

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

Committee:

Tom Frawley	Chair
Heather Logan	
Jim McCormick	

In attendance:

Internal Auditor	Nicola Johnston and Alan Haddow, SLAB
Jim Martin	Ombudsman
Niki Maclean	Director
Emma Gray	Head of Communications and Engagement
John Stevenson	Head of Complaints Standards
Jamie McGrandles	Executive Casework Officer
Fiona Paterson	Corporate Services Manager (minute taker for open meeting)

Apologies:

External Auditor	Kirsty Stanners, Manager, Delloite
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1. The AAC were briefed by the Ombudsman at 9:30, the discussions covered both an update on matters the Committee were aware of and an outline of issues that had developed since the last meeting. The formal AAC meeting commenced at 10.30 when the Committee was joined by the Senior Management Team and the Internal Auditors. The Chair acknowledged that an apology had been received from the recently appointed External Auditor, and in the discussion that followed the Committee asked that their disappointment be noted that the new External Auditors had been unable to attend their first meeting with the AAC.

2. Matters arising

The Chair asked that it be noted that there were no matters identified in the Committee's briefing with the Ombudsman that required being included in the agenda of the meeting. However, he asked that the Committee's disappointment at learning that the advertisement for the current Ombudsman's successor still had not been published, even though Mr Martin's term is scheduled to end on 31 March 2017.

3. Declarations of interest

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 at meetings that might relate to the work of Audit Scotland and the SPSO. She also advised that should a circumstance arise, she would withdraw from the meeting if the Chairman should judge it necessary.

4. Previous meeting minutes

The note of the meeting held on 8 July 2016 was agreed and approved. The Committee reviewed progress against the agreed actions from previous meetings and, following updates, all were noted as completed or being progressed satisfactorily.

5. Internal Auditor's Report

The Internal Auditor summarised for the Committee the outcomes from the three internal audit engagements already completed for this year. She explained that the final two reports would be tabled with the Annual Assurance at the next meeting. The Committee noted in particular the recommendations and actions relating to the procurement and those relating to the payroll/absence report.

The Chair invited AH to speak to the consultancy report on the reporting of Climate Change, which it was explained is a new annual reporting requirement by the Scottish Government, detailing the public bodies' compliance with its climate change responsibilities. AH opened his comments by explaining that the SPSO requested, as the contingency item for 2015-18 audit programme, that advice and validation be provided by the internal auditors for the preparation of the SPSO Climate Change Report. AH explained that the assignment was undertaken as a consultancy exercise to provide guidance and recommendations to ensure compliance by the office with the requirements of the new policy. He advised the AAC that the office had accepted the recommendations and incorporated them into the final version of their Climate Change Report, that would be submitted by the required deadline of 30 November 2016.

6. Financial Monitoring

The Director tabled a paper that reflected the year-to-date financial expenditure against the agreed budget for 2016-17. She explained in detail the additional income streams that had been received from the Scottish Government to undertake new jurisdictions. She also spoke to the contingency fund requirements for unbudgeted liabilities about which the Scottish Parliamentary Corporate Body (SPCB) had already been advised. 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 application for contingency funding could be made to the SPCB. The AAC accepted that these aspects of expenditure and income were creating additional complexity to the normal funding and budgeting processes.

The Director tabled the budget submission for 2017-18, which included a progress report on the performance of the Learning and Improvement Unit.

7. Risk Management

The AAC noted that no critical risks had been identified on the Risk Register that might affect the SPSO's ability to achieve its agreed Business Plan. It was also noted that no reports in relation to fraud or control failures been identified during the period being reviewed.

Action: The AAC noted that the risk reports were integrated into the performance paper for each strategic objective, but requested a summary of the register also be included with this paper to give a more comprehensive overview.

Recruitment of the next Ombudsman

The Ombudsman shared with the Committee an advertisement would be published to initiate the process for the recruitment of the current Ombudsman's successor in the week beginning 14 November, with interviews scheduled to take place in January 2017. The Committee noted the importance of completing the process before the conclusion of the current Ombudsman's term on 31 March 2017.

Risk Interrogation

The AAC discussed the risk interrogation paper, which included background details on the provision of clinical advice beyond 1 April 2017. It was explained these new arrangements were required following the withdrawal of this advice provision by the PHSO. The Ombudsman responding to questions on the level of risk this decision by the PHSO presented for the SPSO should this project not attract the required number of specialist advisers to support the casework, detailed the contingencies and mitigating actions being undertaken to minimise any adverse consequences for the reputation of the SPSO.

The AAC acknowledged some advantages for the NHS in Scotland of having locally based clinicians working closely but independently with the SPSO, and the potential professional development opportunities it may offer to the service.

The Director asked the AAC to note that she had received legal advice, which had confirmed that the SPSO could provide, if it wished, a shared service arrangement for the provision of professional advice to other offices, and it was intended to discuss this option with the other public service Ombudsman.

The AAC accepted that this approach had merit and should be explored.

8. Performance Information

The AAC noted the performance of the SPSO, in particular, what had been achieved against the strategic objectives detailed in the 2016-17 Business Plan. The Committee also noted the priorities and open risks included in the paper. In particular, the Committee noted the following:

- a. *SO1 Complaints and Investigations:* The AAC discussed the collection of the data illustrating the number of cases closed that involved some element of poor complaint handling by the body under jurisdiction. This measure will be tracked closely over the next period in order to identify any improvement in the handling of complaints by Scottish public services.
- b. *SO2 Scottish Welfare Fund:* The Ombudsman informed the AAC that trends for areas of improvement had already been noted in the complaints received to date; however, the difficulty was that no funding was available to provide feedback to the relevant authorities on the lessons that need to be learned. He assured the AAC that significant outreach work was being undertaken by the team. He also advised that the budget submission for 2017-18 included a request for funding to support research that would inform learning on the operation of the SWF. The Ombudsman also noted that to date there had been no challenges from stakeholders to the approach the Ombudsman has adopted to carry out this function.

- c. *SO3 Simplification of Complaints Procedures:* The AAC discussed the implementation of the new complaint handling process by the NHS. In the discussion, the meeting acknowledged the importance of recording the insights and experience of the individuals who will be implementing the process, in order to secure continuing improvements in the procedures and processes that are being applied by the services.
- d. *SO4 Good Practice:* The AAC were updated on the complaint handling networks that were now embedded in each sector. The Committee also were advised of the progress that was now being achieved by each of the sector-led groups.
- e. *SO5 Accountability and Best Value:* The AAC invited Helen Wilson and Dorothy Armstrong to present their paper on the SPSO Values Project. The AAC noted that the process that had been adopted to involve staff had been successful; it also allowed divergent points of view to be expressed, but facilitated convergence and the potential for common values to be agreed. The AAC suggested there may merit in stating the values the office aspired to, rather than a stated conclusion. This, the AAC suggested, would reflect a continuing commitment to improvement.
- f. *SO6 Engagement, Learning and Improvement:* The Head of Communications and Engagement provided a summary of the progress to date of the learning and improvement unit, in particular, the analysis of recommendations and thematic report. She also conveyed the main messages of the Annual Report, which had been published in October, and shared with the meeting initial findings from a survey providing feedback from public authorities' experience of dealing with the SPSO. The Customer Satisfaction Survey Report 2015-16 was tabled at the meeting.

9. **A.O.B.**

As the meeting concluded, the Committee asked that it be noted that they considered the business detail covered during the meeting would have offered important insights and understanding of the how the office operated to the recently appointed External Auditors. It was, therefore, disappointing that they were unable to attend.

10. The meeting closed at 13:30.
