

**Note of the Audit and Advisory Committee (AAC) Meeting
held on 8 July 2016**

Committee:

Tom Frawley	Chair
Heather Logan	
Jim McCormick	

In attendance:

External Auditor	Gillian Woolman, Audit Scotland
Independent Customer Complaints Review	Elizabeth Derrington
Jim Martin	Ombudsman
Niki Maclean	Director
Paul McFadden	Head of Complaints Standards
Jamie McGrandles	Executive Casework Officer
Fiona Paterson	Senior Personal Assistant (minute taker for open meeting)

Apologies:

Internal Auditor	Nicola Johnston, SLAB
Emma Gray	Head of Communications and Engagement

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1. The AAC met for a briefing by the Ombudsman at 9:30 on current and impending issues that may impact on the work of the SPSO. At 10:00, the AAC then met with the External Auditor in private to discuss the 2015/16 audited accounts. The AAC meeting was commenced at 10.30 when the Committee was joined by the Senior Management Team and the Independent Customer Complaints Reviewer, Elizabeth Derrington.
 2. The Chair noted there were no matters identified in the Committee's briefing with the Ombudsman that required to be included in the agenda of the meeting.
 3. The Chair welcomed Elizabeth Derrington to her annual appearance before the Committee.
 4. Heather Logan recorded her on-going membership of the Board of Audit Scotland and confirmed that as previously advised to the Ombudsman, she would cease her membership of the AAC in March 2017. She also confirmed that until then, she would not participate in any discussion that might relate to the work of Audit Scotland and the SPSO. She also indicated she withdraw from the meeting for any such discussion if the Chairman should judge it necessary.
 5. The note of the meeting held on 23 February 2016 was agreed and approved. The AAC then reviewed the actions that had been agreed by the meeting and, following an update, all were noted as completed or being progressed satisfactorily.

6. Internal Auditor's Report

In the absence of the Internal Auditor, the Director spoke to the report and noted the overall control evaluation provided for the 2015-16 annual assurance was recorded as good. The AAC members discussed the annual audit plan for 2016-17 and noted in particular the proposed audit of the Climate Change Report, which it was pointed out was a new statutory requirement, and therefore required to be completed as one of the contingency elements of the audit plan.

7. External Auditor's Report

The External Auditor, Gillian Woolman, spoke to the 2015-16 annual audit report, and thanked the relevant staff from the Office for the support they had given to the new personnel from Audit Scotland who undertook the audit. The Auditor took the AAC members through the main points of the report noting that, for the first time, Audit Scotland would be publishing these reports alongside the published accounts. The Auditor also shared with the Committee the potential for complaints to be made about decisions of SPSO public procurement. The Director clarified the legal complaint-handling position of the SPSO as described by the Act, and noted the range of independent oversight bodies currently who could deal with this type of complaint.

Following discussion, the AAC members requested that further clarification be provided in relation to the key message in the report on financial position. The Auditor agreed to develop this explanation further before publication.

8. Financial Monitoring

The Director tabled the year-end financial expenditure against budget for 2015-16 setting out the outturn for 2015-16 and providing detail for any variations over £5k. The year-end bank and cash position was noted to be at the recommended level, and the final draft of the Annual Report and Accounts was tabled for final comments.

The Committee was informed that this is the first year the public sector has been required to supply a full annual performance report alongside the governance and financial statements for audit. The AAC members suggested in the discussion that followed that the performance report section should be made more concise and also suggested that the governance arrangements of a Corporation Sole should be re-examined.

The Director also advised the meeting of the contingency fund requirements for 2016-17, that had already been established alongside the additional income streams from the Scottish Government, about which the Scottish Parliamentary Corporate Body (SPCB) had already been informed. She further explained to the meeting that the SPSO would be required to absorb these unbudgeted liabilities within its existing budget as far as is possible before any submission for contingency funding could be made to the SPCB.

9. Risk Management

The AAC noted that no critical risks had been identified on the Risk Register that might impact the SPSO's ability to achieve the agreed Business Plan nor had any reports in relation to fraud or control failures been identified during the period under review.

The AAC noted the business objectives and performance measures for 2016-17 that were tabled in the 2016-17 Business Plan. The meeting discussed the three risks rated as high which all relate to casework contained in the Risk Register.

The Ombudsman shared with the Committee the actions being undertaken in preparation for the recruitment of the next Ombudsman for May 2017.

The AAC discussed the risk interrogation paper, which covered all the risks associated with the new strategic objective 2, which had been developed as part of the preparations for the Scottish Welfare Fund.

The meeting adjourned for lunch at 12:00 and reconvened at 12:30.

10. Performance Information

The AAC noted the performance of the Office and key achievements against each strategic objective of the 2015-16 year-end Business Plan reports, also the priorities and open risks going into the new business year. In particular, the Committee noted the following:

- a. *SO1 Complaints and Investigations:* The AAC acknowledged that there continued to be a decrease in the number of premature complaints brought to the office, which it was acknowledged is directly related to the innovative interventions that were being proactively developed and promoted by the office in its role as the Complaints Standards Authority for Scotland.

A Quarter 4 paper titled Organisation Learning from Customer Service Complaints paper was tabled, and Paul McFadden, the Head of Complaints Standards, took the meeting through the paper highlighting the key messages from the report.

The Independent Customer Complaints Reviewer tabled her annual report for 2015-16 which she explained will be included in the SPSO Annual Report. Elizabeth Derrington confirmed that following her meeting with the SMT the report will now be finalised for publication. She went on to outline in more detail the types of issues which had been brought to the ICCR in 2015-16 and noted that the SPSO's 'excellent' published procedures made it very clear how complainants could address the service.

- b. *SO2 Scottish Welfare Fund:* The AAC were updated on the full first quarter figures at the meeting, and they noted the progress made in this significant and complex extension to the jurisdiction of the Office.
- c. *SO3 Simplification of Complaints Procedures:* The meeting commended the staff who had contributed to this important initiative which clearly was already securing improvements in complaint handling across the public service in Scotland.
- d. *SO4 Good Practice:* The AAC were updated on the complaint handling networks that were now bedding in in each sector, and the progress that was now being achieved by each of the sector-led groups.

- e. *S05 Accountability and Best Value:* The AAC asked that they be given an update at the November meeting on the initiatives being taken and the progress being made on the Values project.
- f. *S06 Engagement, Learning and Improvement:* The AAC commended the Head of Communications and Engagement on the quality of engagement and contact that had been developed and was now being made with all stakeholders. The AAC discussed the causes that formed the basis for complaints in some organisations and how the new Learning and Improvement Unit might be in a position to provide a more complete understanding of these causes and how they may be addressed.

11. **A.O.B.**

The Committee congratulated Paul McFadden on his appointment as Deputy Northern Ireland Ombudsman, and acknowledged his significant contribution to the SPSO particularly through his work with the Complaints Standards Authority. The Chair noted that contribution to the meetings of the AAC will be missed, but on behalf of the Committee wished him well in his new endeavours.

12. The meeting closed at 15:00.
