

AUDIT COMMITTEE

Tuesday 8 June 2004
(*Morning*)

Session 2

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AUDIT COMMITTEE

12th Meeting 2004, Session 2

CONVENER

*Mr Brian Monteith (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Mr Kenny MacAskill (Lothians) (SNP)

COMMITTEE MEMBERS

*Rhona Brankin (Midlothian) (Lab)

*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

*Robin Harper (Lothians) (Green)

*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

*George Lyon (Argyll and Bute) (LD)

COMMITTEE SUBSTITUTES

Chris Ballance (South of Scotland) (Green)

Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

Marlyn Glen (North East Scotland) (Lab)

Mr Andrew Welsh (Angus) (SNP)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

Arwel Roberts (Audit Scotland)

CLERK TO THE COMMITTEE

Shelagh McKinlay

SENIOR ASSISTANT CLERK

Joanna Hardy

ASSISTANT CLERK

Christine Lambourne

LOCATION

Committee Room 1

Scottish Parliament

Audit Committee

Tuesday 8 June 2004

(Morning)

[THE CONVENER *opened the meeting at 10:33*]

Items in Private

The Convener (Mr Brian Monteith): I draw to order the Audit Committee's 12th meeting of 2004, to which I am pleased to welcome the Auditor General for Scotland and his team from Audit Scotland, as well as visiting clerks from the National Assembly for Wales, who will observe our proceedings. I remind members of the usual need to switch off mobile phones and pagers. We have no apologies.

Agenda item 1 is to ask whether the committee agrees to take in private items 4 and 5. Item 4 is consideration of the evidence that has been taken on the Auditor General's report entitled "Better equipped to care? Follow-up report on managing medical equipment". Item 5 is consideration of a draft report on our inquiry into the Auditor General's report entitled "Overview of the National Health Service in Scotland 2002/03". Do members agree to take those items in private?

Members *indicated agreement.*

"Individual Learning Accounts in Scotland"

10:35

The Convener: Agenda item 2 is consideration of the Scottish Executive's response to our first report of 2004, which was entitled "Individual Learning Accounts in Scotland". Members will recall that the report concerned the eventual shutdown of the individual learning account service.

We have a response from the Executive's Enterprise, Transport and Lifelong Learning Department and a letter that is part of the papers for today's meeting. After members have commented, the Auditor General and his team will speak, and then we will decide what action—if any—we propose to take. Do members wish to make any observations about individual learning accounts?

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): Given that the department did not initially respond in the way that the committee wanted, the letter is humble pie to an extent. The letter marks closure, because it shows that the lessons that were learned are being put into practice, especially through the gateway review. I am happy enough with the letter.

George Lyon (Argyll and Bute) (LD): I support what Margaret Jamieson said. I am pleased that a progress report on the new ILA scheme will be provided to the Audit Committee and the Enterprise and Culture Committee when the scheme has been signed off. The new approach through the gateway review reassures me. I hope that it will pick up flaws in the system, unlike before, when the scheme had major problems from day one. At least the tone of the letter is more conciliatory than that of the previous response. I am perfectly happy with the department's response now.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I agree with others that the response enables us to move on. Much has been learned about the experience because of the committee's work, and the Executive has engaged effectively with that.

I read with interest that the new scheme will be the first to be developed through the project management methodology that has been adopted. I have always taken an interest in and had views on whether the necessary capacity exists in the Executive to undertake the complex and outward-facing project management that is increasingly required in 21st century Scotland. I note that a new

methodology is being adopted, about which it would be interesting to learn more. I do not know whether the Auditor General will examine further project management in general throughout the public sector.

Rhona Brankin (Midlothian) (Lab): One of our concerns was over the lack of Education Department involvement in the project at the planning stage. I am still unclear about that, although I can see how the department is involved in the gateway review process. I may be missing something. In the letter from Mr Frizzell, I see the reference to a "regular forum", but that seems to relate more to a review of the process rather than to planning. The Auditor General may want to comment on that.

