

NHS HEALTH SCOTLAND**Minute of the Audit Committee Meeting
Held at 10.30am on Wednesday 1 February 2017
Room Boardroom 1/2, Gyle Square, Edinburgh**

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

In attendance: Mr D Crichton
Mr G McLaughlin
Ms C Denholm
Mr A Wilson (FTF)
Mr P. Kelly (Deloitte)
Ms M. Kerrigan (Minute)

ACTION**1 Apologies**

Apologies were received from Mr M Craig, Mr P McColgan, Mr A Patience.

2 Declaration of Members' Interest

No members' interests were declared.

**3 Minute
(AC Min 5/16)**

The minute of the previous meeting held on 23 November 2016 was agreed as an accurate record subject to the following amendments:

Page 3, paragraph commencing "Capital...."£20k should read £20m and £19.5k should read £19.5m"

4 Matters Arising - Action List

The action list will be updated and completed items removed.

ACTION**5. Review 9 month financial statement (update report)
(AC Paper 1/16)**

Ms Lesley Brown, Reporting Accountant (RA), spoke to the paper.

There is a £293k underspend on the Revenue Resource Limit (RRL). The budget now stands at £19.3m including non-recurring. A £175k underspend is anticipated at the y/e. One surrender has been received for £22k from ScotPHN which will be honoured.

With the reduction in floor space requirements in Meridian Court, there were outstanding depreciation liabilities and a decision was taken to use some unallocated budget to pay off the depreciation up front. The impairment will go through in March.

The Capital Resource Limit (CRL) has been reduced from £350k to £250k. Most of the spend is for the Meridian Court and Gyle Square improvements which will total £255K including approx. £55K in fees which will be expensed

It was agreed a summary of the January figures would be sent around the Committee. This will allow any significant issues to be reported to the Board.

Lesley Brown

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

**6. Review Risk Register and actions taken to mitigate risk
(update report)
(AC Paper 2/17)**

Ms Cath Denholm, Director of Strategy (DoS) spoke to the paper.

The Audit Committee was asked to consider risks 16-1 (Ineffective organisational performance management), 16-2 (Not aligning staffing and financial resources to corporate and in year emerging priorities), 16-5 (Not responding quickly enough to our changing financial situation) and 16-10 (Not having structured but flexible approaches to project management) on the Corporate Risk Register to ensure they are sufficiently assured by the actions taken or proposed to mitigate these risks.

ACTION

Work has started on reviewing the CRR for next year which the Board will see in March and is aligned to the Delivery Plan.

In discussion the following points were made:

- Good to see an improvement approach to our risk management;
- Encouragement to understand risks as ‘things that worry the organisation’ and the Risk Register as a tool for sharing concerns;
- The number of corporate priority outputs not on scope is again a rising trend towards the end of the year.

These points were noted by the CEO and DoS. The current planning process was highlighted as an opportunity to seek further improvement in how accurately staff plan their time and ensure that work is prioritised for maximum impact. The Audit Committee considered the four risks on the CRR and was happy to note the position.

**7. External Audit Update/reports (draft reports)
AC Paper 3/17)**

The Audit Committee was requested to approve the audit fee for 2016/17 and note the impact on the remaining years of the 5 year audit term.

Mr Pat Kenny, external auditor (Deloitte), spoke to the paper. He indicated that the fee proposed had been discussed with Mr Andrew Patience, Head of Finance & Procurement (HFP) and is linked to the Audit Scotland letter that sets out the fee range.

Deloitte has requested that a 10% increase be allowed in the Audit fee in 2016/17 but this be offset by a 2.5% pa reduction over the next 4 years. This is to reflect the ‘first time through work’ on the audit in 2016/17.

The Committee approved the fee structure.

ACTION**8. Consider reports and findings from internal audit (draft report) (AC Paper 4/17)**

Mr Allan Wilson, internal auditor, spoke to the paper.

Of the 8 assignments, 5 have been completed and 3 have still to be completed. 2 have been combined (HO9-17 and HO10-17) and one remains within the plan. An update report will be prepared for the April meeting.

In accordance with the CEL, issued on 15 June 2016, relating to the UK Bribery Act 2010, the CMT has asked Internal Audit to review NHS Health Scotland's processes for notification and recording of gifts and hospitality. This will be completed and reported at the April 2017 Audit Committee meeting and the time will be charged to H13/17 – General Contingency.

77% of the 57 days planned have been completed for 2016/17. Mr Wilson confirmed that enough days remain to complete the audit plan.

The Committee noted completion so far.

9. Review progress in implementation outstanding audit recommendations (AC Paper 5/17)

The Audit Committee was asked to note a summary report of outstanding audit points.

In discussion it was suggested that the top Lesley Brown recommendation be archived.

The Committee endorsed the 3.8 recommendations for archiving and noted the 5.2 recommendations with future dates.

10. Technical Bulletin (AC Paper 6/17)

The Technical Bulletin was noted.

11. Standing Orders (pre Board review) update report (AC Paper 7/17)

Lesley Brown, RA, spoke to the paper.

ACTION

The only change to the Standing Orders was Andrew Patience's job title.

The Committee was happy to recommend the Standing Orders to the Board.

There have been small changes to the SFIs (listed in the table). It was noted that the tri board review of the SFI's has been delayed.

With regard to the proposed increase in the value of gifts, the Committee was minded to keep the level at £15.00. Andrew Patience, Head of Finance and Procurement (HFP) was asked to confirm the reason the change had been suggested.

HFP

With this change to the proposed version, the Committee approved the SFIs.

Note – Andrew Patience clarified post meeting that the level of £50 for gifts and hospitality was the public sector norm and this level was already in our current policy. The Audit Chairmen, as a result of this approved the £50 level subsequent to the meeting which will be noted at the next meeting.

12. Terms of Reference review and Schedule of Business (update report) AC Paper 8/17

Lesley Brown, RA, spoke to the paper

The Committee was happy to endorse the Terms of Reference (ToR) and note that, although the ToR needs to be broad to cover all finance-related issues, a risk based approach and focus on key issues should be the priority for the Audit Committee. As discussed at the last meeting, CMT should bear in mind that papers coming to the Committee should be relevant and proportionate.

13. Draft Agenda

The draft agenda was noted.

ACTION

14. **Any other business**

There was nothing under this item.

15. **Effectiveness of meeting**

The Committee was happy with the smooth running of the meeting.

Lesley Brown was thanked for deputising for Andrew Patience.

16. **Date of next meeting:** 21 April 2017, Room 5.5, Meridian Court, Glasgow.