

**AUDIT COMMITTEE MEETING
FRIDAY 9 JUNE 2017
ROOM 6.5, MERIDIAN COURT, GLASGOW**

Present: Mr R Pettigrew (Chair)
Ms R Dhir
Ms A Jarvis
Dr P Stollard
Mr M Craig

In attendance: Mr D. Crichton
Mr G McLaughlin
Ms C Denholm
Mr A Patience
Mr P Kenny (Deloitte)
Mr A Wilson
Mr T Gaskin
Mr D Robertson (items 5,6 and 7)
Ms M Kerrigan (Minute)

ACTION

1. Apologies

Apologies were received from Mr Paul McColgan.

2. Declaration of Committee Members' Interest

No Members' interests were declared.

3. Minute

The minutes of the previous meeting held on 21 April 2017 was agreed as an accurate record.

4. Matters Arising (Rolling Action List)

All actions are complete.

**5. Annual Risk Report
(AC Paper 17/17)**

ACTION*Annual Risk Report*

The Audit Committee was asked to note the contents of the paper and to approve the updated Management of Risk Protocol.

The management of risk within NHS Health Scotland has improved significantly. The purpose of the paper was to report to the Audit Committee on the Risk Management arrangements within NHS Health Scotland and to provide assurance that risk is adequately and appropriately managed.

The Master Risk Register (MRR) is currently being refreshed. Once all MRR risks have been identified they will be added to the Corporate Planning Tool (CPT). This will improve the usefulness of Health Scotland's approach to risk and the information recorded.

The Corporate Risk Register (CRR) is more accurate and the risks more transparently governed by revising our approach to developing, tracking and reporting on the CRR for 2016/17.

As this is the year-end Audit Committee the internal auditor advised that there should be a conclusion in the report by the Director of Strategy (DoS) stating that the risks are adequately and appropriately managed. Ms Denholm, (DoS), gave a verbal assurance to the committee at the meeting, which was accepted. It was agreed to ensure these assurances are explicitly included in subsequent years.

The Committee noted the report.

Management of Risk Protocol

There had been a full review and refresh with some minor changes on job descriptions, references to the drafting of the CRR added, monitoring review arrangements revised, new risk topics and appetites incorporated, and risk matrix updated.

ACTION

The Committee was happy to approve the updated Management of Risk Protocol on behalf of the Board.

6. EFQM/Best Value Update
(AC Paper 18/17)

The Audit Committee was asked to note the updated Best Value/European Foundation for Quality Management (EFQM) Framework as part of Health Scotland's work towards becoming an excellent organisation and also in order to meet its requirements under Best Value.

Mr McLaughlin felt it would be helpful for the Committee to reflect on what had been done with the overall assessment under the EFQM framework.

In discussion it was felt:

- the framework using the EFQM was very useful and this was a good piece of work;
- the proposal to self-assess for EFQM in 2017 and to regard this as the last assessment for NHS Health Scotland was appropriate;

The Committee noted the report.

7. Review Draft Internal Audit Annual Report for previous financial year and agree finalisation
(AC Paper 19/17)

The Audit Committee was asked to note the report in evaluating the internal control environment and report accordingly to the Board.

The Annual Report provided details on the outcomes of the 2016/17 internal audit and the auditors' opinion on the Board's internal control framework for the financial year 2016/17.

ACTION

The auditors concluded that, based on work undertaken throughout the year, the Board had adequate and effective internal controls in place and the 2016/17 internal audit Plan had been delivered in line with Public Sector Internal Audit Standards.

The auditors put on record their thanks to all staff for their help and co-operation throughout the year.

Mr Gaskin, internal auditor, drew the Committee's attention to the recommendations in the report (pages 14/15), specifically DL (2015) 17. The recommendations were accepted by the Director of Strategy and plans are now in place to prioritise this work.

On recommendation 1, it was noted that CELs will be available to both the CMT and Board. The CMT will consider the complete list of CELs and raise any items of relevance to the Board.

The Committee was happy to accept and note the report.

8. Review draft Annual Accounts, including draft Governance Statement (on internal control)
(AC Paper 20/17)

The accounts are split into three sections, the performance report, accountability report and financial statements.

It was agreed to continue with the Chief Executive's overview statement. We are now moving into our last year of the 5 year framework. On the key issues on risk, 70% of our work was completed or achieved as planned and 30% was subject to change through the year because of changing priorities.

In relation to the performance summary, the resource targets were all met. On the core revenue resource limit the £19.216m set by the government NHS Health Scotland spent £19.071m. The non-core resource

ACTION

limits were matched, there was a slight shortfall on capital of £30k against the £350k limit, with the cash requirement of £19m being on target.

