are, and on the need to make the process transparent to the public and everybody else.

In looking at performance, we looked at all the published information and did some more digging on what information exists in order to build a picture of how well things are monitored. Exhibit 22 is new for us, and in it we try to bring together a range of different measures to explore in more detail what a problem looks like when it is broken down into the performance measures that are in place.

There are issues with single outcome agreements in relation to attempts to benchmark performance between different bodies, and there is a lack of consistency in some areas in how things are measured. Work is under way to develop national outcomes that everyone will apply, and more consistency is underpinning that work, but we do not believe that there is enough consistency at present. There is a problem with how the outcomes are aligned because they are measuring different things, and there is a problem with how transparent some of the information is. If

it is hard for us to get, how easy is it for the public to find out the message on a particular target or area?

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I am sure that we do not want to give the impression that there are difficulties and failures in the NHS, despite some of the previous comments about staff numbers, the failure to meet certain targets and the dropping of targets. The Auditor General's report is clear that some great progress has been made in tackling heart disease, stroke and cancer, and it builds on the progress that has been made over a number of years, to give credit to previous Administrations. The health boards are meeting their financial targets, 75 per cent of HEAT targets are being met and, as the Auditor General said, we are close to meeting the 18-week target for referral to treatment.

The difficulty with picking out statistics is that the reports give snapshots of the NHS. We can pull out a figure and say that, for example, staff numbers are down by 2,000 or 3,000, but the report is clear that 20,000 more people are working in the NHS than in 2002. That has a certain value in the political argument among members around the table, but the statistics have to be balanced.

I would like the Auditor General's staff to comment briefly on and clarify exhibit 16 on page 28. I look at it with some concern. It seems to suggest that the life expectancy for males in Scotland is 60 years. I am sure that that causes some concern to members round the table. Is there a difference between healthy life expectancy as opposed to life expectancy? Either the scale of the chart is wrong or we are talking about different statistics.

Barbara Hurst: There is a difference between life expectancy and healthy life expectancy, which is how long someone can expect to live in good health. Someone might well live for another 10 years in not so good health. That is the difference.

Willie Coffey: I do not know whether to be comforted or alarmed by that.

Barbara Hurst: You should probably not be that comforted.

Willie Coffey: I would also like to talk about an issue that the Auditor General raised earlier that was of interest to the previous Public Audit Committee. The information in exhibit 13 on page 22 relates to the problems that the committee identified with the deficits that the health boards were carrying from year to year and the significant progress that has been made in addressing that. I would love to be able to say that that progress was a result of the Auditor General's report and the attention that the committee gave it.

The health boards are making some great progress in reducing those deficits. Convener, you will remember that the committee visited NHS Western Isles—it has made some fantastic progress on reducing its deficit over a number of years. That is reflected on page 22 of the report. However, can the Auditor General's team explain the seemingly spectacular performance by NHS Dumfries and Galloway, which does not appear to have a recurring deficit? In fact, it has a recurring surplus, if I am reading exhibit 13 correctly.

Claire Sweeney: We will have to come back to the committee with more detail on that.

Willie Coffey: It is a surprise to me, convener. I would appreciate it if the Auditor General could follow that up.

Mr Black: Are you particularly interested in NHS Dumfries and Galloway, Mr Coffey?

Willie Coffey: Yes. It looks like a really good story and it is worthy of further explanation.

Mr Black: I am sure that you appreciate that the report is an overview and that it would run to volumes if we attempted to analyse all the health boards and the business and financial strategies that got them to this point. However, we can certainly help you with details on NHS Dumfries and Galloway if that would be useful to you.

Willie Coffey: I would appreciate that. Thank you.

The Convener: In one way, it is not a positive story that NHS Dumfries and Galloway has shown a surplus. We should also look at the significant turnaround that NHS Greater Glasgow and Clyde made in that one year. Those of us who represent communities in that health board's area can probably refer to specific service delivery issues. However, we should acknowledge the efforts that are being made.

11:30

We receive a good report from you on the board's financial progress, Mr Black, but MSPs such as George Adam and me know the local concern and furore that have been caused by, for example, the potential closure of the children's ward at the Royal Alexandra hospital, which comes down to financial pressures. Although it is commendable that we see progress, we know the local consequences of the lack of money. We always have to balance cold, hard, objective financial comment against the human consequences of what happens locally.

