

**Audit Committee Meeting
Friday 21 April 2017
Room 5.5., Meridian Court, Glasgow**

Present: Ali Jarvis (Chair)
Paul Stollard
Paul McColgan

In Attendance: David Crichton
Gerry McLaughlin
Andrew Patience
Tim Andrew (deputising for Cath Denholm)
Allan Wilson (FFTF)
Tony Gaskin (FFTF)
Kirsty Stanners (Deloitte)
Marie Kerrigan (Minute)

ACTION

1. **Apologies**

Apologies were received from Russell Pettigrew, Michael Craig, Rani Dhir and Cath Denholm

2. **Declaration of Committee Members' Interests**

No meeting specific interests were recorded.

3. **Minute
(AC Min 1/17)**

The minute of the meeting held on 1 February 2017 was agreed as an accurate record subject to the follow amendment:

Mr P Kelly should read Mr P Kenny

4. **Matters Arising (Action List)**

All actions are now complete.

5. **Review of 12 month financial position (update report)
(AC Paper 9/17)**

ACTION

The Audit Committee was requested to note the information in the paper and its enclosures.

Mr Andrew Patience, Head of Finance & Procurement (HFP) spoke to the paper, detailing Health Scotland's draft financial position for the 12 month period ending 31 March 2017. It was noted the first draft of the year-end accounts was due by 24 April and the second and final accounts will be due by 2 May 2017.

There was currently a surplus of £150k, which may vary +/-£5k in our revenue resource limit (RRL) – (£152k on unallocated budget, £150k overspend on salaries and an underspend on projects of £148k, giving a surplus of £150k). It was noted we were operating within our expected surplus range of £175k +/- £50k. This maintains our financial policy of spending our annual allocation and managing within the flexibility of around 1% on brought-forward and carry-forward surpluses.

There was a projected underspend on capital of £30k, against the funding allocation of £250k.

The figure for cash drawdown was on the revised figure of £19m.

It was noted that the first FPR return for March 2017 will be made on 24 April and would be close to £150k. The Scottish Government will be issuing final allocations next week ahead of the second and final return for March 2017 due on 2 May.

The Committee congratulated the Finance team on a good financial year. The Committee was happy to note the paper.

6. Review of Risk Register

There was no update to this standing item. A full CRR update will be given at May's Board meeting.

7. External Audit Update/reports

ACTION

From 15 May the External Auditors will commence their audit. There were no issues to report. A verbal update will be given at the 9 June Audit Committee meeting and a paper presented to the 22 June meeting.

8. **Internal Audit Progress Report**
(AC Paper 10/17)

Internal Audit Progress Report

Mr Allan Wilson, Internal Auditor, confirmed that the Internal Audit Annual Plan 2016/17 has now been completed with the final three reports being detailed in section 3.1.

The Audit Committee noted completion of the 2016/17 Internal Audit Annual Plan.

Risk Management

The purpose of this review was to consider the process used to identify and assess the risks to be included in the 2017/18 Corporate Risk Register (CRR). It was noted that the approach used to prepare the 2017/18 CRR was first used in 2016/17 being approved by the Board. This approach was to ensure that the CRR was directly aligned to the NHS Health Scotland's Delivery Plan. It was identified that it does include the risks from that Plan, and those specifically related to the Health & Social Care Delivery Plan from Scottish Government and the transition towards a new Public Health Body.

For the Risk Register to be complete there was a need to ensure that mitigating controls were put in place and assessed against the Board's risk appetite. A review has indicated that the CRR has been prepared in accordance with the revised approach approved by the Board.

ACTION

There were a small number of recommendations to ensure that the Management of Risk policy and Protocol for Risk Management are updated to reflect the new approach and that the CRR for 2016/17 is reviewed so that any risks remaining in it are transferred to the master risk register or closed.

This report was awarded a category B.

The Risk Management report was noted and the Risk team within the Strategy Directorate were thanked for their work on this.

***Staff Governance and Performance
Management/Workforce planning and Information***

The purpose of this review was to consider the functional realignment exercise with three risks being looked at. These risks were that;

- The functional realignment of NHS Health Scotland's organisational structure may not provide a workforce which is fit for purpose in a changing environment.
- The Board and/or Staff Governance Committee may not be informed of the workforce projections arising from functional realignment and the results from implementing related workforce plans.
- The provision of workforce planning data may not be timely and consistent to enhance effective workforce decision making.

This exercise was endorsed by the Partnership Forum (PF) and the Staff Governance Committee (SGC) and Board was informed on its completion.

