

AUDIT COMMITTEE

Tuesday 10 December 2002
(*Afternoon*)

Session 1

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AUDIT COMMITTEE

17th Meeting 2002, Session 1

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

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

COMMITTEE MEMBERS

*Sarah Boyack (Edinburgh Central) (Lab)

*Rhona Brankin (Midlothian) (Lab)

*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

Mr Lloyd Quinan (West of Scotland) (SNP)

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

COMMITTEE SUBSTITUTES

Miss Annabel Goldie (West of Scotland) (Con)

Mr Duncan Hamilton (Highlands and Islands) (SNP)

Janis Hughes (Glasgow Rutherglen) (Lab)

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

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 3

Scottish Parliament

Audit Committee

Tuesday 10 December 2002

(Afternoon)

[THE CONVENER *opened the meeting at 14:02*]

The Convener (Mr Andrew Welsh): Good afternoon. I welcome everyone to the 17th and final meeting of the Audit Committee in 2002 and make the usual announcement that mobile phones and pagers should be turned off.

I have been told that both Sarah Boyack and Rhona Brankin might be late. The committee has received no other apologies.

Items in Private

The Convener: For item 1, I seek the committee's agreement to take in private items 5 and 6. All such items of business are usually conducted in private in line with established practice. Of course, the results of our deliberations on housekeeping matters will become public in due course. Are members agreed?

Members *indicated agreement.*

“Overview of the 2001/02 water authority audits”

The Convener: Item 2 is a briefing from the Auditor General for Scotland on his latest report, entitled “Overview of the 2001/02 water authority audits”. The report examines the final operating year of the three former Scottish water authorities before they merged to become Scottish Water. The authorities were established in 1996 following local government reorganisation and were responsible for providing a safe water supply to households and businesses and for receiving and treating waste water.

I invite the Auditor General to brief the committee on the report.

Mr Robert Black (Auditor General for Scotland): As the committee well knows, the three water authorities became one body from April 2002. However, the report before the committee draws on the auditors' reports on the three authorities for the financial year 2001-02 and highlights some of the issues that emerged.

The report makes encouraging reading in the sense that financial control was maintained in the period leading up to the creation of Scottish Water. Financial targets were achieved and the audits were completed on time. In the report, I have highlighted some matters that the auditors of the three former water authorities thought that Scottish Water should bear in mind, including the importance of maintaining sound governance arrangements and ensuring that the financial and management systems inherited from the three previous water authorities are brought together in a controlled and cost-effective way.

The report highlights two particular financial issues. First, the accounts of the three authorities disclosed exceptional costs totalling just under £87 million in the two years up to March 2002. Those costs were attributed to reorganisation and relate mainly to expenditure under the voluntary severance schemes that were set up to reduce costs, meet efficiency targets and prepare for the creation of Scottish Water.

The second financial issue concerns the net debt across the three authorities, which increased substantially from £79 million at the end of 2000-01 to £95 million in 2001-02. Such an increase underlines the fact that the non-payment of water and sewerage charges continues to be a significant issue in Scotland. It is clear to us that it will require Scottish Water's early attention.

This report is the first of its kind—as I said, it is based on the audits of the former water authorities—and it will provide the basis for future

audit work. I intend to report back to Parliament, through the Audit Committee, on Scottish Water's progress in its first financial year and in subsequent years.

As always, I am happy to answer any questions. My colleagues are here with me as usual to help the committee in any way.

The Convener: I thank the Auditor General. Now that a new organisation has been created, our consideration of this report means that we are looking at past history. However, you highlighted the increase in the net debt across the three authorities to £95 million and the non-payment of water and sewerage charges as significant issues that warrant early attention. Within what time scale would you expect action?

Mr Black: Although the new water authority was established in spring 2002, we would expect it to address the matter immediately. It is clearly in everyone's interest that such a new organisation recovers as much of its charges as it can.

Mr Keith Raffan (Mid Scotland and Fife) (LD): Obviously, much of the cost of restructuring is due to severance and repayments. How much of the increase in debt is due to the water authorities' belated investment in infrastructure through the private finance initiative and public-private partnerships? I say belated, because we are catching up with the rest of the country in that respect. I take it that interest payments and all that kind of stuff are involved.

Mr Black: Yes, absolutely.

Mr Raffan: Given that investment in infrastructure has risen from £100 million in 2002-03 to £120 million by 2005-06, I presume that the situation is likely to continue, if not get worse.

Mr Black: I am sorry if I have not explained this matter clearly. The net debt that I referred to is attributed to the non-payment of water and sewerage charges.

Mr Raffan: Oh, right.

Mr Black: People in the domestic and non-domestic sectors have not paid the water service charges that they are obliged to pay.

The Convener: I remind the committee that we will consider the report in detail under item 5. At the moment, members should keep their questions a bit more general.

Mr Raffan: Well, the subject is highlighted as a major issue in the audit results. The Auditor General talked about sound governance arrangements. However, I am slightly surprised to find that East of Scotland Water's investment in a new office building to accommodate 250 people rose from £5.75 million to £11 million plus. That does not sound like sound management to me.

