

NHS HEALTH SCOTLAND

Minute of the Audit Committee meeting held at 10.30am on Friday 22 April 2016 in the Boardroom 1/2, Gyle Square, Edinburgh

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

In attendance: Mr G McLaughlin
Mr D Crichton
Ms C Denholm
Ms L Brown (deputising for A Patience)
Mr A Wilson (FTF)
Ms K Jones (Scott Moncrieff)
Mr T Gaskin (FTF)
Mr T Andrew
Ms Kerrigan (Minute)

		ACTION
	Welcome	
	The Chair welcomed Rani Dhir and Paul McColgan to their first Audit Committee meeting and Lesley Brown who was deputising for Andrew Patience.	
1.	Apologies	
	Apologies were received from Andrew Patience.	
2.	Declaration of Members' Interests	
	No meeting specific interests were declared.	

		ACTION
3.	Minute of previous meeting (AC Min 1/16)	
	The minute of the previous meeting held on 3 February 2016 was agreed as an accurate record.	
4.	Matters Arising (Action List)	
	The action list will be updated.	
5.	Financial Position: Quarterly (12 month) update (AC Paper 10/16)	
	The Audit Committee was asked to note the information in the paper and its enclosures.	
	Lesley Brown (Reporting Accountant) updated the Committee on the Revenue Resource Limit (RRL). At the end of the 12 month period there was a surplus of £216k against the annual budget of £19.925k. However, further work puts the figure closer to £200k. It was indicated that as of 21 April the figure was £212k.	
	It was reported that February was low in terms of spend compared to target but offsetting this was a high March month bringing us up to the year-end target. Capital is down due to slippage on the office improvement works.	
	The Committee thanked the Finance team for their work on the accounts	
	The Committee noted the position as currently stated and will see the first set of accounts at its next meeting on 8 th June.	EFPM

		ACTION
6.	Review Risk Register and actions taken to mitigate risk update (AC Paper 11/16)	
	The purpose of this paper was to update the Audit Committee on the risk improvement project and seek approval for recommendations on revised governance arrangements for the new Corporate Risk Register (CRR) to be implemented from April 2016.	
	In introducing the paper the DoS pointed out that the paper had a new look in light of previous Audit Committee discussions.	
	Improvements are being made to NHS Health Scotland's approach to risk by testing ideas for changes to how it is managed and governed.	
	The table on page 2, point 3, updated the Committee on the CRR, with feedback being generally positive. Each of the outcomes on the governance arrangements have been aligned to the sub-committees.	
	It was reported that the new CRR will be included in the Board's quarter updates. Duncan Robertson and Tim Andrew will shortly meet with all staff involved in the CRR to update and support staff in new reporting arrangements.	
	In discussion it was felt: <ul style="list-style-type: none"> - It was good to see the CRR on one A3 page; - The layout was user friendly; - The proposals should lead to a more structured discussion around risk; - allocation to governance committees was good but certain risks should be Board level; - the role in looking at the process of risk management from looking at the risks that come to the AC should be two separate agenda items; - the management team needed to consider whether certain risks needed added or review; the principle of these was risk in relation to developing the new strategy. 	

		ACTION
	The Committee noted the update on the progress and the proposed revised arrangements. It was agreed that a paper formalising the allocation of risks to governance committees should be brought to the Board for approval.	DoS
7.	Consider reports and findings from Internal Audit update 2015/16	
	The Audit Committee noted that the Audit Plan for 2015/16 is now complete.	
	Four reports were presented - HO6/16 Audit follow up, HO7/16 Board Governance Arrangements, H09/16 Staff	
	Safety H014/16 Information and ICT Asset Security. It was pointed out that HO14/16 should be a category 'C' and not a 'B'.	
	Audit follow up report In this audit report the response provided to the EFPM and the information reported to the Audit Committee was looked at and this was given a category 'A'. There were no recommendations in this report. The Committee approved the report.	
	Board Governance Arrangements The standing committee structure of the committees was considered and this was awarded a category B. There were some minor weaknesses. There were some areas of improvement related to the Committees' function which has resulted in five recommendations. AW drew the Committee's attention to the response provided to recommendation five; it was suggested that the Health Governance Committee should include a review of its effectiveness. As the next Health Governance Committee meeting is in June, which would be too late for the next Audit Committee, the Chief Executive agreed to bring that forward with Health Governance Committee members. The Committee approved the report.	

		ACTION
	<p>Staff safety This was given a category 'A' and there were no recommendations.</p> <p>The Committee approved the report.</p>	
	<p>Information and ICT Asset Security This was given a category 'C'. Some improvements were required. There were six recommendations. For procurement and management it was found there were procurement policies and procedures in place but there were some specific processes which were not documented.</p>	
	<p>The budget for ICT equipment for expenditure is controlled by IT department. Some improvements could be made to raising purchase orders and asset inventory and management. All recommendations were given priority 3.</p>	
	<p>In updating the committee, the Chief Executive indicated three of the actions identified were now complete. The Committee was asked for an extension on the two incomplete actions to the end of May.</p>	
	<p>The Committee approved the report and the extension on the two incomplete actions.</p>	
8.	<p>Approve draft Internal Audit Annual Plan 2015/16</p>	
	<p>The Plan has been slightly adjusted and these changes are shown in appendix 2.</p>	
	<p>The opportunity to focus on aspects of our work that would support strategic development, particularly workforce planning, was welcomed.</p>	
	<p>The Committee approved the Draft Internal Audit Annual Plan.</p>	

