AC Minute 03/19

Audit Committee

Minutes of Audit Committee

Friday 7 June 2019 at 10.30 am

Room 23, Gyle Square, Edinburgh

Members present:

Russell Pettigrew, Non-executive (Chair)

Ali Jarvis, Non-executive

Paul Stollard, Non-executive

Paul McColgan, Non-executive

Rani Dhir, Non-executive (from 10:47)

In attendance:

David Crichton, Health Scotland Chair

Gerry McLaughlin, Chief Executive

Andrew Patience, Head of Finance and Procurement

Conor Healy, External Auditor

Tony Gaskin, Internal Auditor (from 11:30)

Nicole Smith, Executive and Governance Administrator (minute)

Apologies:

Michael Craig, Employee Director

Cath Denholm, Director of Strategy

1. Welcome and apologies

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2. Declaration of Committee Members’ Interest

No members’ interests were declared.

3. Minute of previous meeting: 26 April 2019

The minute of the previous meeting held on 26 April 2019 was agreed as an accurate record subject to the following amendments:

* Typographical errors on pages 6 (“difficulties”), 7 (“outstanding”), and 8 (“procurement”, “portfolio”).

**Action:**

* **Nicole Smith** to make the necessary changes to the minutes of the 26 April meeting.

4. Matters Arising (Action List)

* 2. Item number 5 – **Audit Committee Transition Issues**

**Action:** “David Crichton to meet with Board members before the May meeting to inquire about their willingness to extend their appointments.”

**In progress**

* 5. Item number 13 – **6 month update report**

**Action:** “Andrew Patience to investigate the broader issue of why there are only six Health Scotland certified Scottish Mental First Aid Trainers and how that is impacting on procurement.”

**Update:** Health Scotland undertakes a national procurement process with the Scottish Development Centre for Mental Health for Mental Health First Aid Trainers. Applicants are required to meet a range of criteria, including previous experience in mental health. With mental health being an increased priority in Scottish Government, it is assumed there will be more certified trainers within a year’s time.

**Action:** “Andrew Patience to provide assurance to the Committee that Health Scotland is mindful of the number of waivers surrounding Minimum Unit Pricing/MESAS work and are confident Health Scotland cannot be acused of breaking procurement rules.

**Update:** After review of each waiver with Procurement, Andrew Patience is satisfied the waivers around MUP/MESAS are justified and there are no issues.

* 6. Item number 14 – **Information Governance and Business Continuity Group Annual Statement of Assurance**

**Action:** “Allan Wilson to arrange for an internal IT lead to speak with Duncan Robertson about how to minimise the information within the assurance statement and agree a level of consistency.”

**Carried forward**

5. Audit Committee Change & Transition Update

 Gerry McLaughlin spoke to the update in Cath Denholm’s absence.

Now that Professor Jim McGoldrick has been formally announced as the Shadow Chair for Public Health Scotland (PHS), the next steps are to establish a Shadow Chief Executive and Shadow Executive Management Team to consider decisions through the eyes of PHS. This shadow team will be made up of senior management staff in Health Scotland (HS) and Public Health Intelligence (PHI).

The Public Health Reform Programme Board has agreed that Central Legal services and Counter Fraud services will be provided by National Services Scotland (NSS) to PHS. NSS already provides these services for PHI and HS, so there are no concerns.

The Committee had a discussion around risks regarding the shadow team and the current matching process going on for the Senior Management Team of PHS, as well as the risk of senior HS managers being lifted out of their day-to-day business as usual. Similarly, it was noted that updates going forward should clearly distinguish between Shadow and Designate roles in PHS.

The Committee noted the paper.

6. Annual Risk Report

Catherine Combe spoke to the report.

The paper provides a summary of the 2018/19 risks, as well as a comprehensive list of risks for 2019/20.

The Protocol for the Mangement of Risk, found in Appendix 3 of the paper, was recently reviewed by Duncan Robertson but did not require any changes.

The Committee approved the Protocol of the Management of Risk and noted the paper.

7. EFQM/Best Value Update

 Andrew Patience provided a verbal update.