The Convener: Recommendation 4 in our report referred to lines of accountability and, if we chose to, we could press further on that point. However, page 2 of Mr Frizzell's letter refers to a progress report on the new ILA scheme. If I interpret correctly what members have just said, they seem to regard the letter as an advance on the department's previous position and as an indication of an improvement in lines of accountability. Do members feel that we should be content with that?

Members indicated agreement.

The Convener: I invite the Auditor General to comment.

Mr Robert Black (Auditor General for Scotland): It might be as well to begin by stating something fairly obvious: we will continue to conduct audit examinations in the sector. I expect that progress with the new ILA scheme will be the subject of an audit review in due course.

I turn to the specific points raised by members. At the moment, we have no plans to undertake an audit examination of project management as such. However, a number of the studies in the pipeline contain an element of project management. We can certainly bear it in mind that an audit of project management could be part of a future cross-cutting theme.

A question was asked about gateway reviews so I will give members a brief outline of the idea. About four years ago, the Office of Government Commerce piloted what it called "gateway reviews". Such reviews are, in essence, stopping points in any project when progress can be scrutinised by an arm's-length group that is expert in the area. The idea is for that group to satisfy itself that the business need for the project still exists and that the project is being well managed. The group has to identify the big risk issues.

I am not party to detailed developments within the Scottish Executive, but the principle of

gateway reviews has now been adopted across the whole of Government. It is expected that such reviews will apply to any major projects. As the letter from Mr Frizzell reports, the Scottish Executive now has new project management arrangements. Those arrangements will certainly incorporate the gateway review concept. That is to be welcomed.

Rhona Brankin: The committee has commented on the seeming lack of joined-up government and issues to do with quality. We felt that such issues could have been addressed by engaging earlier with Her Majesty's Inspectorate of Education. As I suggested, there seems to be linkage at the review stage, but I am not sure about the earlier planning stages.

Mr Black: As the committee will understand, Audit Scotland has not undertaken any audit activity on the new project, which is still in the process of being introduced. However, when we come to consider the new scheme, we could well take into account the cross-cutting approach to quality standards.

The Convener: It will be for the committee to decide what further action, if any, is required and whether we are happy with the spirit and content of the department's response. Members should be aware that the minutes and the *Official Report* of this meeting will be read by the department. I suggest that the concerns that have been raised and the comments of the Auditor General are best dealt with in that way, rather than through our formally writing to the department yet again. The committee seems to approve of the department's response this time. It may be that we can now draw a line and look forward to the successful introduction of the new scheme. Do members agree?

Members indicated agreement.

Scottish Further Education Funding Council

10:45

The Convener: We move on to agenda item 3. I point out that the additional paper that I referred to earlier was for this agenda item and not for agenda item 2.

We will consider our response to the Executive's response to our report on the Scottish Further Education Funding Council's performance management of the further education sector. We have a covering letter from the Executive and its actual response. We also have an outline paper to help members with a number of issues. Again, I will invite members to comment on the Executive's response, after which I will invite the Auditor General to comment. Do members have any comments—either on the Executive's response or on the gathering of evidence as mentioned in Eddie Frizzell's letter?

George Lyon: I picked up on two or three issues in the response. The first relates to accountability and how confused it all seems to be. We made a conscious decision when we published our report not to put too much weight on that issue, but the Executive's response raises again the whole issue of where the lines of accountability are for the final spend of Executive money—especially given that the accounts of colleges are audited by Audit Scotland. Accounting for the distribution of money by SFEFC is very confusing; we should therefore address the issue again.

My second point relates to unit costs. We have come up against one of those issues on which there is a fundamental difference of view between us and Eddie Frizzell and the Scottish Executive Enterprise, Transport and Lifelong Learning Department. It is clear that the department does not put much weight on the use of unit costs; that comes through time and again in its response. Paragraph 17 states:

"Unit cost measures provide useful management information, and as noted above may be one indicator of performance."

