

NHS HEALTH SCOTLAND

Minute of the Audit Committee Meeting Held at 2.00pm on Wednesday 23 November 2016 Room 5.5, Meridian Court, Glasgow

Present: Mr R. Pettigrew
Dr P. Stollard
Ms A. Jarvis
Mr P McColgan

In attendance: Mr A Patience
Mr D Crichton
Mr G McLaughlin
Mr T Andrew (deputising for Cath Denholm)
Mr A Wilson (FTF)
Mr A Gaskin (FTF)
Mr P. Kelly (Deloitte)
Ms M Renicks (item 6)
Mr C Andvik (shadowing)
Mc M. Kerrigan (Minute)

		ACTION
1	Apologies	
	Apologies were received from Ms R Dhir, Mr M Craig	
2	Declaration of Members' Interest	
	No members' interests were declared.	
3	Minute (AC Min 5/16)	
	The minute of the previous meeting held on 26 August 2016 was agreed as an accurate record.	
4	Matters Arising - Action List	
	The action list will be updated and completed items removed.	
	It was noted that Paul McColgan had undergone the On Board training which he found very useful.	

		ACTION
5	Health & Sustainability Annual Update (AC Paper 36/16)	
	The Committee was asked to note the continued steady progress towards progressively lower consumption of non-renewable resources, increased progress on environmental sustainability and formation of a NHS Health Scotland Climate Change Adaptation Action Plan. The Committee was also asked to adopt the Climate Change Adaptation Plan on behalf of the NHS Health Scotland Board.	
	In discussion it was agreed: <ul style="list-style-type: none"> • The paper, prepared by Phil Mackie (Head of ScotPHN) and Emily Stevenson (NHS Grampian), was very useful and a lot of work had gone into it; • to ask NSS if it is allowed to act on behalf of NHS Health Scotland in meeting its legal duties. 	GMcL
	It was agreed to explore the reference in the report to a non-executive Board member being a sustainability champion.	GMcL?
	The Committee noted the report and adopted the Climate Change Adaption Plan on behalf of Board.	
7	2016/17 Financial Position – 6 month report (AC Paper 38/16)	
	The Committee was asked to note the information in the paper and its enclosures.	
	As at six months there was an underspend of £250k in the revenue resource limit (RRL) against a budget of just under £9m for the period ending 30 September.	
	It was noted the Commissioners were being tasked, through the CMT, to look at potential bids with approximately £200k available for them to consider.	
	There was an underspend in the year-end forecast of £225k (£125k on staffing and £100k on unallocated budget) which can be carried forward to next year. £250k underspend against the phased budget consists of two main elements; an underspend of £73k on staffing and £177k on projects.	

		ACTION
	On efficiency savings, the Government has required a recyclable saving on our core funding of 5% and a small saving on non-core of £29/30k, which is a one-off efficiency saving.	
	There was a significant reduction in funding to our Mental Health budget. This is down from over £500k last year to £200k this year, but we are working with the Scottish Government on this reduced programme.	
	Core savings come from re-provision in Health & Work of £600k and estates savings on the floor reduction in Meridian Court of £225k, which, together with some smaller savings of £86k, provides a recyclable saving of £911k (5%)	
	Capital resource limit as allocated by Scottish Government has been reduced to £250k (£50k IT and the balance for office improvements at Meridian Court and Gyle Square). There is a slightly reduced cash requirement from £20m to £19.5m.	
	Our October management accounts (7mths) showed an underspend of £286k (staffing £96k and projects £190k), being a slight increase on the September underspend of £250k as noted above.	
	The Committee noted the information in the paper and its enclosures.	
6.	eHealth Update (AC Paper 37/16)	
	The Committee was asked to note the key points and update on discussions with Scottish Government. It was also asked to note and comment on the enclosures.	
	Ms Monica Renicks, Organisational Lead for IT, spoke to the paper and gave an overview of the eHealth annual update provided to Scottish Government. She indicated that the main areas that come under eHealth are around Business Transformation Programme and systems that support that.	