The audit found that greater clarity of purpose and process and the use of a Project Initiation Document (PID) would have clarified the scale of the project from the outset and enabled better measurement

Two findings and recommendations for action (at priority two level) were made and have been accepted

This report was awarded a category C.

ACTION

The report was noted.

The Committee thanked Mr Wilson for a very good audit report.

Bribery Action 2010 – Gifts, Gratuities and Hospitality

An exercise was undertaken to look at gifts, gratuities and hospitality. There was a small number of recommendations which were accepted.

The report was noted.

Internal Audit Annual Plan 2017/18

HFP stated that the internal auditors initial 5 year term ended on 31 March 2017, but the contract allowed for a 12 month notice period. It had been agreed with the internal auditors that 2017/18 year would be under the notice period so we were in a 5+1 arrangement for this year. In the light of announced structural changes in 2019, a decision on the 2018/19 year, being a further extension of the internal audit contract, would be made at the November meeting.

Following Audit Committee consideration and approval, detailed discussions will be held with responsible Directors to refine audit scopes and agree timings, following which detailed assignment plans for each audit will be agreed with the responsible Director before each audit is commenced. Progress on achievement of the plan and the outcomes of audit assignments will be reported to each Audit Committee.

In accordance with the Strategic Plan the audit days allocated to 2017/18 was 57. Recognising the changing context for NHS Health Scotland, The Committee agreed to hold back some of the days for a plan to come from internal management and internal auditors. This would be reviewed again in September.

ACTION

The Audit Committee:

- noted that the work with the internal auditors is completed for this year.
- noted and accepted the recommendations as stated on the three reports presented.
- recognised this is a year 5+1 but we have consideration to come later in the year about the remaining term of tenure.
- broadly accept at this stage the overall number of days with the acknowledgement that they need to be focussed on the principles on enhancing what comes in the future and securing the legacy of the organisation
- come September a further set of proposals will be presented on how to use the days that are not going to be approved immediately within this Plan.

The internal auditors would issue a revised plan on the above basis.

AW/AP

9. **Review progress in implementing outstanding audit recommendations (update report)**
(AC Paper 11/17)

The Audit Committee was requested to:

- **Note** that a summary report will list all the outstanding audit points from meeting to meeting so progress can be monitored.
- **Note** that as the full audit reports are available electronically these will be used mainly as a reference with the recommendations updated as they fall due, with some interim reporting where available.
- **Note** that the detailed reports and recommendations are only included where updates are relevant for the meeting so only three reports are included for the 21 April meeting.

ACTION

Referring to item 9.1 the HFP indicated that there was one outstanding item under the Purchasing Arrangements which has now been completed (Financial Procedures Review). Board Governance Arrangements is now complete. In relation to Audit Follow-up, although marked blue for deferment, it should be noted that the recording on the use of staff time has now been implemented and is now complete.

There is now only 1 report to carry forward with future dates for implementation.

10. **Counter Fraud Services: Annual Update Report**
(AC Paper 12/17)

Following a report a letter was issued on 1 July 2015 by John Mathieson, Scottish Government, to Chief Executives, which noted 7 actions on counter fraud in 2015/16. These key areas were addressed by Health Scotland in 2015/16 and 2016/17. The HFP pointed out that item 3, Counter Fraud Assessment Methodology, has now been replaced by the Counter Fraud checklist for 2016/17.

A meeting was held with Gordon Young, Head of Counter Fraud Services, who confirmed this approach was adopted across other Boards and there was now completion of the checklist.

The main change made to Counter Fraud this year was expansion of the Counter Fraud Review Group to form a Counter Fraud Integrity Group which was proposed by Police Scotland and adopted by Health Scotland. Counter Fraud Services welcomed this. Representatives from IT, Comms Finance and HR sit on this group. It was also agreed to look at some of the areas in detail over the forthcoming meetings.

The Audit Committee noted the Counter Fraud Annual Report.

11. **Technical Bulletin Review**
(AC Paper 13/17)

ACTION

It was noted that the audit opinion of the external auditors has been expanded to include the Performance Report and the Accountability Report in the Annual Accounts. The report was noted.

12. **Procurement Biannual Update**
(AC Paper 14/17)

The report was noted.

13. **Information Governance Annual Report**
(AC Paper 15/17)

The report was noted.

14. **Annual Information Governance Incident Report**
(AC Paper 16/17)

The report was noted.

15. **Any Other Business**

There was no business under this item.

16. **Effectiveness of meeting**

The meeting ran very smoothly.

17. **Date of next meeting:** 9 June 2017, Room 6.5,
Meridian Court.