Mr Black: The auditor commented on that matter because of the way in which the water authority had cut corners in procedure and because of the very significant increase in the costs of the project.

Mr David Davidson (North-East Scotland) (Con): The Auditor General mentioned that the water authorities met the targets that they were set. However, what was their target for debt recovery?

Mr Black: My team advises me that they did not set themselves such a target.

Mr Davidson: In that case, I will leave my follow-up question for the later agenda item.

The Convener: If there no further questions, I will move on.

“Dealing with offending by young people”

The Convener: Item 3 is a briefing by Audit Scotland on its report “Dealing with offending by young people”. This joint report by the Auditor General and the Accounts Commission for Scotland examines offending by young people between the ages of eight and 21. It investigates how those young people are treated by the children’s hearings system, which deals with young people who are 16 and under, and the criminal justice system, which deals with the over-16s.

I invite the Auditor General to brief us on this report.

Mr Black: The report was undertaken jointly by the Accounts Commission and me, as the issue clearly involves local authority services as well as other public services, and follows up a commitment made in the baseline report “Youth justice in Scotland” that we produced a little while ago. Our intention was to carry out a comprehensive performance audit to review the full range of services for young offenders in Scotland and assess the extent to which good practice has been met.

Because of the size, complexity and ambition of the study, we have produced three documents: the main report, which runs to almost 100 pages; a summary report; and a four-page executive summary, which is reproduced at the beginning of the main report. There are two systems in Scotland for dealing with young people up to the age of 21 who offend: young people up to the age of 16 are dealt with mainly in the children’s hearings system, while those who are over 16 are dealt with in the criminal justice system. The report indicates that £240 million is spent from 10 different budgets on those systems and that they deal with a total of more than 47,000 cases a year. As a result, we are talking about a large and complex system.

We have examined the processes for reaching decisions about offending and looked at the decisions themselves. Furthermore, we have commented on the effectiveness and efficiency with which resources are used. However, we did not consider activities that prevent crime from occurring or services for young people who have not yet offended but are at risk of doing so. The report concentrates only on services for young people who have offended.

In all, we have made 38 recommendations to the Scottish Executive and other national agencies. Some of the findings are quite interesting. For example, we found that it takes an excessively

long time to deal with young people in the system. In the children’s hearings system, it might take an average of more than five months to dispose of a young person’s case; in the criminal justice system, it might take up to eight months. That means that a young person going through the system now might not have a decision on their case until next summer or later.

Moreover, there seems to be a variation in the treatment that young people receive in the system. For example, within the children’s hearings system, a young person in south-west Glasgow has a one in six chance of having a full hearing whereas, in Inverclyde, a young person has a one in two chance. We must acknowledge that how a young person is treated in the system depends on the nature of the offence and their own family and personal circumstances. However, it surely must not be the case that their treatment depends on where they live.

The report identifies various other issues, one of which is the pressure on resources. That comes under two principal categories. First, there is evidence that special community support can be effective in treating young people if that support is well provided and provided early. We found that there is a shortage of that form of disposal, particularly for under-16s.

The second example of resourcing problems seems to be in social work departments, in which we ascertained that vacancy rates run at around 11 per cent. Evidence showed that that affects the timeliness with which reports have appeared for children’s hearings in particular and the quality of the reports in some cases.

The report is long and detailed and there are many other issues in it. My colleagues are here to help me to answer any questions that members might have.

14:15

The Convener: The report is indeed long and detailed. It is a major report with 38 recommendations to the Scottish Executive and various national and local agencies. As the report will be on-going, will you remind us of the timing of the two follow-up stages?

Mr Black: We have discussed the main report. There was a baseline report several months ago, which laid out the issues. We intend to follow up the main analysis with local audit work that will consider key indicators of concern. We anticipate that that work will be completed in the summer, so there will be a further report later in the summer.

The Convener: We will deal in detail with the matter under item 6. As members do not wish to ask any general questions, I thank the Auditor General for attending.

Australasian Council of Public Accounts Committees (Conference)

The Convener: Item 4 is on the conference of the Australasian Council of Public Accounts Committees. The committee must consider a proposed submission to the conveners liaison group on an invitation to the convener of the Audit Committee to attend the seventh biennial conference of the Australasian Council of Public Accounts Committees.

The organisation was established by the audit and public accounts committees of the federal and state Parliaments of Australia, the Parliament of New Zealand and other Parliaments in the region to provide a forum for discussion and development of parliamentary scrutiny by audit and public accounts committees. The conference offers a valuable opportunity to continue the committee's policy of establishing good relations and sharing best practice with similar committees in the UK and abroad. It is hoped that the results of our commissioned research will be available for discussion with counterpart committees at the conference. I refer members to the clerk's paper on the proposed submission to the conveners liaison group regarding the invitation to the conference, which is in Melbourne in February 2003, and invite comments.