Paragraph 23 states:

"We agree that unit costs should be quantified to assist in assessment of value for money."

However, the response does not deal with the fundamental point that we made about the amount of time that had been taken to try to develop such measurements.

Later in the response, it is clear that the real drive relates to performance indicators. Paragraph

37 makes the point very strongly that the Executive believes that performance indicators are the way to measure the performance and outputs of colleges. I question whether the Executive has addressed efficiency issues and am interested in the Auditor General's view on that.

Among the committee's concerns was the key issue of the amount of time that it had taken to make any progress since the previous report. Apart from the points on performance indicators, there is nothing in the Executive's response that addresses our concerns on the length of the delays in making progress since the Audit Committee's report was published in 2000, during the previous session of Parliament. In many areas, no progress appears to have been made. I will be interested to hear what other members think of the response.

The Convener: Before I come to Rhona Brankin—and notwithstanding the issues that George Lyon raised, which no doubt other members will raise—I think that it is worth emphasising my reaction as convener with regard to our report. The committee was so concerned about the particular issue of the slow progress that was being made in those areas—rather than the number of areas alone—that it was prompted to write the report in the way in which it was written.

The reaction that we got to the strength of our report did not take account of the fact that our tone and approach might have been different if at least some progress had been made on those issues. Two points arise from the report: the question of how the issues have been dealt with, and the progress that has been made in dealing with them. I will be interested to hear what members have to say on the subject.

George Lyon: I have one further point on the subject of the unit costs. It would not have been so bad had the accountable officer given a robust defence of why the measures were not important and a rebuttal of the opinion that the Auditor General expressed in his report. However, no attempt was made to do so. The Executive has fallen between two stools. From some of the response, it can be taken that the Executive genuinely believed that the measures were unimportant and that therefore it should not waste valuable time and energy on their development. No attempt was made to back up that response with a robust, evidence-led argument. If the Executive had tried to do so, we might have more respect for its position.

Rhona Brankin: It will not surprise members to know that the same issues jumped out at me from the Executive response. One clear issue is the slowness of its response. I accept that a mapping exercise is under way, but when will it produce results? On the issue of unit costs, we are still no

clearer why some FE colleges perform similarly but have very different levels of investment. There is also the issue of accountability. Under the framework of the Public Finance and Accountability (Scotland) Act 2000, who is accountable?

Mr Kenny MacAskill (Lothians) (SNP): I agree with the points that George Lyon and Rhona Brankin have made. We accept that benchmarking and unit costs are areas that are difficult to quantify and that it takes time to do so. However, the aspect that gives me real cause for concern is the absence of milestones.

The Executive seems to accept that there is a problem—indeed, it indicates that matters are under review. I appreciate that it is difficult to say that matters will be resolved at a particular juncture, but I would have been more satisfied if the response had included an indication of a clear plan. Instead, we are told that the matter will be reviewed and that all of us will find out what will happen in due course. I would have been happier had criteria and milestones been set to show how and when the Executive will get around to making such a plan.

Susan Deacon: I have a general observation to make about where we are on the issue and on the report. It was a disappointment to many committee members that the area of investigation was one in which there has been no sense of engagement between the committee and those we scrutinise and with whom we work—we have had that experience in other areas. It is worth making that observation because we can make progress and see improvement in cases in which we can get that degree of positive engagement. In those situations, everybody can move on. As I said, I know that I am not alone in being disappointed that that is not where we are at on the issue. I hope that where we go from here will not lead us into further protracted exchanges of views and opinions about what could, should or must be done—instead of positive progress being made, I can picture an almost continual process of claim and counter-claim.

In that vein, I have a couple of suggestions to float. I do not know how much more strongly the committee can make the point—which the Auditor General has also made—about unit costs and the like. I guess that it bears repetition, however, as there seems to be a clear sense that the point has not been fully taken on board. As Kenny MacAskill and other members said, we are not getting the sense that the Executive is saying, “Well, okay—we are not doing things quite like that, but here is the progress we are making.”