As there are no further questions, I thank the Auditor General and his staff for a full contribution and an interesting report.

Section 22 Report

“The 2010/11 audit of the National Library of Scotland”

11:31

The Convener: The next item is a section 22 report on the National Library of Scotland. The issue has been hanging for some time because specific implications meant that we were not able to consider it. Members may remember the section 22 report that followed the 2009-10 audit of the National Library, which we were not able to consider because of sub judice issues. I hope that the Auditor General will now illuminate the committee on what has been happening.

Mr Black: I am pleased to say that I have a relatively simple story to tell. As the convener suggests, I produced a short report last year on the accounts of the National Library of Scotland, but because of sub judice issues, it was not possible to say a great deal about it.

In the report, I noted that the auditor had qualified the opinion on the accounts because of financial irregularities, but we could not go much further than that. The irregularities related to a fraud at the library. The matter has been concluded, so I have been able to produce a further report on the library's accounts for 2010-11. I can therefore give committee members a little more detail.

The key points are relatively straightforward, which I hope will help with committee members' understanding. The library's former chief information officer has been convicted of fraud. Earlier this year, he pled guilty to misappropriating some £500,000 of public funds, which he did through the misuse of a corporate credit card and by awarding contracts to a company that he owned. He received a custodial sentence of two years. The library has taken action to recover the money, and I understand that, to date, it has recovered approximately £150,000.

The fraud was identified when the library was preparing to introduce a new finance system. I understand that the new system is now fully operational and that it includes stronger procedures for controlling procurement, especially in relation to the authorisation of purchase orders and invoices.

The library was keen to ensure that it had taken all the steps that it could take to deal with the fraud and to strengthen its procedures. It therefore commissioned an independent person of standing—a well-known and eminent accountant in Scotland—to provide an independent assessment of the action taken and to identify any

further areas for improvement. The assessor's report provided a general assurance on the steps that the library has taken, and on its new finance system. It also made some further recommendations on improvements to the governance arrangements. The library has accepted those recommendations and it is now implementing them.

The Convener: I realise that there were and perhaps still are sensitivities around the issue. It is commendable that action has been taken and that some moneys have been recovered.

No system can guarantee 100 per cent that no one will ever be able to defraud it, so the key question is whether a system is sufficiently strong to enable the early identification of problems and prevent situations such as the one that we are considering from arising. Action has been taken at the National Library to put in place new systems, and we can welcome that. People are wise after the event, but could and should anything have been done at the outset to prevent such a significant sum of money from being misappropriated? It is clear that there were weaknesses and that improvements have been made, but was there a failure to pay sufficient attention to ensuring that the system was capable of picking up fraud?

Mr Black: Bob Leishman is closer to the detail than I am, so he might be able to help you.

Bob Leishman (Audit Scotland): An issue that came out of the independent assessor's report was the culture in the library. The balance between procedures and trust had perhaps got out of kilter; the people who were implementing the system were trusting each other more than they should have done, and cross-checking was not of a sufficient standard. The procedure and the papers were there, but people were not necessarily asking the right questions before they signed things off. The assessor made it clear that that culture must change.

The Convener: I hazard a guess that such a culture exists elsewhere in the public sector, particularly in a small country such as Scotland, where there are small networks of people who went to university together, came into certain areas of employment together, socialise together and so on. Can we be sure that the culture that you describe does not exist elsewhere in Government circles or agencies?

Mr Black: We could never give a 100 per cent assurance on something like that. I would like to think that, through the audit process, we are constantly learning about the need for vigilance. Auditors are getting better at looking at bodies' overall governance and styles of operation, but it is difficult to be specific because such things are

not quantifiable, which is where audit is at its most effective.

The Convener: Have the independent assessor's comments been fed back to the permanent secretary, and have you had an assurance that he is ensuring that the message is passed on to all departments and agencies for which he is responsible?

Mr Black: I do not think that we have information on that, do we, Bob?

Bob Leishman: We know that the Scottish Government is aware of the situation at the National Library and the independent assessor's report, but we have no details on what it has done on that.

The Convener: Will you ask for an assurance that careful consideration has been given to the recommendations and that the message is being relayed to bodies for which the permanent secretary is responsible? Perhaps that is something that the committee needs to do.

