

**Audit Committee Meeting
Friday 20 April 2018
Meeting Room 5.5, Meridian Court, Glasgow**

Present: Russell Pettigrew (Chair)
Rani Dhir
Ali Jarvis
Paul Stollard

In attendance: David Crichton
Cath Denholm
Tony Gaskin (Item 13)
Kirsty McAneny (Item 6)
Paul McColgan
Gerry McLaughlin
Andrew Patience
Duncan Robertson (Items 6 & 7)
Della Thomas
Karlyn Watt, (Deloitte)
Allan Wilson (Internal Auditor)
Marie Kerrigan (Minutes)

1. Apologies

Apologies were received from Michael Craig.

2. Declaration of Committee Members' Interest

No Members' interests were declared.

3. Minute of previous meeting

The minutes of the meeting held on 9 February were accepted as an accurate record by those present with the following amendment:-

- Item 7 should read that Della Thomas to prepare a list of concerns for the Board meeting in March.

4. Matters Arising (Rolling Action List)

Andrew Patience, Head of Finance and Procurement, provided an update:-

- External audit update/report – Further meeting to be arranged to discuss lessons learned.

- List of concerns – completed.
- Legacy – It was clarified that this will be covered under transition in line with the other committees.
- Audit Reflects – This is part of the annual accounts and will therefore be covered in the next meeting.
- Internal Audit Plan 19/20 – This will be included in the next update.

5. Review of 12 month financial position (AC Paper 6/18)

The Committee was requested to note the 2017/18 financial position report as at 12 months.

Andrew Patience, Head of Finance and Procurement reported the year to date - 12 month report. He explained that there has been an £115K underspend. This had been the result of a fairly major salary underspend in the fourth quarter plus other small project savings. It is expected that NSS will underwrite the National Boards shortfall of £400k against the £15m savings target for 17/18. It may be agreed that surplus will be permitted for carryover although this has still to be confirmed and the impact on this of the underwriting by NSS of £400k for 17/18.

Gerry McLaughlin advised that the Public Health Reform team is aware of the financial challenges and implications for the future. The Committee discussed accountability for provision of resources for the new body and agreed that the stance that should be adopted is that this Committee will only be responsible for Health Scotland.

Andrew Patience explained the split between revenue and capital. There is an issue regarding who will be submitting capital transfer with NES and NSS. Every effort will be made to ensure that the HS capital allocation is maintained at an appropriate level for transfer to the new body.

Andrew Patience agreed to request clarification at the meeting on the 2 May of National Boards Dofs regarding the amount of collaborative saving required next year. Gerry McLaughlin said that he anticipated that the financial framework for the NHS for 2019/20 will be confirmed in the coming months. **(Action: AP)**

The Committee noted the report and thanked Andrew Patience for his efforts in clarifying the financial position.

**6. Review risk register and actions taken to mitigate risk
(AC Paper 7/18)**

The Audit 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.

Duncan Robertson advised that the Master Risk Register refresh has been completed for Health and Work with works continuing to finalise the MRR for CEO and Health Equity Directorate.

The Committee agreed that it is unusual for the nett and gross score to be the same. Paul Stollard said he felt the nett score was pessimistic and that greater mitigation had been undertaken and the score should be less than 12. These points would be considered further by Duncan Robertson and reported back at the next meeting. **(Action: DR)**

It was noted that 17.3 has been exceeded. The Committee acknowledged the difficulties which have attributed to this scoring and confirmed that they had noted the report and were reassured.

7. External Audit Update / Reports

Pat Kenny advised that the dates of audit are still as intimated at the last meeting with 14 May as on site date and report on 31 May with everything currently being on track. He highlighted a rising trend of fraud in the Public Sector and provided examples and asked the Committee to be aware of this.

**8. Internal Audit Update for financial year 17/18
(AC Paper 8/18)**

Tony Gaskin confirmed that the majority of work identified in 2017/18 had been undertaken.

The Committee noted the progress report and thanked him for the supportive work over the year.

Andrew Patience requested to continue with the internal auditors who would focus on follow up work and year end (to ensure in best position for transition). It was agreed that this was a sensible request and that further discussion should take place to establish timing and scope to ensure value for the time remaining for Health Scotland. Tony Gaskin and Andrew Patience agreed to present a draft plan for 2018/19 to next meeting. **(Action: AP/TG)**

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

The Audit Committee was requested to note the following:-

- Summary report of all outstanding audit points from meeting.
- That the full audit reports are available electronically and will be used mainly as reference with the recommendations updated as they are due.
- The five recommendations outstanding from the February meeting.

Andrew Patience spoke to the paper and provided an overview of activity.

Cath Denholm requested clarity with regards to paper 9.2 (risks management):-

- Page 1, paragraph 5 – Cath Denholm said that it was her understanding that this policy and protocol has been updated. Tony Gaskin explained that this was a correct statement in 2017.

