

**Audit Committee Meeting
Friday 17 November 2017
Boardroom 1, Gyle Square, Edinburgh**

Present: Mr R Pettigrew (Chair)
Ms R Dhir
Mr P McColgan
Ms A Jarvis
Mr A Wilson
Mr P Kenny

In attendance: Mr D Crichton
Mr G McLaughlin
Mr A Patience
Ms M Kerrigan (Minute)

1. **Apologies**

Apologies were received from Mr M Craig, Dr P Stollard, and Ms C Denholm.

2. **Declaration of Members' Interests**

No members interests were declared.

3. **Minute of the previous meeting**

(AC Min 5/17)

The minute of the previous meeting held on 8 September 2017 was agreed as an accurate record.

4. **Action List**

The action list will be updated.

5. **Review of 6 Month Financial Position**

(AC Paper 31/17)

The Head of Finance & Procurement (HFP) reported that after 6 months there was a small underspend of 83k, (1% of the phased budget). At present the unallocated budget was £43k. Bids and surrenders were approved through the CMT against the unallocated budget. Analysis on the

salary budget showed a small saving to the budget. There was also a small number of project variances, but these mostly related to timing. It is expected there will be a saving on marketing and an underspend on the staffing budget at the year-end.

Against the national boards' savings target of £15m, £11m had been achieved through individual boards and £1m as a target from collaborative savings. Boards had contributed in various proportions due to different financial pressures at each board, In its year-end forecast Health Scotland had allowed a small further contribution towards the £15m.

Concerns were expressed that the collective target of £15m had not been fully identified as yet with the result being that Health Scotland may need to take a disproportionate share of the target. The HFP responded that he had attempted to identify the share by individual boards at the start of the year but the consensus amongst the National Boards was to identify the target during the year. He would continue to raise the issue at the monthly meeting of the National Board Dofs.

A project team has been established on an 18 month appointment consisting of a Programme Director, a full-time finance resource to take an overview and HR and Comms appointments.

The Chief Executive explained that the Government asked that Boards work together to bring forward a draft Plan to be submitted by September. Part of the draft Plan was to set out the resourcing which would be required in order to deliver on the workstreams. The Government has responded positively to the initial setting out of that resource requirement and was content to use a resource that they have held back to allow the recruitment of these posts.

NHS Health Scotland is working much more directly with NSS and is looking, with NSS, at the trajectory, including how we might identify resource which might be duplicated or where there were overlaps. It was noted the new co-director of the Executive Delivery Group around public health is now in place.

It was felt it would be beneficial to have an update on the National Board position on the £15m target at the Board Seminar. **(Action: AP)**

The Committee was happy to note the report and record their concerns.

6. **Corporate Risk Register Update** (AC Paper 32/17)

There are two risks on the Corporate Risk Register which the AC has a responsibility for. These are 17-3 – “The way roles are agreed and resources are allocated across NHSScotland national boards” and 17-5 – “Matching our resources to priorities in planning, quality control and responding to in-year demands”.

In discussion it was felt that we should keep a focus on risk 17-3. If it was deemed appropriate to bring forward spend from next year we should ensure it is the right spend in relation to our priorities (risk 17-5).

The Committee felt the paper was helpful and properly articulated what the risks were. It was noted the internal commissioners had delivered what had been asked of them.

The Committee considered risks 17-3 and 17-5 on the CRR and was happy to note and endorse the actions being taken.

7. **Health & Sustainability Annual Update** (AC Paper 33/17)

The Committee was asked to note continued steady progress towards progressively lower consumption of non-renewable resources, increased progress on environmental sustainability and the role NHS Health Scotland has played in the wider developments in sustainability during 2016-17.

The Committee indicated that this was a comprehensive and very much improved report and was happy to note the paper.

8. **Review external Audit Planning Report for 2017/18 Audit**

The external audit draft planning report was presented to the Committee for the year end 31 March 2018. Mr Pat Kenny, External Auditors, drew the Committee's attention to the following key messages:

- financial sustainability had been identified as a key issue;
- governance of the £15m savings had been identified and built into the planning paper;
- focus will be on the breakeven position;
- management override of controls will be looked at as a significant risk;
- audit risk on revenue recognition will be rebutted;
- the wider scope issues in terms of governance and NFI will be looked at;
- no further reporting changes are anticipated this year;
- changes have been highlighted on accounting standards which will apply from 2018/19 onwards.

In discussion:

- The Committee found the report very helpful;
- The Committee was comfortable with this approach;
- The external auditor was happy to amend the Plan to reflect the £15m saving (under openness and transparency, page 18) and agreed to keep this under review over the next 6 months (**Action: PK**);

- The external auditor to check £5.05m figure re leasing on page 24 (**Action: PK**);
- External auditor and AP to have further discussions on year-end audit timing (**Action: PK/AP**)
- It was noted this was a helpfully written, easily accessible and clear report.

The Committee was happy to note and endorse the report.

9. **Consider reports and findings from Internal Audit**
(AC Paper 34/17)

The original Plan was agreed at the April 2017 Audit Committee meeting and was to be reviewed again at the September meeting. The revised Plan shows the assignments that will now be completed during 2017/18. There had been a discussion around preparing a draft 2018/19 Plan but the Chief Internal Auditor felt it was more appropriate to consider that in full later in the year. To ensure that the 2017/18 annual report is prepared the internal auditors have now extended the Plan to June 2018.

The Audit Committee approved the revised plan and noted the progress position.

10. **Review progress in implementing outstanding audit recommendations**
(AC Paper 35/17)

The Audit Committee noted the summary report, enclosures, endorsed the 3 recommendations for archiving, 2 for deferral and 12.5 outstanding.

11. **Review of occasional reports for relevant issues/items as issued by bodies at 21(o) of the Terms of Reference**
(AC Paper 36/17)

The Committee was happy to note the actions from the review of the Audit Scotland Technical Bulletin.

12. **Procurement Biannual Update**
(AC Paper 37/17)

This report is submitted to the Committee bi-annually.

It was reported there had been 6 tender waivers in the period April 2017 to September 2017. It was noted that 4 of the waivers had been for the same work totalling £31k.

The Chief Executive indicated that this was something Directors took seriously. He pointed out that there is a practice approach around how we deal with waivers which involves not only the initial Procurement Officer having a view but it is escalated to the Director and the Head of Finance & Procurement, and signed off by the Chief Executive.

It was agreed to include more detail in the spreadsheet around the Bowel Screen Programme letter. **(Action: AP)**

The Committee noted the paper and its enclosure.

13. **Equality and Diversity In-year report**
(AC Paper 38/17)

Ms Dawn Gall, Senior Improvement Officer, spoke to the paper which asked the Audit Committee to note progress towards the Premises and Systems Equality Outcome.

In introducing the paper Ms Gall explained that in March 2017 NHS Health Scotland's Board agreed three Equality Outcomes for 2017-21 in line with statutory requirements to guide our work towards fulfilling our duty to advance equality, tackle unlawful discrimination and foster good relations between people with protected characteristics. These Outcomes are underpinned by indicators and measures which fulfil the requirements of the law.

In discussion Ms Gall was asked to think about whether there would be a level of disaggregation to ensure it picks up protected characteristics and other equality and diversity factors.

The Committee noted progress towards the premises and systems equality outcome.

14. **Draft agenda for 9 February 2017**

The draft agenda was noted.

15. **Any other business**

There was no further business

16. **Effectiveness of meeting**

There had been good discussion and the papers were of a good quality.

17. **Date of next meeting:** 9 February 2018, Room 5.5, Meridian Court, Glasgow.