

Governance and Accountability Report (2020-21)

Report from Jean Couper CBE, Chair of the SPSO Advisory Audit Board

Introduction

This report summarises the SPSO Advisory Audit Board's (AAB's) work in 2020-21, the sources of assurance received by the AAB to fulfil its role and its overall conclusion based on that work.

As per its terms of reference (attached) the overall objective of the AAB is to provide advice to the Ombudsman, as Accountable Officer, on the quality of corporate governance, risk management and internal controls for the organisation. This is principally achieved by:

- reviewing in detail the SPSO's Annual Report and Accounts and recommending these for signing
- considering reports from the external auditors (Deloitte) on the accounts
- reviewing the SPSO's arrangements for managing risk
- commenting on, and where appropriate, informing the internal audit approach, and
- making recommendations, where appropriate, on the quality of internal controls

In addition the AAB offers advice to the Accountable Officer on any governance, risk and control matters which may arise.

AAB Meetings.

The AAB met on three occasions during the financial year 2020-21:

- 21 July 2020
- 25 September 2020
- 25 March 2021

All meetings were quorate and notes of these [meetings](#) are available on the SPSO website.

AAB Membership

In 2020-21 the AAB were Andy Shaw CA, David Watt CA and Jean Couper CBE, who is Chair of the AAB.

AAB Terms of Reference

The AAB's terms of reference are kept under regular review. At the end of the financial year, as in previous years, the AAB reviewed its own effectiveness utilising the 'Audit Committee Self-Assessment Checklist'. Members considered the AAB's performance when they met together ahead of the AAB's March meeting, joined by the internal auditor who facilitated the process. The members shared their views and through discussion agreed their conclusions on the effectiveness of the AAB in meeting its Terms of Reference. Members were satisfied with the overall performance of the AAB, and noted that a particular strength of the SPSO was the level and quality of engagement by management in the business of the AAB.

Attendance at meetings

All meetings of the AAB were attended by the Scottish Public Services Ombudsman, Rosemary Agnew.

Senior officers who attended a least one of the AAB meetings during 2020-21

- Niki Maclean, SPSO Director
- John Stevenson, SPSO Head of Improvement, Standards and Engagement
- Fiona Paterson, Corporate Services Manager (Secretary)
- Theresa Valtin, Communications and Engagement Manager

Independent Advisers who attended a least one of the AAB meetings during 2020-21

- Pat Kenny (Deloitte External Audit Director)
- Rebecca McConnachie (Deloitte External Audit Assistant Manager)
- Nicola Johnston (SLAB Internal Auditor)
- Graham Gillespie (Wylie and Bisset Internal Auditor)
- Stephen Pringle (Wylie and Bisset Internal Auditor)

Work of the AAB

External and Internal Audit Plans for 2020-21 were agreed with management and endorsed by the AAB.

During the year the AAB received reports in relation to Internal Audit, External Audit, Risk Management and Internal Control. The core business programme considered by the AAB included:

- the governance statement for the year 2019-20;
- review of the final accounts for the financial year 2019-20 prior to their submission for audit;
- advice to the Accounting Officer in relation to signing off the final accounts;
- the external audit opinion on 2019-20 accounts;
- external auditors report for 2019-20 – emerging findings from the external audit in-year programme;
- the emerging external audit opinion 2020-21;
- the internal audit strategy, work plans and reports;
- updates and briefings on internal audit reports; and
- residual actions arising from the previous year’s work programmes of both internal and external audit.

At each meeting the AAB considered the arrangements for identifying, assessing and managing risk and focussed in particular on those areas identified as ‘high risk’. In relation to strategic processes for developing controls, managing risk and ensuring sound governance during 2020-21 the AAB sought to assure itself that:

- the risk management culture was appropriate;
- there was a comprehensive process for identifying and evaluating risk and for reviewing what level of risk was defensible;
- the risk register accurately records and reflects the risk identified by the SPSO;
- management had an informed and realistic view of how effective controls were;
- risk management was being implemented in a way that was proportionate and benefitted the SPSO and added value;
- all staff had an awareness of the importance of risk management and the need to proactively identify and respond to risk;
- the systems of internal controls are effective; and
- the Accounting Officer’s annual governance statement was realistic and supported by meaningful evidence.

External Audit

The AAB found the approach adopted by Deloitte, the SPSO’s external auditors, to be sound. The AAB formally considered the SPSO 2019-20 Annual Report and Accounts and Deloitte’s Annual Report. The opinion reached by the External Auditors in relation to the final accounts for the financial year 2019-20 was unmodified. In the opinion of the External Auditors therefore, in all material respects,

expenditure had been applied for the purposes intended by Parliament and all financial transactions were compliant with the relevant authorities that are required. The External Auditors also advised that they had no further concerns or observations to make in relation to the financial statements recorded in the final accounts.