Mr Black: I have no plans to do that. It might well be appropriate for the committee to seek such an assurance.

Colin Beattie: A key point that has emerged from the situation is that the fraud involved, at least in part, the person concerned setting up a company, which contracted with the National Library. I think that there has been a recent fraud along very similar lines at the Royal Mail in the north of England. Two ex-employees set up a company to deliver Christmas mail, received a large cheque and, I understand, vanished.

If we are to believe press reports from the past few years, such occurrences are increasingly common. Perhaps when audits of public bodies are taking place, auditors could be alert to the issue and consider the nature of service providers. I realise that it would be difficult for an auditor to pick up that a person was an ex-employee, for example, but they could consider quality and content, because when such a company or business is set up there are usually anomalies in its structure or in its relationship with the public body, which should alert anyone who had a normal inquisitive mind to a problem.

Mr Black: I absolutely take your point. We need to distinguish between the role of external audit and the role of internal audit. A strong, robust code of conduct is expected—required, indeed—in any public body, which applies to all employees and which covers such matters in principle. We also expect good risk management and strong governance, to ensure that the code is operated well, and an internal audit function that is fit for purpose and does the sort of detailed checking to which I think that you were referring. The role of

the external auditor is to have an independent look at all that and take an assurance, where they can, that the systems and controls are fit for purpose.

There is no single answer. There is always the risk that someone who is behaving badly will find ways round a system. Nevertheless, it is right that we try to use the combined resources of internal and external audit to provide an assurance about the robustness of systems and standards of governance.

Colin Beattie: Given the economic situation, there is much more pressure on people than there has ever been, which perhaps pushes some people into doing the wrong thing and trying to take advantage of situations. Given that the type of fraud that we are talking about has become a big issue throughout the United Kingdom and elsewhere, we need to find a way of alerting people to the issue, so that they have it at the front of their minds.

Mary Scanlon: I note that a new finance system at the National Library picked up the fraud. It worries me that if there had been no new system the fraud might have continued. Paragraph 16 of the "National Library of Scotland Annual Report and Accounts for the year ended 31 March 2011" says:

"Audit Scotland was appointed from 1st April 2006."

Did nothing alert Audit Scotland to the existence of fraud between 2006 and 2010?

Mr Black: My understanding is that the fraud came to light only when the organisation was moving to introduce its new financial system. That is when the fraud was uncovered; it was concealed before that point.

Mary Scanlon: Is it possible that the fraud could have gone back much further than 2006? Is it also possible that if it had not been for the new finance system the fraud could have continued, despite the audits that were carried out?

Mr Black: My answers will be rather indirect. On your first question, the unfortunate issue that we are talking about has been the subject of a full police inquiry and a prosecution in court, and I imagine that court proceedings addressed the issue of when the fraud was first perpetrated. I am not in a position to give you an absolute assurance about events before 2006, but I would be surprised if the combination of the prosecution and the court proceedings had not uncovered all that.

On the second question, about whether the fraud would have been discovered if the new financial system had not been introduced, the answer can only be speculative. It is clear that a view was taken that the systems that the National Library had been operating in an earlier period were not fit for purpose. In theory, I suppose that

the fraud could have continued, but that is entirely speculative, because we have no way of knowing that.

Mary Scanlon: My point is really that in four years of audit by Audit Scotland, it was not picked up. It was only picked up when the new system came in; that is my concern.

11:45

Mr Black: As you can imagine, now that we have the full story, I am asking a question or two in Audit Scotland about the background. I want to be assured that Audit Scotland did an adequate and reasonable job as the external auditor in providing that overview of the system, and I want to see whether we can learn anything. As I was trying to say in answer to Mr Beattie's question, it is for the management of an organisation to put control systems in place. We cannot second-guess management in everything. Nevertheless, it is entirely reasonable for you and me to ask whether the oversight of the control environment was adequate at the time.

The Convener: I fully understand what you are saying. Your response to Mary Scanlon's question suggests that there were some failures in the audit process. There is no point in speculating on whether there were weaknesses in the external process or failures in the internal process. However, while you are looking at whether anything could have been done by the external auditors, will you also make recommendations to the management and through the permanent secretary about how internal audit functions are constructed and operated?