From 2015/16 there was a c/f of £226k, which together with a deficit against in year funding of £81k gave a total c/f of £145k which was available for in 2017/18 as it had been approved by the Scottish Government.

The KSF figures will be reviewed for the revised accounts.

AP/CMD

In discussion it was noted:

- The KSF figures would be reviewed; **AP**
- Page 13 – Rani Dhir’s name to be updated;
- Page 19 - Under Remuneration Committee, Ali Jarvis missing from ‘in attendance’; **AP**
- Amendment to be made re Mr G Dodds’ pension benefit information; **AP**
- Page 22 the additional disclosure under fair pay will be included in the final report; **AP**
- P24 exit arrangement, Mr Kenny to check re dispensation. **AP**
- P49, reserve note, note 11, reporting of the claim should be anonymised; **Ex Auditor**
- Page 49 - Change to average life expectancy and not 25; **AP**
- Page 49 - Under first line of the injury benefit – a form of words to be compiled stating that this financial impact is outwith Health Scotland’s influence and that Scottish Government has adjusted the 2016/17 allocation in response. AP to compile this paragraph ahead of the meeting and obtain relevant approval prior to papers being issued. **AP**
- It was noted that on page 56 re payment made to Voluntary Action Scotland for whom Ms Denholm is a Trustee. Ms Denholm confirmed that she had had no involvement in this transaction. **AP**

The Committee noted the accounts as work in progress.

ACTION**9. Draft Audit Committee Annual Report
(AC Paper 21/17)**

Mr Kenny, external auditor, highlighted key points from the report.

A summary is given on page 3 of the audit scope per the Audit Code of Practice issued by Audit Scotland. The main conclusion from the testing to date was the significant risks identified in the planning report. There were two significant risks: the achievement of expenditure resource limits and management override of control. The audit work has been satisfactory in addressing these two risks and there were no concerns. An unmodified (same as unqualified) audit opinion will be signed.

With regard to the performance report and governance statement on page 4, an unmodified opinion will be signed in respect of the reporting consideration.

Page 6 looks at the governance statement against the appropriateness of disclosures; there were no issues. Financial sustainability was also looked at and comments made.

The CEO explained the process under the NHS injury benefits scheme maintained by the Scottish Public Pensions Agency. The CEO advised that he had commissioned a review of the circumstances to establish any lessons to be learned.

The auditor was asked to amend the paragraph commencing "Subsequent to the year-end an adjustment of... had to be made for ..." to "liabilities arising through the SPPA injury benefits awards scheme". Mr Kenny/Mr Patience to liaise.

AP/PK

ACTION

It was pointed out that:

- on page 8, 'Your Audit Explained', the key developments box talks about independent health clinics coming within NHS Health Scotland remit. This will be corrected.
- on page 6 under Financial Sustainability, 2nd paragraph, it should read Management 'has' agreed;
- on page 13 under 'Going concern'. An update was given: "Confirmation has now been received by Scottish Government. They are happy to sign off the Plan".
- on page 15, 2nd paragraph under Deloitte response, it was noted the NHS Health Scotland produce quarterly and year-end reports. For clarity, it was indicated that Health Scotland produce quarter performance management reports and produce year-end impact report.

Ex Auditor

Ex Auditor

The draft report was noted by the Committee as work in progress.

10. PAMS Update (AC Paper 22/17)

The PAMS strategy was submitted to Scottish Government on 2 June 2017, subject to final approval by this Committee. The format is similar to last year and focuses on how we work within our estate to maximise staff productivity.

On discussion it was agreed to include in the 'Looking Forward' section the following sentence:

"Obviously as there are major changes afoot in the public health arena and are likely working with other bodies we will be looking at all decisions we make in this year's strategy with these changes in mind in building for the future".

CMD

The Committee was happy to approve the document.

ACTION

11. Any other business

Q4

The Q4 report was discussed at the last Board meeting when there was discussion around the performance statistics.

CMD

The DoS proposed sharing regular summary performance information with the Audit Committee. This would allow detail of any performance issues to be discussed and assurances provided, in order that Board quarterly reports could reflect those assurances better. It was agreed to trial this approach.

Ransomware Attack

A paper relating to the ransomware attack was circulated to the meeting. The External Auditors, given the recent ransomware attacks, wished an update on the matter.

NHS Health Scotland had minimal impact and IT staff rose to the challenge. A couple of lessons had been learned which IT will take forward. It was felt it was important to ensure remote access was adequately covered going forward.

The Committee put on record their thanks to all the IT staff concerned.

12. Effectiveness of meeting

The meeting ran very smoothly.

13. Date of next meeting

22 June 2017, 9.30am Boardroom 1/2, Gyle Square, Edinburgh