After consideration by Cath Denholm, it was decided that given there have been no significant changes since the full review of EFQM last year (2017/18), there will be no formal report for the 2018/19 audit. A paragraph on this decision will be included in the Annual Accounts.

8. Internal Audit – Annual Report

 Tony Gaskin spoke to the report.

Tony noted his thanks to Andrew Patience and Allan Wilson, for their help and support with the Internal Audit Report.

The report concludes that the Board has effective internal controls and has delivered on the 2018/19 internal audit plan. The internal auditors are happy with the governance statement and how they were produced.

The report did raise concerns regarding the suspension of the Health Governance Committee (HGC), as well as maintaining Board business as usual through the transition process. Through discussion, it was decided that the September Board agenda should include reflection on existing control framework and levels of scrutiny to assure they are still sufficient. It was noted that the HGC could resume meeting at any time if necessary.

The Committee noted the report.

**Action:**

* **Della Thomas/Marie Kerrigan** to update the Board Schedule of Business/September agenda to include an item regarding the review of existing control framework and levels of scrutiny for assurance.

Assess effectiveness of Audit Committee and approve Annual Report

**9. Draft AC Assurance Statement**

Andrew Patience spoke to the Assurance Statement.

After discussion, the Committee agreed on the following amendments:

* Item 4 (Management) - Rather than “Calling maangers to account when considered necessary to obtain relevant assurance”, the first bullet point should read “Holding managers to account to obtain relevant assurance”.
* Item 5 (Financial reporting) – Rather than “the Board considers them to be accurate”, the text should read “the Board has no concerns about material accuracy”.

It was decided that going forward only Committee member attendance should be recorded for effectiveness purposes, rather than everyone in attendance.

The Committee approved the paper, subject to the agreed amendments.

 **Action:**

* **Andrew Patience** to amend the Draft Audit Committee (AC) Assurance Statement, as detailed above.

**9.1 Directors Assurances**

The Committee noted the Directors Assurances.

 **Action:**

* **Nicole Smith** to ensure that all Directors Assurances uploaded to the extranet are the signed copies.

**9.2 Sub-committee Assurance Statements – HGC, SGC, RC**

It was noted that the Assurance Statement for the Information Governance Committee was noted by the AC at the 25 April 2019 meeting.

The Committee noted the sub-committee Assurance Statement.

**9.3 Accountable Officer Checklist**

Andrew Patience spoke to the checklist, which is for HS formal records as a preamble to the Annual Accounts.

 The Committee queried the following:

* 3.1.4: “Ensure that the public funds for which you are responsible are properly managed and safeguarded. Including independent and effective checks of any cash balances in the hands of any official.” – The response focussed heavily on cash, but the responsibilities of the Chief Executive to assure the Board that public funds are being used appropriately go beyond that. Mechanisms are in place through the AC and Corporate Management Team meetings, where the value of spend is constantly evaluated.
* 4.1: “You must ensure that the body achieves high standards of regularity and propriety in the consumption of resources…Propriety involves respecting the Parliament’s intentions and conventions and adhering to values and behaviours appropriate to the public sector.” – It was queried whether the Chief Executive comments provided wholly addressed the last sentence regarding propriety. The Committee was assured that the mechanisms in which HS preforms duties under this item is already being looked at through the audit procedure, so any issues that exist will be raised during that process.

The Committee noted the paper.

**9.4 CEL Governance Statement**

The Committee received the Statement.

**9.5 Audit Committee Q&A**

Andrew Patience spoke to the Q&A.

It was also noted that the title on the cover page of the paper should read “Scottish Government”, rather than “Staff Governance”.

The Committee reviewed and approved the paper, subject to the necessary amendment.

**Action:**

* **Andrew Patience** to amend the title on the cover page of the paper, as detailed above.

**9.6 HS Self-Assessment**

Andrew Patience spoke to the Self-Assessment..

It was noted that none of the information in the Self-Assessment was changed as it all remained relevant.

The Committee reviewed and approved the paper.

Review Annual Accounts so can recommend approval to Board on 21 June.

**10. Cover Paper**

Andrew Patience spoke to the paper.