External auditors such as Audit Scotland are at something of a disadvantage if the internal audit mechanisms are failing completely. What will you do to recommend improvements in that regard? Will you talk to the permanent secretary about implementing any such improvements across all areas of his responsibility?

Mr Black: The independent assessor's report made a series of recommendations for further strengthening the control environment and governance in addition to full implementation of the new financial system. I would therefore be surprised if the external auditor takes the view that the systems that are now being operated are not fit for purpose. I intend to ask the question, however.

With regard to the permanent secretary, perhaps the committee will pursue that point if it feels that it is necessary. As Bob Leishman said, the senior civil service is aware of the fraud, which was perpetrated by one rogue individual, and we need to put the issue in that context.

The Convener: Yes, I understand that. However, I am asking about systems and, as external auditors, Audit Scotland has a unique and somewhat privileged position in an area of expertise to be able to say what indicated, or possibly did not indicate, areas of potential weakness. I am concerned to make sure that lessons are being learned across the board.

The committee can make some recommendations if it decides to look at the issue but, from a professional perspective, we can never be too vigilant, and it is much more powerful if recommendations are made about tightening up procedures across the whole public domain for which the permanent secretary has responsibility.

Mr Black: I take the point that you are making.

Colin Keir: I think that the convener has asked quite a few of my questions. Only one is left to me, and it is in relation to Mr Leishman's comments about the atmosphere of trust that permeated the organisation and its management. You have explained that, but it brings us to the competence of the board and those who run the organisation. Are we content that the present management set-up is sufficient for the changes that may be introduced?

Bob Leishman: Again, our starting point is the independent assessor's report, which examined the governance arrangements closely and made a number of recommendations to improve them—in particular, in relation to the way that the library's audit committee worked. The board of trustees accepted those recommendations and my understanding is that they are being implemented. We will certainly follow that up through the annual audit in forthcoming years.

Tavish Scott: I will pursue the point about external and internal audit. I take your point about that, but I presume that there was no internal audit, in effect.

Bob Leishman: Yes, there was.

Tavish Scott: Well, it failed.

Bob Leishman: Over a period of time, internal and external auditors made comments about the procurement system.

Tavish Scott: They may have made comments, but the audit failed.

Bob Leishman: Recommendations were made, but the answer that always came back from the library was that it was getting a new finance system and that that would sort it out.

Tavish Scott: Public sector organisations say that all the time and spend hundreds of thousands of pounds of public money on such systems. The internal audit failed, did it not?

Mr Black: We are not in a position to say today whether the internal audit failed. You would need to leave me to look at that in more detail. We know that general comments were made about the need to upgrade the finance systems that operated in the National Library. However, in this case, a rogue individual sought personal gain.

Tavish Scott: Sure. I totally accept that, but such people exist in every walk of life, unfortunately. That is the world in which we live. My concern is that, as Mary Scanlon pointed out, the internal audit failed and the external audit did not pick that up.

I take the point that you are examining the matter and will come back to the committee on it but, as the parliamentary committee that is directly responsible for audit, we must be pretty confident that the external audit has a sufficiently robust relationship with the internal audit to ensure that such things do not happen.

I also take the point that, in this case, a rogue individual was responsible and that such things can happen. That is the fault of nobody around this table. However, is there not a concern that the relationship between the internal and external audit is a bit too cosy?

Mr Black: Do you mean in relation to this issue?

Tavish Scott: Yes.

Mr Black: I cannot comment on that in relation to this issue but I give you an absolute assurance that that is not the case in general.

Tavish Scott: Good.

Willie Coffey: I do not think that anyone, including the Auditor General, would say that audit is 100 per cent reliable and that it guarantees to pick up everything that goes on. In essence, it considers a snapshot in time of particular processes and activities and tends to give—or not give—a clean bill of health on systems, including systems for control, and processes.

However, as Tavish Scott says, we may always have rogues who are hellbent on defrauding the public sector for their personal gain. We would have expected the systems and processes to have flagged up the case earlier, but it is incumbent on all organisations, despite the fact that they embrace audit processes, continually to ask questions, particularly of senior officials—as I understand it, a senior official was the culprit in this case. Organisations must not be afraid to go beyond the systems and processes that might give a clean bill of health year after year and raise concerns about such matters.

