

NHS HEALTH SCOTLAND

**Minute of the Audit Committee Meeting
Held at 2.00pm on Friday 26 August 2016
Boardroom 1/2, Gyle Square, Edinburgh**

Present: R. Pettigrew
P. Stollard
A. Jarvis
P McColgan
M. Craig

In attendance: A Patience
D. Crichton
G McLaughlin
C Denholm
A Wilson (FTF)
P. Kelly (Deloitte)
K. Stanners (Deloitte)
T. Andrew (item 7)
J. Cosgrove (item 7)
N. Thomson (item 11)
M. Kerrigan (Minute)

ACTION

Welcome

The chair welcomed Deloitte's external auditors to the meeting (Kirsty Stanners and Pat Kelly).

1 Apologies

Apologies were received from Rani Dhir.

2 Declaration of Members' Interest

No members' interests were declared.

**3 Minute
(AC Min 4/16)**

The minute of the previous meeting held on 22 June 2016 was agreed as an accurate record.

ACTION**4 Action List**

The action list will be updated and completed items removed.

5 Induction of new members

The Chair and Head of Finance & Procurement met with Paul McColgan to explain the structure and role of the Committee. A meeting will also take place with Rani Dhir and 'On-Board' training in relation to audit and risk will be offered to both.

6 Review of three month financial position (AC Paper 29/16)

The Head of Finance & Procurement reported there was an underspend in NHS Health Scotland's revenue resource limit (RRL) of £137k against the Q1 budget of £4,382k. This consisted of two main elements; an overall underspend of £87k on staffing and an overall underspend of £50k on projects.

On the capital resource limit (CRL), an allocation of 583k was received from Scottish Government, however a figure of £350k was submitted in the Local Delivery Plan (LDP). It was noted that the expenditure on office improvements at Meridian Court and Gyle Square will be approximately £255k with a figure of £55k to be expensed leaving £200k for capital. IT capital costs are under review but will be around £50k.

As a result of the delay to the reduction in floor usage at Meridian Court from 31 March to 15 July 2016 a bid had been made to the Scottish Government for £85k being the additional operational costs in the period together with £55k being the revenue costs of the office changes at the two sites. A capital allocation reduction from £583k to £250k had been accepted by Health Scotland as part of the bid. This bid had now been approved by the Scottish Government.

A Commissioner's Group will look at unallocated budgets and new bids in-year.

The Committee noted the information in the paper and its enclosures.

ACTION**7 Review Risk Register
(AC Paper 30/16)**

The Committee was asked to note the updates to the four risks the Committee leads for (16.1, 16.2, 16.5 and 16.10), provide feedback on the format on the way the risks are presented and comment on the proposed changes to the risk categories and impact grid.

The Committee considered the recommendations before them and:

- noted the four risks (16.1, 16.2, 16.5 and 16.10);
- was advised that the process of risk scoring is currently being reviewed, with a view to risk scores being included in future;
- noted that risk appetite will be discussed at the next board seminar and that staff should be engaged thereafter;
- noted the update on the Risk Improvement Project.

OLI**8 External Audit Update/Reports**

In his introduction Mr Kelly updated the Committee on Deloitte's role and the changes to the external audit approach coming in for the first time this financial year and the proposed timing of the audit work.

Mr. Kelly indicated that there was a new Code of Audit Practice from Audit Scotland in relation to the audit approach which will strengthen the auditor's responsibilities.

An Audit Plan will be presented to the Audit Committee based on risk; interim planning work will be presented in November; an Audit Plan will be presented for approval to the Audit Committee, and this will be followed with the external work at the beginning/middle of May 2017.

ExtA

**9 Consider reports and findings from internal audit
(AC Paper 31/16)**

Mr Wilson, internal auditor, gave an update on completion of the Annual Interim Audit Plan for 2016/17. He reported that there were eight assignments, one completed which was presented to the 8 June meeting, two being presented to today's meeting, one was in progress, and four others

ACTION

had yet to be started. As of 31 July 28 days were completed out of 57, which is 49% of the Plan.

The Audit Committee noted the update to the Annual Interim Audit Plan.

Report no.H08/17 - Strategic and Operational Planning

This assignment was to consider the rules in place to revise the current strategy, A Fairer Healthier Scotland. The planning methodology was looked at to prepare a new strategy. It was noted that a well organised programme of work had been established to complete the review which consisted of a Steering Group being established with a timeline and CMT involvement in the project. It was noted this was aligned with Scottish Government Strategic documents.