The Audit Committee endorsed the three recommendations proposed as noted in the summary schedule and endorse the recommendation for proposed deferral to May 2018.

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

The Audit Committee was requested to note the actions carried forward from the February 18 meeting and review of the Audit Scotland Technical Bulletin – January to March 2018.

A review of reports from other bodies will be updated and any matters of attention being brought to the Committee's attention.

Andrew Patience confirmed that a number of improvement points will be covered by the annual accounts. It was agreed that action taken should be proportionate to Health Scotland's impending transition.

The Audit Committee was happy to note this report.

**11. Counter Fraud Services: Annual Update
(AC Paper 11/18)**

The Audit Committee was requested to note the annual report as at 31 March 2018 and approve the annual return to Counter Fraud Services.

Andrew Patience advised that he had reviewed the Counter Fraud Strategy which outlines the five principles of guidance for monitoring.

It was discussed that vigilance should be maintained on any activity due to the transition year. Andrew Patience reassured the Committee that sufficient systems and procedures are in place to ensure this.

The Committee acknowledged the importance of segregation of duties, noted the report and approved the annual return submission.

**12. Procurement: Biannual update
(AC Paper 12/18)**

The Audit Committee was requested to note the procurement update for the six months ended 31 March 2018.

Andrew Patience spoke to this report which had been prepared by Jenny Neville, Head of Procurement, Scottish Ambulance Service. He highlighted the six procurement waivers (plus one carried forward) and confirmed that Central Legal Office clearance had been sought for Healthy Working Lives and Living Award. Gerry McLaughlin reassured the Committee that Directors take this seriously.

It was acknowledged that each section within Minimum Unit Pricing should be also seen as a complete picture as this is likely to come under intense scrutiny. Andrew Patience explained that there are instances where due to data ownership it does limit contract awards.

The Audit Committee was content to note the report.

**13. Annual Statement of Assurance
(AC Paper 13/18)**

The Audit Committee was asked to approve the Annual Statement of Assurance from the Information Governance and Business Continuity Group, including the Terms of Reference.

Tony Gaskin joined the meeting via telephone conference. Duncan Robertson presented the Terms of Reference which are based on NHS

Fife and tailored for Health Scotland. Russell Pettigrew queried if this Committee should agree the Terms of Reference or if they should endorse and present to the Board. It was agreed that it was appropriate for the Audit Committee to approve, which they did.

Duncan Robertson highlighted issues contained within the report which pertained to information governance breaches which have been referred on to the Commissioner. Tony Gaskin requested GDPR three key areas be noted. Duncan Robertson explained that a personal data register is being developed and a privacy notice has been prepared to use for staff contracts if national provision is not in place.

The group considered and approved both of these documents.

**14. Audit Committee Terms of Reference and Schedule of Business
18/19
(AC Paper 14/18)**

The Audit Committee was requested to note that an additional item regarding transition arrangements had been added to the Terms of Reference.

Andrew Patience confirmed that this is the only substantive change to this document.

The Audit Committee endorsed the Terms of Reference.

**15. Biodiversity Report
(AC Paper 15/18)**

The Audit Committee was asked to note the Biodiversity report 2015/17 and adopt the report in the fulfilment of its mandatory reporting duties as a public body.

Andrew Patience confirmed that this is a follow up document for information.

The Audit Committee noted this report.

**16. Audit Committee Transition Issues
(AC Paper 16/18)**

Andrew Patience explained that only relevant issues for the Audit Committee will be discussed and gave reassurance that the issues that the Audit Committee are dealing with will not be extended and issues will be delegated as appropriate.

Della Thomas highlighted that the overall structure of all Board and Committee papers have been altered to capture the transition period and that it had been agreed that more detailed minutes would be taken to capture the issues that Committee members may raise. It was explained that it has been agreed at the Board that the plan will be brought back to the Board meeting in September to enable the Committee to request further additions.

Cath Denholm said that due diligence has been identified as important during this period of transition and the management of change and the impact of this as a whole system. It was acknowledged that there are many unknowns for the future and that it is the responsibility of the Committee to highlight areas of concerns. Della Thomas agreed to source a change management template (single register for the organisation) for future use. She suggested that transition should be an earlier agenda item (after matters arising) so that the position is established prior to Committee discussions which was agreed.

17. Any other business

Nil.

18. Effectiveness of business

The Audit Committee agreed that this had been a focused meeting.

19. Draft agenda for next meeting

The draft agenda was noted. It was agreed that if a person is attending for more than one item that these should be grouped together and that people should be required to attend only when their presence is essential and if there will be crucial discussion.

20. Date of next meeting:

8 June 2018 at 10.30 a.m. in Room 6.5, Meridian Court, Glasgow.