Mr Raffan: The conference is very brief and it is a long way to go. We are near the end of the parliamentary session and the committee may have a different convener after the election. The committee must be careful about how we spend money, particularly as we are so critical of others.

I have two questions. Why does the clerk have to go as well as the convener? What do you think you will get out of the conference? The committee must be careful and set an example.

The Convener: An invitation has been received and I am in the committee's hands as to how to proceed.

Mr Raffan: You will hardly get over your jet-lag before the conference is over.

The Convener: The council is 14 years old and committees of all the Australian states, New Zealand, Fiji and Papua New Guinea are members of it. Two years ago, the Canadians and South Africans joined as associate members and the first item at the conference is on allowing them to become full members.

The conference is part and parcel of the process of considering good international practice and members will see from the clerk's report that

various items are appropriate to our work. I am keen for the committee to remain in the mainstream of European practice and practice elsewhere. Networking and contacts would be among the benefits of attending, which should be compared with what happens with videoconferencing or other ways of keeping in touch. Specific items are relevant and the report will be relevant to future members of the committee. The clerk's job is to be part of that process.

Mr Raffan: I have nothing against the clerks; I am simply considering ways of saving money.

The Convener: The reason for the clerk's going is that clerks continue while members and conveners can change. The conference would help to inform and educate our work. It is a great distance to travel, but I hope that the results will be worth while; otherwise, going to the conference would not be contemplated.

Mr Raffan: Conveners come and go and clerks do not go on for ever, but Auditors General tend to do so. It might be more sensible for the Auditor General to go with you.

The Convener: That would be a matter for the Auditor General, if he would care to comment. Members know that we went to Europe and the Auditor General and Audit Scotland were well represented then. That has borne fruit in reports that the committee has considered.

Mr Davidson: A similar proposal came to the Finance Committee last week and I opposed it for a number of reasons. One reason is that we are at the end of the parliamentary session and it is up to members of the next Audit Committee to decide where they want to go. Any decisions that current committees make are not binding on committees after the election.

We are talking about a large amount of money at a time when some members of the public have a severe perception of the costs of running the Parliament. It is not an appropriate time to go to the conference. However, as a compromise, I accept the arguments in favour of the clerking team being represented in some way, albeit that they would not know at this stage what to look for on behalf of members of the next committee. The matter should be dealt with for the next conference in two years' time.

The Convener: The difficulty in sending a clerking team only is that the clerks do not have the right to be represented. Conveners of audit and public accounts committees have been invited to take part in the conference—clerks would be there to report.

Mr Davidson: I will not argue against that. However, it is not an appropriate time to go.

Rhona Brankin (Midlothian) (Lab): Given that we have commissioned research by University College London on what happens in other legislative bodies, would it be more appropriate to think about where appropriate links and contacts might be once we have received that research? I do not have a problem with somebody travelling to a place if something productive comes out of it, but the research will give us a possible springboard for deciding who to link up with.

The Convener: There is a difficulty in respect of registering for the conference. We must make up our minds now.

Rhona Brankin: It would not be appropriate to go at this stage. Once we have received the research, we will be in a better position to think about where the best links are.

The Convener: I am in the committee's hands.

Sarah Boyack (Edinburgh Central) (Lab): Videoconferencing was mentioned. Is there any prospect of a videoconference? In the European Committee, we have used videoconferencing quite extensively to build up our links with the Flemish and Catalan Parliaments. It is a good way to be at the table and have discussions. Videoconferencing might not be possible in this case, but it might be useful to ask the question.

The Convener: As I said, I am in the hands of the committee. It is clear that the consensus is against the proposal—I accept that. Not going will save me from getting jet-lag. However, I would say to future members of the Audit Committee that the conference will be very useful and recommend that someone should consider going to it to build up international contacts.

Mr Raffan: Members have asked questions and I am sceptical about the proposal, but we should have a formal vote. You said that the consensus is against the proposal; however, I am prepared to accept your judgment. I was just giving you a hard time. If you think that you will get something out of attending the conference, I do not want to destroy the possibility that you will.

The Convener: We could vote to clarify matters. It is important that the committee reaches a decision. I would be the first to demand value for money.

The question is, that the committee agrees to seek the approval of the conveners liaison group for the convener and the clerk to attend the conference of the Australasian Council of Public Accounts Committees to be held in Melbourne in February 2003. Are members agreed?

Members: No.

The Convener: There will be a division.

AGAINST

Sarah Boyack (Edinburgh Central) (Lab)
Rhona Brankin (Midlothian) (Lab)
Mr David Davidson (North-East Scotland) (Con)
Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

ABSTENTIONS

Mr Keith Raffan (Mid Scotland and Fife) (LD)
Mr Andrew Welsh (Angus) (SNP)

The Convener: The result of the division is: For 0, Against 4, Abstentions 2. The committee has therefore voted against the proposal.

Agenda item 5 will be taken in private.

14:24

Meeting continued in private until 15:08.

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