		ACTION
	The four deliverable areas highlighted to Scottish Government around development were the CPT, ECM Programme, healthscotland.com and HWLs new website.	
	On infrastructure, firewalls were updated, remote access solution had been changed and the continued rolling out of mobile devices and virtual desktop environment for staff, with many lessons being learned from each of these projects.	
	It was noted that £430k had been spent on the eHealth programme of work.	
	The feedback from Scottish Government had been very positive and supportive around Health Scotland's direction of travel. However, one area it was thought could be strengthened was around measurement (providing statistics around how the impact of projects are measured and being able to communicate that). They felt success should be celebrated and suggested new projects should be published on the eHealth website.	
	<i>The next steps for the eHealth Plan</i>	
	<ul style="list-style-type: none"> • The Plan will be updated with feedback from the planning cycle this year; • AFHS2 will feed into what those ongoing plans are; • There is a new digital plan which supports AFHS2 and feeds into the plan for next year. 	
	The Committee felt this was a most encouraging paper and thanked Ms Renicks and her team for their work on this.	
	The Committee noted the paper.	
8.	Corporate Risk Register Update (AC Paper 39/16)	
	The Committee was asked to approve the updates to risks 16/1, 16/2, 16/5 and 16/10 on the Corporate Risk Register.	
	Mr Tim Andrew, Organisational Lead for Improvement, spoke to the paper and gave an overview of the corporate risks below.	

		ACTION
	Corporate risk 16/1 – effective organisational performance management.	
	Corporate risk 16/2 – Not aligning staffing and financial resources to corporate and in year emerging priorities.	
	Corporate risk 16/5 – Not responding quickly enough to our changing financial situation.	
	Corporate risk 16/10 – Not having structured but flexible approaches to project management.	
	In discussion: <ul style="list-style-type: none"> • It was felt the way the risks were set out was excellent, showing performance; • It was felt there was ambiguity around the measure; • It was suggested there be some kind of hard metric and scoring in further iterations; • It was recognised there was a behavioural shift. 	
	The Committee approved the updates to risks 16/1, 16/2, 16/5 and 16/10 on the Corporate Risk Register.	
9.	External Audit Planning Report (AC Paper 40/16)	
	The initial planning visit for the 5 year appointment as external auditors has just been completed. Background information relating to the Board, systems and processes and understanding the operating environment was looked at. The report noted no items of concern.	
	Mr Pat Kelly, external auditor, gave an overview of the report and drew the Committee's attention to the following areas:	
	<u>Significant Risk Management Override to Controls</u> This is a mandatory auditing standard. <u>Auditing Standard Revenue Recognition Fraud</u> This is a mandatory auditing standard. <u>Wider code of audit practice</u> The wider code of audit practice came out this year and it was concluded the areas most relevant to NHS Health Scotland would be financial sustainability and governance with the audit resources being focussed in these two areas.	

		ACTION
	The Committee noted that the auditor would in due course have discussion on the audit fee with Andrew Patience, who would bring a recommendation in that regard to the next meeting.	AP
	The Committee was happy to endorse the audit plan.	
10.	Consider reports and findings from internal audit – draft report (AC Paper 41/16)	
	<i>Internal Audit Progress Report</i>	
	Mr Allan Wilson introduced the internal audit progress report. The purpose of this progress report was to brief the Audit Committee on the status of the Internal Audit Plan 2016/17 which consists of 8 assignments.	
	Three reports had previously been issued, with two for consideration at this meeting, which leaves three audit assignments to complete, one of which is at the planning stage. 40 of the 57 days completed.	
	The Committee noted the update to the 2016/17 Internal Audit Plan.	
	<i>H06/17 – Audit Follow-up</i>	
	This year the Audit opinion was a category B which was broadly satisfactory. There was an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses were present.	
	A well-structured follow-up protocol existed and a detailed update on the implementation status of all audit recommendations is provided to the Audit Committee to enable it to fulfil its remit.	
	At the last Audit Committee meeting the internal auditors were asked to look at the 3 recommendations that had been archived from HO8/15 programme Project Management Audit Report based on a paper that went to the Board and Audit Committee on the Strategic Framework for Excellence in Planning Performance and Improvement. From that review it was concluded that the actions taken to date had not been sufficiently embedded to come to a conclusion that the recommendations had	

