

**Note of the Audit and Advisory Committee Meeting held on 22 September 2015**

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*Committee:*

Tom Frawley	Chair
Douglas Sinclair	
Heather Logan	

*In attendance:*

Internal Auditor	Nick MacDonald, SLAB
External Auditor	Gillian Woolman, Audit Scotland; Allister Perston, Audit Manager
Jim Martin	Ombudsman
Niki Maclean	Director
Emma Gray	Head of Policy and External Communications
Paul McFadden	Head of Complaints Standards
Rachel Nicholson	Executive Casework Officer
Fiona Paterson	Senior Personal Assistant (minute taker for open meeting)

*Apologies: None*

1. The AAC met for a briefing by the Ombudsman from 09:30 and the External Auditor at 10:00. The meeting with the senior management team began at 10:30.
2. The Chair noted there were no particular matters identified in the closed meeting with the Ombudsman that required to be discussed at the open meeting.
3. Declarations of interest continue to be recorded from Heather Logan and Douglas Sinclair in relation Audit Scotland matters, as they are on the Board. Gillian Woolman asked that it be recorded that she is also the appointed Auditor for the Standards Commissioner and the Scottish Commissioner for Children and Young People.
4. The note of the meeting held on 26 May 2015 was agreed and approved for circulation.
5. The AAC reviewed the Outstanding Actions list and accompanying draft research report on financial redress commissioned by the Ombudsman. The Chair informed the AAC of the progress of the Northern Ireland Ombudsman's Supreme Court case relating to redress, which is now scheduled for hearing in March 2016. He highlighted the potential impact the decision may have on UK Ombudsman schemes. The Ombudsman confirmed that he would be sharing the draft report on financial redress with the three SPSO Sounding Boards who are meeting in November to discuss their perspective on redress before any final decisions are taken. The Ombudsman impressed that the guiding fundamental principle underpinning any decision should be that citizen rights should be equivalent throughout the United Kingdom.
6. **Internal Auditor's Report**  
The Internal Auditor tabled the Audit Assurance Assessment for 2014-15, with the overall assessment being satisfactory, acknowledging a sound framework of control that provided a reasonable assurance regarding the effective and efficient achievement of SPSO objectives.

The Auditor also tabled the 2015-16 final reports for Business Continuity and Risk Management, both having received a good rating. The AAC then had further discussions on the point raised at the May meeting, suggesting that the audit days that had been set aside as a contingency to enable the audit of key risk areas could be used for a 'value for money' or 'efficiency' review. The Director and the Auditor agreed to discuss this further.

#### **7. External Auditor's Report**

The Auditors presented their findings from the 2014-15 audit of the SPSO, and drew the attention of the AAC to matters for consideration before the financial statements were approved and certified. These reports included the draft annual report on the 2014-15 audit, where one significant finding was identified, and the related proposed letter of representation.

The significant audit risk identified regarded the challenge to the organisation to balance expenditure and staffing levels against a reduced budget, especially when there is potential for increasing workload. Financial outturn against budget was reviewed and it was noted that there was no evidence that performance standards for the processing of complaints were not being met in 2014-15. Assurance was given that this will continue to be monitored in future years.

The independent auditor advised that an unqualified report on the 2014-15 financial statements had been issued.

The AAC noted the Auditor's findings. The Chair commended the Audit team for the thorough audit, and thanked the SPSO staff involved for preparing the papers for the AAC.

#### **8. Financial Monitoring**

The Director tabled the Annual Accounts 2014-15 and the year-to-date financial expenditure against the budget for 2015-16. The AAC noted the unbudgeted liabilities that had been notified to the SPCB. The Director clarified that the SPSO are required to absorb the unbudgeted liabilities within its existing budget as far as possible.

The AAC were informed of the business case put to the SPCB for additional resources and the on-going further discussions. The SPCB have required that the business case for additional funding be supported by an independent external report.

The AAC agreed that their annual declarations of interest be published on the SPSO website with the biography.

#### **9. Risk Management**

The AAC noted that no critical risks had been identified that might affect the SPSO's ability to meet its business plan nor had any declarations of fraud or control failure incidents been notified.

The AAC discussed in detail the risk interrogation paper, which addressed rising caseloads, currently the only significant risk to the performance of the SPSO. The AAC discussed the two possible outcomes regarding the planned mitigation of the business case for additional resources put to the SPCB and the impact either of these outcomes could have for the complaint handling process. The alternative options for mitigating the risk with the current resourcing, as outlined in the 2016-2020 Strategic Plan Consultation, were also discussed in detail.

The AAC went on to have a detailed discussion on the 2016-2020 draft Strategic Plan that was currently out for consultation.

## 10. Performance Information

- a. *Corporate Services:* The AAC noted the Q1 2015-16 performance summary. The AAC reviewed the staff survey results and commented on the level of participation and other significant insights provided by the results.
- b. *Casework:* The AAC reviewed the year-to-date 2015-16 casework statistics and BUJ performance out turn. The Director shared informally the Q1 results from the customer survey. When combined with staff survey results, there is a strong combined message of satisfaction with the performance of SPSO, but also areas of dissatisfaction resulting from inadequate resources.
- c. *Policy Group:* The AAC noted the Q1 update from the Policy, External Communications, Complaints Standards Authority and Training areas and acknowledged the continuing progress that was being made across these areas. The AAC were advised that progress has been made in the development of a revised NHS model complaints handling procedure and that an 18-month timescale had been agreed for this project.

The AAC commented on the low number of performance information reports returned by Registered Social Landlords (RSL) despite Regulator encouragement. It was noted that this is a voluntary engagement by RSLs. The Regulator is looking into this area in their thematic report. The Higher Education sector also appear reluctant to adopt performance indicators or move toward benchmarking, possibly due to market forces it was explained.

The AAC were given an update of the Scottish Parliament Local Government and Regeneration Committee (LGRC) meeting convened to discuss health and social care complaints handling, at which SPSO gave evidence alongside the Scottish Government. The SPSO advised that he will be attending the follow-up session on 23 September.

In relation to the new responsibility for the Scottish Welfare Fund, the Ombudsman assured the AAC that he was confident the Scottish Government would provide adequate funding for this, and that it would also be possible to source appropriate skilled resource for the SWF team. The AAC were informed that the current Northern Ireland model for oversight of SWF would be the basis for formulating the team. The first priority would be finding appropriate accommodation and then the recruitment of the team.

The AAC discussed the draft Annual Letter for bodies under jurisdiction and, in particular, the SPSO learning and improvement statement annex requiring the signature of the Chief Executive and Council Leader. The AAC made suggestions for improvement to the statements and sought assurance on the action that would be taken should a body choose not to sign. The Auditor shared her experience from working with Audit Committees and also a number of Local Government and Health bodies, and noted that complaint handling is on the agenda and discussed fully, including the SPSO report.

- d. *Service Improvement Report:* The AAC noted the Q1 2015-16 report on organisational learning from customer service complaints; which will be published on the SPSO website.

11. The meeting closed at 12:30.