



Draft Minutes 05/18

Audit Committee

Minutes of Audit Committee

Friday 7 September 2018 at 10.30 a.m.
Room 23, Gyle Square, Edinburgh

Members present:

Russell Pettigrew, Non-executive (Chair)
Rani Dhir, Non-executive
Ali Jarvis, Non-executive
Paul Stollard, Non-executive

In attendance:

David Crichton, Health Scotland Chairman
Cath Denholm, Director of Strategy
Gerry McLaughlin, Chief Executive
Andrew Patience, Head of Finance and Procurement
Karlyn Watt, External Auditor (via teleconference)
Tony Gaskin, Internal Auditor
Jennifer Legodi (shadowing minutes)
Catherine Combe (minute)

Apologies:

Michael Craig, Employee Director
Pat Kenny, External Auditor
Paul McColgan, Non-executive
Della Thomas, Executive and Governance Lead

1. Declaration of Committee Members' Interest

No members' interests were declared.

2. Minute of previous meeting: 20 June 2018

The minute of the previous meeting held on 20 June 2018 was agreed as an accurate record subject to the following amendment:

- It was clarified that Tony Gaskin had been in attendance at the meeting held on 8 June 2018.

Action:

- **Catherine Combe** to amend minutes.

3. Matters Arising

• Summary Action List

Item 8 – **Internal Audit Update for financial year 17/18**
Complete.

Item 4 – Change and Transition Project Management Update
Complete

- **Remuneration Committee Assurance Statement**

The Remuneration Committee Assurance statement for 2017/2018 was formally noted by the Audit Committee.

4. Audit Committee Transition Issues
(AC paper 42/18)

The Audit Committee was asked to note the organisation's continued approach to change and transition, noting that it had been previously agreed that the Committee would be likely to have most interest in due diligence and the overall effectiveness of project planning and management.

Cath Denholm provided an update regarding these two key strands:-

- **Management planning**

The current project management support is going smoothly with Tim Andrew undertaking the lead role during Sharon Love's leave. A summary project plan is being worked up into a more visual format and will be shared with the Committee at the next meeting.

- **Due diligence**

It was confirmed that Andrew Patience is chairing a sub group of our internal Change Oversight Group to oversee our management of internal due diligence work.

A number of project initiation documents (PIDs) including IT and HR are also underway to assist in the understanding of resources which would be transferred to Public Health Scotland. A key consideration is the ability of the new organisation to be resourced as a 'stand-alone organisation', regardless of any shared services arrangements made. David Crichton highlighted that it is the desire of the Board for the best aspects of Health Scotland to be transferred to Public Health Scotland and that they would provide advice and support to the PHR team and to senior management to achieve this.

Andrew Patience explained the anticipated difficulties in dissecting the corporate functions currently utilised by National Services Scotland. It was noted that the Public Health Reform Team are aware of the implications of shared services, and also of the potential impact of recurring savings sought through mainstream health and social care delivery planning, on resources available to Public Health Scotland. Gerry McLaughlin explained that the team will endeavour to maximise resources but it was appreciated that a consistent approach would be required to enable this. Russell Pettigrew highlighted that routine business decisions taken in the interim could impact on resources available for transfer to Public Health Scotland. It was acknowledged that current decision making processes do not feel completely

transparent. Cath Denholm reassured the Committee that Health Scotland have started to explore this further.

Ali Jarvis queried if all processes were in accordance with Scottish Government guidance. Cath Denholm outlined the questions around the transfer of information and governance of decisions which she has documented for the Staff Governance Committee.

The Audit Committee discussed the broader cultural issues pertaining to transition to Public Health Scotland, as this would have a long term impact on the success of the organisation. Cath Denholm confirmed that a commission is in place to consider organisational development and values for the new organisation

5. Review of 4 month financial position (AC paper 43/18)

Andrew Patience spoke to the latest monthly report. There is currently a £214K underspend which is largely attributed to salaries.

It was noted that there are a number of vacant posts. Paul Stollard requested reassurances regarding any increase in staff turnover this might imply. Cath Denholm explained that there has been a rise in vacancies, some of which are attributable to new posts rather than turnover of existing posts. Both Cath Denholm and Gerry McLaughlin confirmed that they had no cause to be concerned at present that these figures represent an increase in turnover because of change, but that the executive team and Partnership Forum are and will continue to monitor this through regular reviews of the statistics and information such as exit interview feedback.

On the year-end forecast it was confirmed that £136K of unallocated budget is anticipated for project bids, the staff variance is expected to be £240K to the year end, which together with surrenders of £70k will show a potential underspend of near £450K. It was noted that the Corporate Management Team are considering two areas in which to utilise the underspend productively, which are mental health priority work and supporting public health reform. Assurances were given that Health Scotland are aligning activities to the Public Health Priorities. Cath Denholm will check that the analysis of last week's Programme for Government has been shared with Board members.