		ACTION
9.	Draft External Audit Interim Report 2015/16	
	Scott Moncrieff carried out its internal audit which was split into two visits. The first visit focussed on the key financial systems and aspects of the governance arrangements and the risks identified in the external audit plan were followed up.	
	The second visit looked at the starting preparations for 2015/16 annual accounts. Overall there were no significant deficiencies in the key financial systems and operation controls. Several points were raised around aspects of risk management which will be picked up with the review. In respect of the annual accounts and audit process, the key change is the look of the front of the accounts.	
	The report was noted.	
10.	Review progress in implementing outstanding audit recommendations (AC Paper 15/16)	
	<p>The Audit Committee is requested to:</p> <ul style="list-style-type: none"> • Note that a summary report will list all the outstanding audit points from meeting to meeting so progress can be monitored. • Note that as the full audit reports are available electronically these will be used mainly as a reference with the recommendations updated as they fall due, with some interim reporting where available. • Note that the detailed reports and recommendations (where complete in full) will be suppressed to show only the audit recommendations which are due or overdue or part complete but these are intended for reference only. <p>Audit Recommendations for April 2016 Note that there were 11 recommendations outstanding from the February meeting with 5 more being added from the Information and ICT security report so 16 recommendations in total.</p>	

		ACTION
	<ul style="list-style-type: none"> • Endorse the 8.1 recommendations proposed for archiving as noted in the summary schedules with updates in the 3 internal audit reports and 1 external audit report shown as an update comment against the individual recommendation in the reports. • Endorse the 4.5 recommendations being proposed for deferral for the reasons stated in the individual reports. • Note that there are only 3.4 recommendations outstanding on three internal audit reports. • Note that the Internal Audit report on follow-up issues raised no concerns 	
	<p>The main discussion centred around the Programme and Project Management Audit. The recommendation to archive 2.5 item and defer 1.5 items was accepted. However, it was felt that the current context of planning and performance had changed considerably since the audit report was first prepared. It was agreed that a wider assessment needed to be made to provide assurance that appropriate planning, project and performance arrangements and approaches are in place to deliver our next set of strategic ambitions.</p>	
	<p>The DoS agreed to undertake this assessment drawing on the internal auditors and potentially members of the Audit Committee and to provide a report on our strategic planning approach, to be presented alongside the draft strategy for 2017-22 to the Board in August.</p>	DoS
	<p>The Committee noted the 11 recommendations outstanding from February with an additional 5 being added; it approved all deferral and archiving recommendations.</p>	

		ACTION
11.	End of year Information Governance Update (AC Paper 16/16 and paper 19/16)	
	It was agreed papers 16/16 (End of year information governance update) and 19/16 (Information governance incident and loss report) be taken together.	
	Paper 16/16 provided an end of year update on progress against information governance development activity which the Committee was asked to note.	
	This update focused on the period since the last annual report in October 2015.	
	The purpose of paper 19/16 was to inform the Audit Committee on Information Governance (IG) incidents that have been reported during the 12 months to 31 March 2016.	
	TA outlined the data incidents reported in the paper and actions that had been taken to report and mitigate.	
	The Committee noted the reports and that they were assured that the actions and arrangements described as being in place were commensurate with the issues facing this organisation.	
12.	Technical Bulletin (AC Paper 17/16)	
	The Technical Bulletin was noted.	
13.	Counter Fraud Services Annual Report (AC Paper 18/16)	
	Lesley Brown indicated that NHS Health Scotland had its annual visit from CFS. Only two Boards (HIS and HS) had no reported fraud in the last year.	
	The Counter Fraud Review Group met following this meeting to look at next steps, especially around putting fraud and the new set of staff essentials into inductions.	

		ACTION
	It was reported that FRAM had been issued and received the bank account take over presentations by CFS. There had been an update on the stats. The stats for 2014/15 were 107 members of staff; for 2015/16 it has gone down to 27. There were no major issues. On the annual return 2015/16, the wording will be tweaked in relation to it being mandatory for staff to attend the dvd presentation.	
	The Committee noted the information in this paper and its enclosures and approved the annual return to CFS.	
14.	Information Governance Incident and Loss Report (AC Paper 19/16)	
	This was taken under item 11.	
15.	PAMS update (AC Paper 20/16)	
	This paper covered what had been asked for by Scottish Government by way of annual reporting on our Property Assets Management Strategy. The DoS explained that our estates were relatively simple in comparison to most PAMS. Our approach had therefore been to focus on outcomes relating to our effective use of our accommodation to further our strategic aims. This approach had been endorsed by Scottish Government facilities staff.	
	It was reported that: <ul style="list-style-type: none"> - progress made this year in relation to an Integrated People and Workforce team had worked well; - work with Meridian Court was progressing well. - a strong and useful relationship with NSS had been developed. 	
	The Committee noted the report.	
16	Date of next meeting	
	The next meeting will be held on 8 June 2016.	

		ACTION
17	Draft Agenda for next meeting	
	The agenda for the next meeting was noted.	
18	Any Other Business	
	External Auditor Appointment It was noted that Scott Moncrieff has now finished with this set of accounts and will be replaced by Deloitte for the next 5 years.	
	Finance strategic realignment A brief update on progress with realignment of the finance team was provided. Work is on track to be completed by 30 June along with other teams finishing functional realignment.	
19	Effectiveness of Papers	
	The Committee was content for the papers to continue in the form of embedded documents within the agenda.	