There is a human element to the case: people must have been suspicious of something going wrong. The amount of money that was involved

was £500,000. I think that the National Library turns over £20 million, so that is a substantial part of its total turnover. It is a wee bit hard to understand how no one could notice that, apart from the chap who defrauded the organisation. I am pretty certain that, in any follow-up that he does, the Auditor General will have a close look at that.

However, the committee might strengthen the message that people should always feel empowered and protected to raise concerns that they have that go beyond the systems and processes that their organisations might have adopted.

The Convener: Willie Coffey makes an interesting point about whether we should look at a more robust and widely known whistleblowing system so that, where there are concerns, people are encouraged to report issues without worrying that their personal career is at stake. The committee might want to reflect on that. The more information that comes out, the better able internal and external auditors, the police and other authorities are to do their jobs. It might be worth reflecting on whether we could have a state-of-the-art whistleblowing system in which people are encouraged to report and are supported in that. As part of Audit Scotland's responsibilities, has it ever encouraged public agencies to have good and effective whistleblowing systems?

Bob Leishman: Yes. Under the Public Interest Disclosure Act 1998, Audit Scotland is one of the bodies to which individuals are directed if they have something that they want to pass on confidentially. A few years ago, we published booklets for employers and employees that set out the terms of the act and reminded them of the need to be vigilant and to pass on information where that is available. We are currently refreshing some of those leaflets, and I think that we expect to publish new ones in the next couple of months.

The Convener: I go back to the responsibility of the permanent secretary as the head civil servant. It might be worth the committee asking the permanent secretary to ensure that the message is given out to ordinary staff from the top, through all the directorates and all the layers of management, that if they believe that something is going wrong, they should not feel afraid to raise the matter. If they have concerns or worries, they should be given specific information about the facilities to which Mr Leishman referred so that they can report them.

As Willie Coffey said, the National Library of Scotland is a relatively small organisation with a huge amount of money. If what happened there happened on a similar scale in some of the bigger organisations, we would be talking about huge

sums. The more we can do to ensure that those who are intent on wrongdoing know that others might be on to them at an early stage, the better things will be for everyone.

Humza Yousaf: Some very good points have been made. I would like to follow up on Mr Scott's remarks. He was right to use the word "cosy" and to highlight the concerns and fears that exist. For somebody who is somewhat ignorant of the system, does a code of conduct exist for those who carry out external audits—for the relationship between external and internal auditors? They cannot be golf buddies, for example.

Mr Black: Yes. There is a very robust framework. There is a code of audit practice that I promulgate with the Accounts Commission across all public bodies in Scotland, which this committee has seen and supported.

Humza Yousaf: Is it publicly available?

Mr Black: Yes, absolutely. It is on our website. I can give you a copy of it, if you wish.

Humza Yousaf: That is grand. I will look for it on your website.

Obviously, every audit of a public body is different, but there must be core elements to every audit that you perform. I would have thought that consideration of the financial system would be fundamental and imperative in any audit that you perform, whether in the NHS, the legal system or the National Library of Scotland. Is that off the mark?

Mr Black: No. The financial controls should be regularly reviewed by auditors.

Humza Yousaf: So you will report back to the committee on what went wrong in this case and why things such as concerns about the financial system were not flagged up.

Mr Black: I will undertake my own investigation and report back on its results.

Humza Yousaf: Grand. Thanks.

12:00

The Convener: Thank you very much, Mr Black. I realise that the issue is a sensitive one, both for individuals and for organisations. A number of useful comments have been made about the respective responsibilities of those concerned. I am sure that the committee will look forward to receiving another report once you have had the opportunity to undertake further work.

Before I move on to item 5 and close the public part of the meeting, I say to members and the Audit Scotland staff that I will be leaving the committee because of changes within the Labour

Party in the Parliament. I am moving on to do other things.

I remember that, when I was asked to take on the convenership of the committee, my friend Margaret Jamieson said to me that I would enjoy it. I was not sure that I believed her because I did not know that much about what the committee had done, but I think she was right. I have thoroughly enjoyed the past four years. The committee has made a highly significant contribution to the life of the Scottish Parliament and to enabling the Parliament to discharge its responsibilities.