Perhaps we could try to move things forward by saying that we want to see tangible evidence of progress in the general area of benchmarking and

performance measurement, which is an area that is concerned not just with unit costs. I do not agree entirely with George Lyon that the response shows that the Executive does not put much weight on unit costs—I think that those were his words. The Executive is trying to place unit costs in a wider context. As long as we see progress on the wider issue of benchmarking and performance measurement, I do not have a difficulty with that.

Let me give an example. Paragraphs 17 and 18 of the response show that progress will be made by various dates, yet we have already reached some of those dates. It would be an enormous comfort to see evidence that that progress has been achieved. I accept that the precise mechanisms that are being employed within the sector are not exactly the same as those that were recommended by this committee or the Auditor General. It would still be preferable, however, to see progress than simply to continue with a debate about what could or should be done.

I want to make a wider point about the way in which we can move forward on the issue. The Enterprise and Culture Committee, of which I am a member, has debated a number of matters of policy in respect of further and higher education—it is part of its remit to do so—and it will continue to debate those matters as it considers the proposed legislation on the merger of the funding councils. Perhaps there is an opportunity for our committee to liaise with the Enterprise and Culture Committee, so that some of the observations that we make in an audit context can be used to inform the Enterprise and Culture Committee’s work on the development of the sector.

In a similar vein, the point that is still hanging in the air is that of the lack of clear lines of accountability. That situation has arisen not because anyone has failed to express the point but because it is clear that some ambiguity is left in statute in that respect. Perhaps it is right that the Enterprise and Culture Committee pursue the issue as part of its work.

Robin Harper (Lothians) (Green): I will be brief, as my concerns have been expressed by other members. There is a general feeling that the response does not address matters in the detail that we would have liked. For example, paragraph 21 includes our comment:

“What is not clear is how some colleges can meet quality standards and maintain financial balance while others cannot.”

The Executive’s response, which is to be found in paragraph 25, is to give a list of variables—that is the tone of the entire response.

Some comfort can be taken from the number of achievements that should come in the spring and

early summer of next year. I am referring to the “high level benchmarks” and the

“second mapping of supply and demand exercise”.

We can look forward to seeing that work. I hope that, by that time, we will be considering the progress that has been made.

Margaret Jamieson: I want to pick up on Robin Harper’s point. We have been round the houses on the issue: we keep being told that things are in progress and that the funding council will meet the dates that have been set. The dates come and go, however, and we do not see any progress. I am concerned that a delay mechanism seems to have been built in somewhere along the line. Although the funding council is growing each year and has more people at the centre—allegedly to work everything out—nothing is happening. The colleges are being left to try and sort out their own financial difficulties at the same time as they try to provide much-needed courses for the Scottish population.

11:00

The attitude that seems to come through in the response is another concern. The funding council’s chief executive is answerable to the Parliament and he had his opportunity to respond when he gave evidence to the committee. As chief executive, he is responsible for each and every further education college and for ensuring that things are done so that colleges that are in financial difficulties get out of those difficulties. I am clear about the accountability process and I do not like being told in the tone that is taken in the response what that process is. The accountable officer was unable to defend his position rigorously when he was before the committee. We were quite right to publish our report and the response should at least accept that progress has not been as quick as the current Audit Committee and its predecessor committee wanted it to be.

The Auditor General and his team must be fed up examining the same issues and making the same recommendations. When will someone tell the chief executive that we are talking about his performance?

The Convener: That leads me to Eddie Frizzell’s letter, which comments on the evidence that we received. It states:

“It might have assisted the committee in their consideration of the Auditor General’s Report on which your report is based if the Department had been invited to give evidence.”