The Committee is asked to note that there was no Audit Committee meeting planned for the 21 June 2019, so this Audit Committee would receive the external auditors annual report, and review the annual accounts to consider recommending them to the Board for approval.

**10.1 External Audit – Annual Report**

Conor Healy spoke to the report on behalf of Deloitte.

The External Audit Report is required to assess financial sustainability, the governance statement, any any other specific risks identified by Audit Scotland.

Deloitte commends the HS management on the basis of current account status. Due to the transition period, some of the wording under Financial Sustainability on page 5 was adjusted in agreement with Andrew Patience. The Committee accepted this revised wording.

The first risk noted in the report is the achievement of expenditure resource limits. No issues have been noted as HS have achieved all of its targets. The second risk is the management override of controls. These controls carry an inherent risk of fraud. Again, no issues have been noted.

The Committee agreed changes to the wording on pages 2 and 5, and noted typographical errors on page 20.

It was noted that page 29 includes the follow up from the action plan from 2018/19, and all three recommendations have been fully implemented. The Committee was assured that workforce budgeting will be under close control going forward.

The Committee had a sensible discussion about how risks around the possibility of not vesting on 1 April 2020 is categorised and recognised and agreed that the most appropriate time to have these discussions will be in September, first at with the AC and then at the Board.

The Committee noted the report.

 **Actions:**

* **Della Thomas** to circulate the link for the Audit Scotland Openness and Transparency Report.
* **Conor Healy** to make the discussed amendments to the External Audit Report.
* **Della Thomas/Nicole Smith** to ensure that the review of these delayed vesting risks is added to the Audit Committee and Board Schedules of Business/September agendas.
* **Nicole Smith** to cancel the calendar request for the 21 June Audit Committee.

**10.2 Annual Accounts**

Andrew Patience spoke to the report.

The report details that HS is working within the five year strategic plan and taking the necessary steps to continue doing so. It was noted that Scottish Government (SG) will not be able to confirm the carry forward to 2019/20 of the £343k underspend in 2018/19 until the end of Quarter 1. The Board had approved the Financial Plan for 2019/20 on the basis of a £362k carry-forward so there was a small shortfall against this plan.

The Committee was reassured that the six risks identified in the Corporate Risk Register are being managed appropriately. Furthermore, Gerry McLaughlin assured the Committee that the highlights in the Chief Executive’s Statement were formulated with the help of directors and are highly reflective of the public health work taking place over the last year.

While the accounting policies have changed from last year, it was agreed there was no need for the Committee to note and accept them as any necessary changes are noted in the assurance statements.

It was noted that the paragraph on the Staff Governance Committee governance framework on the bottom of page 14 should be written in the past tense, and hence the Annual Accounts reqired amendment

**Action:**

* **Andrew Patience** to amend the Annual Accounts and agree revision with the External Auditors

It was also noted that the table on page 16 should include clarification that any percieved gaps in member absences were for medical purposes but after discussion no changes were proposed to the Annual Accounts

The Chair noted his thanks to Tony Gaskin and his team, Andrew Patience and his team, as well as the external auditors Conor Healy, Pat Kenny, and Karlyn Watt for all their hard work.

The Committee reviewed the Annual Accounts and recommend them to the Board for approval on 21 June.

**10.3 Significant Issues – SG Letter and Draft Letter**

Andrew Patience noted that in past years, no significant issues have been declared to SG. This item is also on the agenda for the 21 June Board.

The Committee noted the letter.

**10.4 General Representation Letter**

The Committee noted the letter.

11. PAMS update

The Committee approved the contents of the paper for submission to SG, and noted the appendices.

**12. eHealth update**

Andrew Patience spoke to the update.

 There were no items of interest to report back to the Committee.

 The Committee noted the contents in the main report of the update.

**13. Any other business – Reports/Notes for information**

 There was no other business.

14. Effectiveness of business

 It was noted that the Chair did an efficient job of running the meeting.

15. Date of next meeting/s:

 Friday 6 September 10.30am

 Room 5.5, Meridian Court, Glasgow

 **Action:**

* **Nicole Smith** to add “Formal Review of the Risk Relating to Vesting Day” to the agenda for the 6 September meeting.