Internal Audit

During the financial year the Internal Audit function undertook reviews of:

- Business Continuity – C-19 Incident response and management
- Cyber Resilience
- Data Management (GDPR)

Each report was considered and accepted by the AAB; the AAB noted and endorsed the audit recommendations agreed with management.

The overall opinion reached by the Internal Auditor was that SPSO has an adequate and effective risk management, control and governance processes to manage the achievement of SPSO's objectives at the time of the internal audit work. In their opinion, SPSO has proper arrangements to promote and secure value for money

Overview

During the financial year the AAB noted that neither External Audit or Internal Audit identified any areas of serious concern. In addition the AAB noted the ongoing effective working relationship evidenced between the External and Internal Auditors, and with senior management. Management responded promptly and positively to audit recommendations and the auditors moved quickly to address any emerging issues of concern to the SPSO or the AAB.

The AAB continues to support the Ombudsman in meeting the governance and accountability requirements of the office. The AAB proactively monitors and advises the Ombudsman in relation to progress and any concerns across all areas of its remit. This proactive approach is particularly important in light of the significant proposed extensions to the jurisdiction of the SPSO and the challenges which will flow from that. While the AAB believes the SPSO is well placed overall to respond to these challenges it notes the significant and developing risk for the SPSO of an increased workload from both its current and agreed extensions to its jurisdiction. If increased workloads arise but resources, both staffing and monetary, are not sufficient there is a risk the SPSO may not be able to maintain efficient and effective delivery of its statutory duties.

Annex 1

Advisory Audit Board (Terms of Reference)

AAB Purpose

69. The Ombudsman has established an AAB to perform a function similar to that of an Audit Committee. The main purpose of the AAB is to provide advice to the Ombudsman (and LT) on the SPSO's standard of corporate governance and internal control.
70. The AAB considers matters of governance, audit and internal control for the SPSO. In particular, the AAB provides confirmation for the Ombudsman on whether the necessary assurances required for the signing of the Governance Statement contained within the annual accounts have been provided.
71. The AAB specifically considers and advises on:
 - 71.1. the adequacy of the arrangements for ensuring sound governance and internal control
 - 71.2. the assessment and management of business risk
 - 71.3. the planned activity of Internal Audit and results of its work
 - 71.4. the planned activity of the External Auditor and results of its work, particularly in relation to the SPSO's Annual Report and Accounts
 - 71.5. the adequacy of management responses to issues identified by audit activity and the arrangements for monitoring the implementation of agreed recommendations, and
 - 71.6. other sources of assurance relating to the corporate governance requirements of the Parliament such as value for money.
72. The AAB reports to the Ombudsman annually and other such times as it considers necessary.
73. The AAB also advises the Ombudsman and LT on significant matters as they arise.

AAB Frequency

74. The AAB will meet a minimum of twice a year, more often at the discretion of the Chair and in consultation with the Ombudsman.

AAB membership

75. The AAB will have up to four members, appointed by the Ombudsman based on their expertise and experience in governance, audit and public services.
76. AAB meetings are normally attended by the LT, the External Auditor (as appointed by the Auditor General for Scotland) and the Internal Auditor. Other members of the SPSO may attend from time to time to assist the AAB in its considerations.

AAB Quorum

77. Two members of the AAB must be present to be quorate.
78. Meetings will normally be chaired by the AAB Chair. If the Chair is unavailable meetings will always be chaired by a member of the AAB at the request of the Chair.

AAB Agenda

79. The AAB will follow a set agenda, based on the duties at paragraph [71](#) above.
80. The agenda, venue and time of meeting must be published by the secretariat no later than seven working days before the meeting. Supporting papers will normally be issued at the same time. Papers can only be submitted late with the Chair's permission.
81. This may be changed and the reasons and new agenda recorded in minutes.
82. The Chair may vary the agenda on a meeting-by-meeting basis to meet particular needs.

AAB Minutes

83. Draft minutes will be circulated by the secretariat within seven working days of the meeting. They will be agreed at either the next AAB meeting, an operational meeting, or by email as required. The method of sign-off shall be agreed at the end of each meeting.
84. Minutes will be drafted in such a way as to minimise inclusion of personal data.
85. The secretariat will arrange publication of the signed minutes on the SPSO's web-site, appropriately redacted to protect personal data or in line with exemptions that would apply to the information under freedom information legislation. Where information is redacted, the reference to relevant sections of legislation should be included.