However, our report was on the performance management of the FE sector and the Scottish Further Education Funding Council rather than that of the department for which Eddie Frizzell is the accountable officer. Audit Scotland had

already produced two reports on the issue and our predecessor committee had produced a report. Therefore—members can correct me if I am wrong—the focus of our concern was to bring the funding council’s accountable officer before us to try to extrapolate what progress had been made on the various issues that had been raised. It is always possible to take evidence from the sponsoring department, but we did not take that approach because the focus of our report was the funding council’s performance management. I am not aware that any committee member felt that that was the wrong thing to do.

I draw to members’ attention paragraph 10 of the response, which states:

“We agree that SFEFC should work with colleges in ensuring that key sector-wide targets are included in each college’s plans. Performance against these could then be reported in individual annual reports”.

However, I think that we felt that performance against those targets should or must be included in annual reports. The response’s equivocation would allow progress to be very slow because, although some colleges will make the information available, others will not include it in their annual reports unless a requirement to do so is stipulated. More thought needs to be given to such aspects, which are what our committee was concerned about.

I invite the Auditor General’s observations on the response. In addition, what progress is he likely to make over the next year or two with his work on further education?

Mr Black: It might be helpful if I approach the issue of accountability from a slightly different angle.

Apart from local government, which is in a special position, most public bodies in Scotland, including further education colleges, must lay their accounts before the Parliament. The accountable officer of most public bodies is appointed under an act of the Scottish Parliament—the Public Finance and Accountability (Scotland) Act 2000. That means that, under the statutes that apply, the way is clear for the Audit Committee to fulfil its function by receiving audit reports on those accounts and to summon the accountable officer to be held to account for how funds have been used.

However, the situation of further education colleges is unusual in that their boards appoint the principals outside the framework of the Public Finance and Accountability (Scotland) Act 2000. My concern about that weakness was partly what prompted my report “Governance and financial management at Moray College”, which I laid before the Parliament three years ago. That report concluded that some of the difficulties with good governance and financial stewardship that were

encountered in Moray College might have been attributable—I think that the committee concluded that they could be attributed—to the lack of checks and balances in the system. For example, the report highlighted the fact that boards were responsible for appointing their own members as well as for appointing the principal. It also highlighted how the funding council and its chief executive had limited room for manoeuvre in matters that caused them concern.

As those issues still hold true today, that may explain some of the difficulties that the accountable officers of the funding council and the department have had in responding to the committee's concerns about the thoroughness with which individual colleges can be held to account. That is a gap in the system that the committee might want to draw to the attention of the committee that will consider the merger of the two funding councils.

On performance reporting, I think that the convener's reference to paragraph 10 was appropriate. The department's response accepts that information on the performance of individual colleges should be available, but it does not consider that the information should be included in the funding council's annual report or corporate plan. Paragraph 10 implies that the colleges will have discretion on whether to include performance reporting in their annual reports. Personally, I would have thought that the principles of best value should require colleges to include performance information in their annual reports.

On the related issue of cost information, paragraph 37 is useful in that it details progress in the development of performance indicators and states the intention to continue to develop that system. Again, I venture the comment that, if performance is truly to be assessed, the principles of best value would seem to require that PIs should include financial information so that we can know how much it costs to deliver levels of performance. That would provide a measure of efficiency, or the amount of output that we get for the input.

The convener asked about our future intentions for FE. We have published a series of overview reports in recent years and we currently intend to make a further report in the second half of 2005. By then, some of the developments that are recorded in the department's response should have come to fruition, so there should be information that it would be appropriate to audit.

The Convener: Have members any questions for the Auditor General? I think that George Lyon raised his hand when paragraph 10 was being discussed.

George Lyon: I forget what my question was. It will come back to me.

The Convener: An interesting point that is worth keeping under discussion—given the consensus in the committee with regard to issues surrounding accountability, performance management, unit costs and slow progress—was raised by Susan Deacon. It concerns the future development of the FE sector with regard to the possibility of legislation, which would obviously be subject to consultation. Although we are looking at the current position, the Auditor General is considering going back to an overview at the end of 2005. That is some good time away, and things may have changed to some extent by then with regard to accountability, the way in which performance is measured and the extent to which further education colleges might be even more independent than they are now.

