

**Audit Committee Meeting  
Friday 9 February 2018  
Meeting Room 5.5, Meridian Court, Glasgow**

**Present:** Mr Russell Pettigrew (Chair)  
Ms Rani Dhir  
Ms Ali Jarvis  
Dr Paul Stollard

**In attendance:** Mr David Crichton  
Mr Pat Kenny, Auditor (Deloitte)  
Ms Kirsty McAneny (Item 6)  
Mr Gerry McLaughlin  
Mr Andrew Patience  
Mr Duncan Robertson (Items 6 & 7)  
Ms Della Thomas  
Mr Allan Wilson (Internal Auditor)  
Ms Catherine Combe (Minutes)

**1. Apologies**

Apologies were received from Ms Cath Denholm and Mr Paul McColgan.

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

No Members' interests were declared.

**3. Minute of previous meeting**

The minutes of the meeting held on 17 November 2017 were accepted as an accurate record by those present.

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

Mr Andrew Patience, Head of Finance and Procurement confirmed that all actions had been completed, with the exception of the amendment of the procurement waivers spreadsheet which has been carried forward.

**5. Review of 9 month financial position  
(AC Paper 1/18)**

The Committee was requested to note the 2017/18 financial position report as at 9 months.

Mr Andrew Patience, Head of Finance and Procurement reported the year to date - 9 month report which has £162K underspend. It was explained that there is a split between staff (£71k) and projects (£91k):-

**Staff** – Noted that there are small overspends across the Directorates. Health Equity Directorate has however made savings which has compensated for this.

**Project** – It was highlighted that timing issues have an impact on project spend. Monitoring will continue to ensure no untoward underspends.

**Unallocated budgets** – It was noted that this commenced with £250K contingency, but budget bids and Scottish Government adjustments in the first quarter had utilised this contingency. Budget surrenders were noted mainly due to revised project budgets giving £268K which has reinstated the contingency. There is a potential underspend of £150K. A further contribution of £75k will be made to the £15m National Board savings target which will enable bids in the final quarter of £75K.

**Capital Allocation** – Noted that £500K was surrendered to NES as part of the national boards' Savings Programme.

It was noted that capital monies originally set for IT have been released as it has been agreed that IT will be supported through a revenue service which will be the model of use going forward in line with industry practice.

Mr Gerry McLaughlin, Chief Executive stressed the importance of retaining the capital budget (£583K) to support capital expenditure in the new Public Health Body. It was agreed that this resource should be preserved if possible.

Mr Andrew Patience explained that the cash requirement is slightly higher (£19.5m) than originally planned (£19m) but this has been agreed by the Scottish Government. The cash profile is behind but it is expected that this will balance in the last quarter.

It was noted that the National Board Finance Group in early January agreed £15m to be split into three main contribution elements. Scottish Government are reluctant however, to wait for year-end surpluses. £14.456m efficiency saving are now expected to be achieved with NES and NSS making additional contributions. NSS will be underwriting the short fall against year-end surpluses of the National Boards to be resolved as part of the year end carried forward to 2018/19. The impact

on Health Scotland will be minimal should any deficit be carried forward.

It was noted that transfer of the remaining capital of £68k will be made to NSS who will release equivalent revenue savings towards the £15m.

The Audit Committee considered the monies offered for savings to the National Boards. It was noted that it may be challenging to meet the recurring savings next year. Concerns were raised with regards to funding for the transformational Board.

The Audit Committee agreed that their primary responsibilities are to provide due diligence. They considered and agreed that it would be acceptable as a non-patient facing Board to have circa £50k underspend accepting that this may be needed in whole or part to offset the underwriting made by NSS at the year-end.

## **6. Review risk register and actions taken to mitigate risk (AC Paper 2/18)**

The Committee was requested to consider risks 17-3 and 17-5 on the Corporate Risk Register to ensure they are sufficiently assured by the actions taken or proposed to mitigate these risks.

Mr Duncan Robertson and Ms Kirsty McAneny explained that with regards to 17.3, everything possible has been carried out to bring this within the risk appetite. It was noted that 17.5 is currently well within the accepted range.

Mr Duncan Robertson advised that since the revision of the planning tool, the completion rates had increased.

He also highlighted that there is limited development at this time to ensure alignment with the master risk register for the new Public Health Body. Dr Paul Stollard, Non-Executive Director suggested that a second risk for legacy issues should be incorporated into each paper, which was agreed.