The National Board savings target for 17/18 was £15m on a non-recurring basis. For 18/19 this target was £15m recurring savings. The non-patient facing boards did not receive a 1% uplift in their baseline funding which amounted to £5.3m of recurring savings, against this £15m target the individual boards had a total of £11.6m in their initial plans as submitted to the Scottish Government. The latest forecast is now £10m. Andrew Patience confirmed that Health Scotland had committed to their allocation of £325k but would be unable to accept

any further commitment against the recurring baseline. He will ensure that Directors and this Committee are kept informed of developments.

Gerry McLaughlin said that an underspend year end forecast would be a concern and that Commissioners have been requested to forward additional projects for funding for consideration to prevent this occurring. Cath Denholm also highlighted that planning was underway to utilise a significant part of this underspend for extra staff resource to support our own change work and that of the public health reform team. This was felt to be a strategic approach and also one that would help secure relevant public health resources and experience for the new body. Ali Jarvis asked what input Health Scotland would submit to the NHS expenditure review as this should recognise the need to ensure that Public Health Scotland is suitably resourced. It was discussed and agreed that this would be the responsibility of the Public Health Reform Team and that due diligence had been observed by Health Scotland Audit Committee.

Action:

- **Cath Denholm** to ensure that analysis of last week's programme is shared with Board members.

6. Review of risk register and actions to mitigate risk

Andrew Patience advised that the Q1 report would be presented to the Board on the 28 September 2018 with a risk update prepared for future Audit Committee meetings.

7. External Audit Update / reports (AC paper 44/18)

Karlyn Watt confirmed that planning for this year's audit is under way and it is anticipated that the audit plan will be presented at the November meeting.

It was noted that the draft Audit Scotland NHS overview report is expected to be available from next week and will be shared in due course.

Action:

- Draft Audit Scotland NHS Overview Report to be shared.

8. Internal Audit Plan 2018/19

Tony Gaskin advised that a continuation of Health Scotland until December 2019 could present some exposure. However, the transition plan is currently flexible to enable time for contingency and can be reviewed with the appropriate communication put in place. Andrew Patience explained that it was important to keep this fluid to enable tie in with mile stones which was agreed by Karlyn Watt.

Cath Denholm requested that the heading of the planned Communication Audit and outline scope be changed to Change & Transition, which was agreed. Tony Gaskin offered to review the project and communication plans and provide a check point which was agreed. It was agreed that this would provide suitable information for legacy. It was acknowledged that governance is essential for this with comparison with National Services Scotland being beneficial.

The Audit Committee agreed that a pragmatic and proportionate approach had been taken for the plan, which was approved.

Action:

- Headings within transition plan to be altered.
- **Tony Gaskin** to review the plans and provide a check point.

9. Review progress in implementing outstanding audit recommendations

(AC Papers 45/18 – 51/18)

Andrew Patience provided an overview confirming that all internal audit recommendations are complete. Two recommendations relating to external audit will be dealt with next year.

The Audit Committee were happy to note the reports and position outlined within them (archiving of eight and future date for two).

10. Review of occasional reports for relevant issues as issued by bodies at 21(o) of the Terms of Reference
(AC Papers 52/18 & 53/18)

The Audit Committee was required to review the finding of the Audit Scotland Technical Bulletin (April to June 2018) which included the publication of the trade union facility time disclosures on the website and in annual accounts from 2018/2019. Cath Denholm confirmed that these figures had been produced in conjunction with staff side. Gerry McLaughlin confirmed that he was comfortable with the figures for Health Scotland which have now been published.

Andrew Patience explained that the Scottish life tables could now be used rather than the UK for calculating our permanent injury benefits scheme liability but there is nothing material to bring to the attention of the Committee.

The Committee noted the contents of these papers.

11. Any other business

• **Non-Executive Directors Forum - Wednesday 10 October 2018**

Gerry McLaughlin highlighted the recent email regarding the above event being organised by Scott-Moncrieff. It was agreed that Catherine Combe will circulate the email to enable registration.

Action:

- **Catherine Combe** to forward email regarding forum to group.

12. Items for the reporting to the next Board

Russell Pettigrew advised that he will provide a verbal update on the financial position and on the approval of the internal audit plan at the next Board meeting.

13. Effectiveness of business

The members of the Audit Committee agreed that the discussion had been constructive.

14. Draft agenda for next meeting

The draft agenda for the next meeting was reviewed. Cath Denholm will review to ensure if a number of items are still legally required and necessary during transition.

Action:

- **Cath Denholm** to review agenda and advise if a number of items are still legally required and necessary for transition.

15. Date of next meeting:

16 November 2018. Apologies noted for Gerry McLaughlin.