I flag up that point because, if that is happening outside in tandem with what we are discussing, we can at least consider copying any decisions that we make today to the Enterprise and Culture Committee, so that it will be in the loop when it considers the broader range of issues. Given that Eddie Frizzell from the Enterprise, Transport and Lifelong Learning Department has also brought to that committee's attention some of the issues that we are concerned about, I think that it is important that everybody talks to one another and knows about the concerns that have been raised.

I see that George Lyon has recalled what he wanted to ask.

George Lyon: My question relates to accountability. As I recall from our discussions at a previous meeting, when we were drawing up the report, the Auditor General intimated that the Scottish Executive had reviewed the accountability issue and decided not to change it. Is that right? Was that done in 2003, at the end of the previous parliamentary session? Can you remember what justification was given for no action being taken? You certainly believe that there is a hole in the line of accountability, and we are of the view that there is a clear gap in the Scottish Further Education Funding Council's ability to influence individual college performance.

Mr Black: Mr Lyon is correct to say that the department's response was that it did not see an immediate need for change. I cannot recall the reasoned justification for that, but Arwel Roberts may be able to help us.

Arwel Roberts (Audit Scotland): There was a ministerial review in response to our report on Moray College. One of the things that we and the committee had recommended was a review of whether the funding council should have more powers of intervention at college level. Following

consultation and that ministerial review, the decision was taken that there should be no extension of intervention powers. There was no public explanation of why that decision was made.

George Lyon: I wonder whether it would be worth writing to ask for clarification on that matter.

The Convener: Committee members have had the opportunity to make their points about the response, as has the Auditor General, and we are still able to put questions to him in that context. However, we now need to decide on our response.

A number of options is available to us, one of which is simply to note the response and to leave it at that, as we have done with the response on individual learning accounts. However, given the consistency of the issues that have been raised by committee members, I sense that the committee may wish to draft a further letter, not so much to seek yet another response from the department but to explain a number of our thoughts—not least our concern that, if the department or the funding council take a different view, which they are entitled to do, we want to see some progress at the very least. We would want them to say, “Yes, we’re doing things differently, but here’s what we’ve achieved.” There is concern that, if that is happening, it is not being reported. We may be doing the department and the funding council a disservice. Perhaps there has been progress, but it is certainly not visible to the committee.

11:15

Rhona Brankin: It might be helpful to write to the minister seeking clarification on a couple of points. It is important that we give the Enterprise and Culture Committee a clear picture of the areas that we are concerned about and which it might want to consider in the light of the forthcoming legislation. It would be useful to get feedback from the minister.

The Convener: The difficulty with that is that we would be moving into areas of policy. As the department’s response to us makes clear, that response was cleared by the minister. The committee’s broader concerns suggest that we should respond to Eddie Frizzell, knowing that our letter would also go before the minister, but I am worried that we might be crossing a line if we write directly to the minister.

Rhona Brankin: Whatever. In a sense, it might be described as a policy matter, but we are concerned about the whole issue of accountability, the relationship of the boards to the Parliament and the inability of the funding council to intervene in matters of financial accountability. I suppose that there is a fine line between what we are doing and policy matters.

The Convener: I follow your line of reasoning and acknowledge the concerns that other members have raised. I am just trying to clarify how we can go about conveying those concerns. Is it the view of members that we should draft a letter to elaborate on a number of points that we have raised and discussed with the Auditor General?

George Lyon: I think that we should do that, and that the letter should contain two key points. First, we should have evidence of what progress has been made to date and whether there has been slippage. The department’s response says that there was going to be a publication on unit costs in May 2004, and it would be useful to know whether that has happened. Secondly, we need an explanation of why, following the review of the accountability issue, it was decided that there would be no change. In some ways, that is linked to the inability to gather the appropriate data to establish the performance measurements. Clearly, colleges are not bound to carry out any instruction that they receive from the Scottish Further Education Funding Council.