A Communications Plan had been established involving staff and external stakeholders. Board members had also been involved through a series of Board Development Seminars.

Mr Wilson was happy to report there were no recommendations and a category 'A' was awarded.

The Committee approved H08/17 and paid tribute to the team for achieving this result.

Report no.H11/17 – Financial Probity

This assignment was to consider whether NHS Health Scotland had adequate financial probity arrangements in place. Findings indicated that procedures were consistent with national guidance. It was noted there were no losses or payments for 2015/16 and 2016/17. There were four recommendations, none of which were significant and two of which had already been dealt with.

A category 'B', was awarded.

The Committee approved H11/17

ACTION

10 **Review progress in implementing outstanding audit recommendations (AC Paper 32/16)**

At the end of April there were 7.9 recommendations outstanding, 5 more added from the governance report and 4 additional reports in external audit 2015/16 which gives a total of 16.9 recommendations to discuss at this meeting.

The Audit Committee:

- endorsed the 9.9 recommendations proposed for archiving;
- endorsed the 2 recommendations proposed for deferral for the reasons stated in the individual reports;
- noted there were 5 recommendations outstanding on 3 internal audit reports with future dates;
- Subject to Mr Wilson's review of the Board paper on Project Management the Committee agreed that the remaining outstanding recommendations on Project Management would be noted as completed, being superseded by the Board paper.

FTF

11 **EFQM External Assessment Findings (AC Paper 33/16)**

The purpose of the paper was to update the Audit Committee on the findings on the EFQM external assessment, which was carried out at the end of March 2016.

In discussion the Committee noted the findings of the European Foundation for Quality Management (EFQM) external assessment, noted the emerging areas for improvement prioritised at a staff event held on 29 June and provided appropriate assurances against the Best Value framework.

The Committee also recognised and commended NHS Health Scotland staff for having achieved the Recognised for Excellence Award.

12 **IT Update**

ACTION

The Head of Finance & Procurement explained that non-core money is received from Scottish Government, particularly on eHealth, to help with IT implementation over a number of areas.

He reported that a meeting took place between Scottish Government and Health Scotland which Monica Renicks (Organisational Lead for IT Services) and Jane Weir (Head of Marketing and Digital Services) attended. At that meeting it was noted that the Government is content with NHS Health Scotland's eHealth strategy.

It was noted that £130k non-core funding was received after a 10% efficiency saving, however, the Scottish Government would welcome further bids from eHealth.

It was noted the eHealth update report for 2015/16 met all the requirements.

In discussion it was agreed that Monica Renicks, the organisational lead for IT, be invited to the next meeting to present the report in full, as the eHealth report was fairly comprehensive and should be shared with the Committee as recommended by the Head of Finance & Procurement.

HF&P

**13 Technical Bulletin update
(AC Paper 34/16)**

The Technical Bulletin was noted.

**14 Counter Fraud Services Update
(AC Paper 35/16)**

The Counter Fraud Action Plan was reviewed by the Counter Fraud Review Group. It was noted the Counter Fraud Action Plan was omitted from the Annual Report on Counter Fraud considered by the Audit Committee at its April 2016 meeting.

ACTION

In discussion the following points were made:

- Paragraph 17 – it was felt “Head of internal auditor” should read “Head of Internal Audit”.
- Paragraph 36 mentions trust, however Trusts don’t exist and hence should be deleted
- Paragraph 37 mentions contacting the relevant Police Force, however as there may be some application outside Scotland no change was proposed
- 112b still talks about DRM rather than HF&P

HF&P**The Audit Committee:**

- noted that a Counter Fraud Action Plan was omitted from the Annual Report on Counter Fraud considered by the Audit Committee at its April 2016 meeting.
- approved the Counter Fraud Action Plan which had received approval at the Counter Fraud Review Group at its November 2015 and August 2016 meetings.
- agreed the Counter Fraud Action Plan be placed on the Source.

HF&P**15 Any Other Business**

The Head of Finance & Procurement brought members up to date on the Finance realignment which had reached the final stage with completion expected in the next week.

16 Date of next meeting

A request to move the date of the next meeting from 16 November was discussed. The chair agreed to look at his calendar and come back with alternative dates. The Head of Finance & Procurement stated that the meeting could not be held at an earlier date due to leave commitments

Chair