## **7. External Audit Update / Reports**

Mr Pat Kennedy, Deloitte Auditor provided a verbal update and confirmed that there are no significant issues to report to date. In terms of moving forward, the final audit visit is anticipated to be on site week commencing 14 May. It is expected that a draft Section 260 report will be available by 31 May which should fit well with Audit Committee time lines. It was noted that the NFI questionnaire is

scheduled for submission at the end of February, all matches have been confirmed. Signing off report was discussed. Mr Andrew Patience confirmed the audit fee which has been agreed as £38,190 of which an element will go to Audit Scotland. This is part of a 5 year arrangement with flexing agreed last year. Mr Andrew Patience will ensure that an appropriate note be added to the Annual Accounts with regard to the flexing agreement on the audit fee. **(Action: AP)**

The Committee acknowledged that the financial year 2018/19 will be challenging, Mr Kenny will prepare a briefing paper for the next meeting. **(Action: PK)** Mr Gerry McLaughlin will share this with the Public Health Reform Group. The sign off of the accounts in June was highlighted and noted that some Non-Executive Directors may no longer be in post and therefore an overarching plan will have to be in place. Ms Della Thomas to prepare a list of concerns for the Board meeting in March. **(Action: DT)**

#### **8. Consider reports from Internal Audit (AC Paper 3/18)**

The Committee was requested to note the status of the revised Internal Audit Plan 2017/18.

Mr Allan Wilson, Internal Auditor confirmed that the two internal audit assignments scheduled in 17/18 had been completed. A summary of the revised audit plan was presented for approval and noting.

It was acknowledged that as the Board moves towards its dissolution not all recommendations identified in the Corporate Management report will necessarily be adopted and this was approach was approved. It was agreed that the assurance report should form part of the year end.

The report prepared by Mr Allan Wilson was approved by the Committee.

#### **9. Review progress in implementing outstanding audit recommendations (AC Paper 4/18)**

The Committee was requested to note that the summary report listing all the outstanding audit points noted as complete with the exception of the Staff Governance Performance (transition plan) is deferred and expected in March.

The Audit Committee approved the archiving and one deferral.

**10. Review of occasional reports for relevant issues / items as issued by bodies at 21 (o) of the Terms of Reference (AC Paper 5/18)**

The Audit Committee were requested to note the actions carried forward from the November meeting and the review provided by Audit Scotland Technical Bulletin.

It was highlighted that relevant Scottish Ministers had not been sighted on some public sector accounts / reports, but it was confirmed by the External Auditor that due process had been followed in relation to the Health Scotland Annual Accounts.

The Audit Committee noted this paper.

**11. Any Other Business**

- **Standing Orders and Standing Financial Instructions**

Mr Andrew Patience explained that a review would normally be undertaken prior to the Board meeting, however given the expected lifespan of the Board the Committee agreed it was appropriate to waive the review.

**(Action: AP/AW)**

It was noted that the internal audit plan will run out in June and will be discussed at the April meeting to agree requirements. It was agreed that this should be discussed further at the Board Seminar.

The Audit Committee was happy to recommend to the Board to leave the standing orders and standing financial instructions as is. The Audit Committee Terms of Reference would also remain unchanged, which was noted by the Committee.

It was discussed and agreed that Legacy Issues should be added as a standing agenda item for future meetings

- **Transition**

Ms Della Thomas, Executive and Governance Lead will bring together a plan for discussion at the Board Seminar. This approach was endorsed by the Audit Committee. Ms Della Thomas to ensure that the Board Plan paper is revised to include the new Legacy Issues heading.

**(Action: DT)**

- **National Boards Chairs and Chief Executives Meeting**

Mr David Crichton, Chair provided an update from the meeting and advised that the Scottish Government have decided not to instigate an organisational restructure but instead cross boundary working will be developed, which has been reflected in the delivery plan. However, concerns were noted regarding the governance of these changes and the need for governance and scrutiny reporting. The transparency must be built into the implementation of these joint services.

Mr David Crichton reported that in practical terms he does not anticipate many changes in the short term, this will however impact as part of the legacy planning.

Mr Gerry McLaughlin confirmed that the National Board Collaboration plan will register governance challenges. It is anticipated that this draft plan will not be available for the March meeting. The Audit Committee discussed and agreed that a conference call may be required when this plan becomes available. Concerns were raised regarding authority or approval and it was noted that this Board could only approve their own element, but could give endorsement to the direction of travel.

## **12. Effectiveness of Business**

It was agreed that the papers had provoked good discussion and that the meeting had been effective.

## **13. Date of next meeting:**

Friday 20 April 2018 in Room 5.5, Meridian Court, Glasgow.