That has been the case for two reasons. First, we have always been fortunate in having an exceptionally good mix of members, who have worked across political boundaries and barriers to try to get to the bottom of issues. I understand that, from time to time, there will be political tensions, different nuances and differences of emphasis—that is life—but, in general, members of all parties have made a significant contribution. In addition, we have been fortunate in having a number of members who have made a lively contribution because they have been prepared to speak out and to challenge, and the success of an audit committee depends on the willingness of its members to do that.

Fundamentally, as members have said time and again—not least when we acknowledged the specific contribution of Robert Black as Auditor General when he announced his retirement—we have been able to do our work only because of the support that we receive. We receive exceptionally good support from our clerking team—Jane Williams, Jason Nairn and Jennifer Bell are the present incumbents. The work that the clerks do is a part of the exercise that is sometimes overlooked, particularly when it comes to the preparation of reports. I will come back to the responsibilities of Audit Scotland and our reliance on its work, but it is left to our clerking team to make sense of the mish-mash and range of members' opinions and comments. Over the years, we have been extremely fortunate to have produced some exceptionally good reports that have excited public attention. To realise the job that the clerking team has done over the years, it is necessary only to look at the quality of those reports, and I thank the clerks for their contribution because, in a sense, they are the unsung heroes in all of this.

As I indicated earlier, the work that we have done would not have been possible without the exceptionally good reports that we get from Audit Scotland, two examples of which we have had today. Those reports reflect the high level of professionalism, the high standards and the meticulous attention to detail of the organisation's staff. Fundamentally, however, although they are

full of facts and figures and detail that could be as dry as dust, what helps, above all, is the fact that they are presented and written in a highly understandable way, and that makes the life of the politicians so much easier.

I thank Robert Black and his team and ask them to pass on my thanks to all their staff for the support that I have received over the past four years. I wish my successor and the committee all the best in their endeavours. I hope that they can keep up the pressure and ensure that everybody does the job that they are supposed to do. So, thank you very much.

Mary Scanlon: I do not know whether this is appropriate—perhaps others will want to say something, too—but I think that we should put on record the significant contribution that Hugh Henry has made to the committee. It is no accident that the committee is consistently nominated for awards. He has encouraged our Rottweiler instinct—sorry, but I could not think of a more appropriate term—and he certainly takes no hostages. As convener of this committee, he was nominated as politician of the year and was the first back bencher ever to have won that award. His success speaks for itself. I am sorry that it has been only a few weeks since I have been on the committee. I am very much the new girl, but I think that it is appropriate to put on record the significant contribution that he has made to auditing in Scotland and to the work of this committee in particular.

The Convener: Thank you.

Willie Coffey: As the longest-serving member of the committee, I offer you my congratulations on your new appointment and I thank you for your stewardship of the committee over the past number of years. The word “rigour” comes to mind when I think of your determined effort on a number of occasions to hold the Government to account, as well as public bodies who come in front of the committee. You are to be commended for that. I am going to really miss your book of words, which begins with “astonishing” and goes on to “scandalous”—

Mary Scanlon: And obfuscation.

Willie Coffey: You have used many other words. However, in your rigorous analysis when holding the Government to account you have been fair and courteous to those around the table, particularly when political issues have arisen. You have also been very fair and courteous in the manner in which you have dealt with issues as they have arisen. The Public Audit Committee has excelled itself in its scrutiny, and that is recognised not only within but outwith Scotland. For that reason, we have been visited by people from a number of Administrations, including from Kosovo

and Macedonia, who were keen to see how Scotland holds its Government to account.

The contribution that you have made over your term of office has been pretty spectacular. You are to be congratulated on it. I wish you all the very best in your new appointment.

The Convener: Thank you very much. It is always a pleasure to be able to add to the vocabulary of a man from Kilmarnock.

Tavish Scott: I share the views that have been expressed. I do not say that because we are taking a cross-party approach but because I genuinely mean it. It was a pleasure to work with you in the Government that we were previously part of. I have not been a member of the committee for as long as other members, but I share the views and opinions that my colleagues have expressed. I can only hope that you will continue to hold the Government to account in whatever new role and responsibilities you have. I note that when you became politician of the year, you had a very strong shortlist to overcome.

The Convener: Thank you very much for those comments. We now move into private session.

12:08

Meeting continued in private until 12:13.

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