

**Note of the Audit and Advisory Committee (AAC) Meeting
held on 23 February 2016**

Committee:

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| Tom Frawley | Chair |
| Heather Logan | |
| Jim McCormick | |

In attendance:

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| External Auditor | Gillian Woolman and Patricia Fraser, Audit Scotland; |
| Internal Auditor | Nicola Johnston, SLAB |
| Jim Martin | Ombudsman |
| Niki Maclean | Director |
| Emma Gray | Head of Policy and External Communications |
| Paul McFadden | Head of Complaints Standards |
| Jamie McGrandles | Executive Casework Officer |
| Fiona Paterson | Senior Personal Assistant (minute taker for open meeting) |

Apologies: There were no apologies for this meeting.

1. The AAC convened at 09:30 and were briefed by the Ombudsman on current issues impacting the work of the SPSO. The meeting was joined by the Internal Auditor who supported the Committee in completing their annual self assessment. The meeting proper was commenced at 10.30 when it was joined by the Senior Management Team and the internal and external auditors.
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 Jim McCormick, the new member of the Committee to his first meeting and invited the attendees to introduce themselves.
4. Heather Logan recorded her on-going membership of the Board of Audit Scotland and confirmed that she would cease her membership of the AAC in March 2017 as previously advised to the Ombudsman. She also confirmed that until then, she would refrain from participating in any discussion relating to the work of Audit Scotland in relation to the SPSO and would leave the meeting if attendees indicated that was appropriate.
5. The note of the meeting held on 17 November 2015 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. External Auditor's Report

The External Auditors tabled the draft Annual Audit Plan for 2016-17, which had been agreed with management. In introducing the Draft Plan, the Committee were asked to note the reduction in fees for the coming year. The Auditor also advised the meeting that this would be the last year of the three-year cycle that Audit Scotland audited the SPSO. It was explained that the Committee would be advised of who the new auditors would be in due course.

7. Internal Auditor's Report

The Internal Auditor provided a verbal summary of the completed internal audit of SPSO Payroll and an outline of the remaining audit activities for this financial year. The AAC members noted that the Annual Assurance Statement will be provided following the completion of the Quality Assurance Process audit. Finally, the internal auditor confirmed the 2016-17 activity plan will be tabled at the next AAC meeting.

8. Financial Monitoring

The Director tabled the year-to-date financial expenditure against budget for 2015-16 highlighting a projected overspend against budget at this time. The AAC noted with concern the Office's unbudgeted liabilities. The Director explained that this information had already been notified to the SPCB. The Director further advised the meeting that the SPSO would be required to absorb these unbudgeted liabilities within its existing budget as far as is possible before submitting any application for contingency funding.

The AAC also noted the budget that had been allocated to meet the 'transition costs' that would enable the office to assume responsibility for appeals relating to the Scottish Welfare Fund from April 2016. The Committee was further advised that this budget will continue to be shown separately from the Office's operating budget.

The AAC discussed in detail the budget and expenditure for professional clinical advice and, in particular, the current developments and discussions with the PHSO who currently provide external clinical advice to the Office. There was a wide ranging discussion on the importance of high quality, affordable clinical advice to the standing and reputation of the Office. It was agreed the AAC would be given a presentation on how professional advice was secured that would include an analysis of costs and information on how clinical advice was quality assured.

Action 1: The AAC requested a presentation on professional advice for casework.

9. Risk Management

The AAC recorded 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.

The AAC discussed risk 4.1, which relates to the implementation of the Complaints Handling Model. The Committee was assured that this risk will be reviewed by the Head of Complaint Standards in light of any changing circumstances across each sector.

The AAC discussed in detail the risk interrogation paper, which had been focused on staff wellbeing and in particular recorded its concern at a change to the target score from 3 to 9, reflected in the report which raised the level of tolerance for this risk. This change is due to the management decision that implementing any of the further mitigating options that have been identified could have significant implementations for other risk areas; but would be considered if necessary.

The AAC noted the Risk Appetite statement, which will now be incorporated into the 2016-17 business planning process.

10. Performance Information

- a. *Corporate Services:* The AAC noted the Q3 2015-16 performance summary for the organisation. Q4 was proving to be a busy quarter for corporate services with the on-going preparations to set up the Scottish Welfare Appeals Team. The Committee was also advised that an upgrade to the casework handling system, was being implemented and that the essential preparatory work for end of year activities was already well under way.
- b. *Casework:* The AAC reviewed the 2015-16 statistics to date including the BUJ performance outturn and acknowledged that there continued to be a significant decrease in the number of premature complaints brought to the office, which it was agreed could be attributed to the innovative interventions that were being proactively promoted by the office in its role as Complaints Standards Authority for Scotland. All those involved in contributing to this improvement were commended.
- c. *Policy Group:* The AAC noted the Q3 update from the Policy, External Communications, Complaints Standards and Training sections, and were advised on the current level of progress in each of these areas. The AAC discussed the new jurisdictions coming into the remit of the SPSO in the next 12 months and the implications these extensions to jurisdiction will have for the organisation.

The AAC were invited to submit any comments they may have on the initial draft analysis of responses to the SPSO's Strategic Plan Consultation.

- d. *Service Improvement Report:* The AAC noted the Q3 2015-16 report on organisational learning from customer service complaints. The Committee was advised these insights will now be published on the SPSO website and were also updated on investigation reviews and service complaints for the quarter.

11. Scottish Welfare Fund

The SWF Team, made up of Alison Jack, Team Manager and Paul Smith, Project Manager, gave a presentation to the AAC on the preparations to date in support of the implementation of the SWF Act in April 2016. Following the presentation the AAC raised a number of queries relating to risks, the process for handling applications, and thematic and reporting issues.

12. The meeting closed at 12:30.