We should also write to the Enterprise and Culture Committee detailing the key issues that we have raised consistently, from the initial Audit Committee report through to today, and saying that we are disappointed with the progress on those matters, which we have consistently sought. We have grave concerns about the accountability issue with regard to the Scottish Further Education Funding Council’s power to influence individual colleges and to monitor and gather information, and we should make it clear that we think that the issue should be addressed in the context of the new legislation that the Enterprise and Culture Committee will scrutinise. That will give that committee the chance to take up those matters with the minister in person.

The Convener: The department’s response to us has been copied to the Enterprise and Culture Committee. We could write to the department to raise the various issues that we are trying to pin down and copy that letter to the Enterprise and Culture Committee with a covering letter. In that way, we can draw to that committee’s attention the points that you have made about the persistence of the issues being of concern not just to this committee, but to our predecessor committee.

Is the committee minded to say that we believe that, in paragraph 10, for example, a more robust line would be advisable? Rather than performance reporting being left as an option, we could say that we see it as a requirement; if the department does not agree, we should ask it why. That is the only issue on which we might need to seek a further view from the Executive. We can find out for

ourselves whether the report on benchmarking has been published.

For the benefit of the clerks, who will write the letter, do members think that there are any other issues that need more in the way of closure? I invite the Auditor General, too, to contribute his observations.

Rhona Brankin: The business with the PIs, including financial indicators, is important. When we write to the Enterprise and Culture Committee, we need to be clear about the fact that, on financial accountability, there might be an issue in terms of the existing legislation.

The Convener: Are members content with that suggestion?

Members *indicated agreement.*

Robin Harper: Paragraph 17 says:

"Colleges will receive outputs from the benchmarking model in June 2004 on a restricted basis to allow data quality to be improved".

I would welcome a little more detail about what is meant by that. Are we talking about a few benchmarks, a few colleges or something else?

The Convener: Yes. Members seem to be content with that suggestion. Further, paragraph 17 says:

"Unit cost measures provide useful management information, and as noted above may be one indicator of performance."

I do not think that the word "may" is particularly appropriate. They either do or they do not.

Robin Harper: Yes. The word "useful" could be replaced by "vital."

The Convener: Unit cost measures are an indicator; whether one wants to put weight on that indicator is another matter.

George Lyon: I would like the Auditor General to comment on an observation of mine. It is clear that there is a problem with getting good financial information; that problem might be related to performance indicators or unit costs, but I would like to know whether it is linked to SFEFC's inability to require that information be supplied. I take it that the process has to be undertaken by agreement. If SFEFC asks for information, I presume that there then has to be negotiation about whether the information will be delivered. The only power that SFEFC has—and it would virtually never be used—is the power to withdraw funding. In terms of accountability, and of enabling progress to be made, is that the missing piece? I cannot understand why, three or four years after the start of the process, that information seems to be utterly elusive. It should not be, because the exercise is not difficult.

The Convener: Would the Auditor General care to respond to that point and any others?

Mr Black: It is fair to say that the only real control that SFEFC has over colleges is over funding. That might be the problem, as the withholding of funding is close to being a nuclear option. It is therefore correct to conclude that any process is undertaken by agreement. There might be a view that SFEFC's chief executive has a significant power to require certain things to happen as a condition of funding, but that is a policy matter for SFEFC to determine rather than something on which I can comment.

The Convener: Does the clerk have enough material to start drafting a letter?

Shelagh McKinlay (Clerk): Yes.

The Convener: Our discussion has been ample enough to allow the clerks to draft a letter. I hope that we will be able to agree to the letter by e-mail and dispatch it posthaste, rather than having to put it on the agenda for a future meeting. We shall see.

As agreed, our next agenda items will be taken in private.

11:24

Meeting suspended until 11:41 and thereafter continued in private until 12:40.

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