		ACTION
	been implemented as originally agreed. After discussion with management it was agreed they would consider having documented standardised project management arrangements, a full time management system and integrated risk management arrangements and report back to the Audit Committee at a future date.	
	NHS Health Scotland would be looking to improve its project management/programme management; some have been addressed and a new system is being implemented which should give a response to the bigger issues.	
	The Committee was happy to note the report.	
	<i>H12/17 – Financial Monitoring</i>	
	From the review this was awarded a category B, broadly satisfactory - there is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present.	
	The report was noted by the Committee.	
11.	Review progress in implementing outstanding audit recommendations – update report (AC Paper 42/16)	
	This is a summary update report with 7 recommendations outstanding from the August meeting (9 recommendations in total). <ul style="list-style-type: none"> • Programme Project Management – There were a number of outstanding audit recommendations which have now been superseded by the Programme Project Management Report; • The Purchasing Arrangements recommendations have future dates against them; • Board Governance: The Schedule of Business review was undertaken in September; 3 delayed reports; • External Audit – Annual Report 2015/16 – one outstanding on Planning which is currently being looked at; • Financial Probity recommendation is complete. 	

		ACTION
	It was recommended that <ul style="list-style-type: none"> • Yellow items be archived • Blue items be deferred and should read December '16 not December '17 	AP
	The Committee noted that of the 9 outstanding recommendations they endorsed 3 for archiving, endorsed 2.6 deferrals and noted there were 3.4 with future dates.	
12.	Technical Bulletin Review (AC Paper 43/16)	
	The Committee was asked to note the actions as noted from a review of the Audit Scotland Technical Bulletin/s July to September 2016.	
	A link to Q3 was provided. However, it was noted this did not appear to work.	AP
	There were no matters to report.	
13.	Procurement Biannual Update (AC Paper 44/16)	
	This report was prepared by Jenny Neville, Head of SAS Procurement. The Committee was asked to note and comment on the enclosures and note the changes to the SFI's as they relate to quotes and tender thresholds and recommend these for approval to the next Board meeting for adoption.	
	The Committee noted the progress report. The Finance & Procurement Manager (F&PM) asked the Committee to consider increasing its quotes and tenders to the same level as SAS.	
	The Committee agreed to recommend these changes to the Board. The chair of the Board agreed to recommend this to the Board on Friday 25 November.	DC
	The Committee noted the changes to the SFIs as they relate to quotes and tender thresholds and noted the waivers.	

		ACTION
14.	Equality & Diversity outcomes in-year update report and proposal to revise the outcomes for 2017- (AC Paper 45/16)	
	The Committee was asked to note progress towards the workforce equality outcome as set out in appendix 2 and note the update on the recommended approach towards revising the next set of four year Equality Outcomes for 2017-21.	
	This is an end of year update on Equality & Diversity which was set in 2013 and due to expire in March 2017.	
	The Committee noted the progress and the update on the recommended approach.	
15.	Any other business	
	Papers for noting should be placed at the end of the agenda.	E&G Admin
	Dates of future meetings: A change of 3 Audit Committee meeting dates were before the meeting. It was agreed to defer this item to the Board on Friday 25 November.	
16.	Effectiveness of meeting	
	It was felt there had been good discussion in today's meeting. The pre-meeting with non-executive Committee members and the auditors, held at 10.00am, discussed substance, proportionality, content, volume of papers etc. The Committee requested CMT to take these issues into consideration when preparing papers, and agreed that they also be taken into account when the Committee next reviews its Terms of Reference.	
17.	Date of next meeting:	
	To be confirmed when the schedule of all meetings is finalised.	