



Minutes AC Min 01/19

# Audit Committee

## Minutes of Audit Committee

**Friday 8 February 2019 at 10.30 am**  
**Room 23, Gyle Square, Edinburgh**

### Members present:

Russell Pettigrew, Non-executive (Chair)  
Rani Dhir, Non-executive  
Ali Jarvis, Non-executive  
Paul Stollard, Non-executive  
Paul McColgan, Non-executive

### In attendance:

David Crichton, Health Scotland Chair  
Gerry McLaughlin, Chief Executive  
Della Thomas, Executive and Governance Lead  
Cath Denholm, Director of Strategy  
Andrew Patience, Head of Finance and Procurement  
Conor Healy, External Auditor  
Allan Wilson, Internal Auditor  
Cameron Anderson, Modern Apprentice  
Nicole Smith, Executive and Governance Administrator (minute)

### Apologies:

Michael Craig, Employee Director

#### 1. Welcome and apologies

The Chair welcomed Cameron Anderson to the meeting.

Apologies were noted as above.

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

No members' interests were declared.

#### 3. Minute of previous meeting: 16 November 2018

The minute of the previous meeting held on 16 November 2018 was agreed as an accurate record.

David Crichton requested to be titled as 'Chair' in the attendance, rather than 'Chairman'.

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

- **Summary Action List**

Item 12 – **Andrew Patience to make enquiries with regard to the impact of Minimum Unit Pricing as a whole programme.**

Gerry McLaughlin gave a brief explanation of the nature of waivers for purchasing data etc. for the MUP work. He expressed he was confident that the reasoning for the number of waivers is sufficient.

**Complete**

#### **5. Audit Committee Change and Transition update**

Cath Denholm spoke to the paper.

The purpose of the report is to provide the Audit Committee with a summary of activity on Change and Transition work, particularly as it relates to the Audit Committee's remit. The Change Oversight Group has defined 3 themes for change and transition. These are Due Diligence, Shaping the Future and Engagement.

Cath Denholm reported that work on Due Diligence and corporate arrangements are picking up pace, and will continue to do so in the upcoming months. Cath is to meet with Carolyn Lowe on Tuesday 12 February for discussion on the crossover between finance and corporate services work for Public Health Scotland.

Concerns were raised in relation to the transparency of total budget transfer. Assurances were given that Health Scotland continues to raise points about this.

Concerns were also raised in relation to the timeline for the Public Health Scotland Board to be in place and the achievement of a smooth governance transition.

It was noted that as an NHS Board, Public Health Scotland would have an end of the year audit due on 31 March 2020, and that Audit Scotland would be making appointments for this work to be completed.

The Committee noted the contents of the report.

#### **6. Review of 9 month financial position**

Andrew Patience spoke to the latest monthly report.

With regard to the revenue resource limit (RRL), at 31 December 2018 there was an underspend of £398k (2.8%) against the 9 month phased budget of £13,317k.

Health Scotland are operating to a financial plan which shows a £325k saving as part of the £15m National Board savings target for 2018/19. The £325k saving has been increased by £67k being the allocation of the shortfall anticipated in November but the National Boards are

struggling to realise the £15m and expect to carry forward around £2.75m to 2019/20.

The Board's 2018/19 RRL as advised in the 20 December 2018 allocation letter from the Scottish Government was £20,089k which includes a baseline of £18,177k. Details of the expenditure are outlined in the report.

The £398k underspend against the phased budget consists of 2 elements: an overall underspend of £342k on staffing and an underspend of £56k on projects. The £342k saving to date is mainly due to vacant posts as our level of vacancies is higher than normal. Detailed staff forecasts are being updated throughout the year.

Year End forecast for 2018/19 are being reviewed monthly and current details are noted in paragraph 8 of the report.

It was noted that there was potential to carry forward slightly more than the Health Scotland potential surplus of £212k to 2019/20. This is still to be confirmed.

**Actions:**

- **Andrew Patience** to confirm the possibility of carrying forward more than £212k into 2019/20.

The collaborative savings across the National Boards against the £15m target for 2018/19 amounted to £11.6m from initial plans. At meetings to 29 November 2018, the latest forecast was circa £10.6m. It is noted that the non-patient facing boards due to the loss of the 1% uplift have already made £5.3m of recurring savings with the Health Scotland uplift loss being £183k. The shortfall of £4.4m has still to be identified. SG proposed to take the remaining balance pro-rata from the National Boards, with the Health Scotland impact being £67k. This proposal is on hold.

Health Scotland has taken the position that they have contributed more than their fair share over the last two years and will not be contributing to the shortfall carry forward into 2019/2020.

The SG have advised as of 21 August 2018 that the individual board savings will be taken on a recurring basis in 2018/2019, raising significant issues for non-patient facing boards. SG have stated that future re-allocations can be made between boards.

SG have also retained capital funding in 2018/2019 of £568k, which was available through a historic formula allocation to Health Scotland and was utilised in 2017/2018 by transfer to NSS and NES in return for revenue savings to the £15m.

It was noted that there is a proposal to introduce a new set of arrangements in the budget announcements so that financial plans will be over a 3 year period from 2019/20. This is still to be formally confirmed.

**Actions:**

- **Gerry McLaughlin** to confirm whether or not the new 3 year financial plans will apply to all boards, national and territorial.

The Committee noted the content of the paper.

**7. Review risk register and actions taken to mitigate risk**

Cath Denholm provided an update on risks 18-1, 18-2, and 18-3.

It was noted that the Corporate Risk Register is undergoing a small refresh for 2019/2020, which will be brought to the Board on the 15 February.

The Committee noted the risks and are sufficiently assured by the taken/proposed actions to mitigate them.

**8. External Audit Update**

On behalf of Deloitte, Conor Healy advised that the external audit fee for the 2018/2019 audit to be £37,379, following Audit Scotland rules on setting audit fees.

The Committee approved the audit fee for 2018/2019.

Conor assured the committee that Deloitte does not anticipate any necessary additional work for this year in regards to the emerging Public Health Scotland.

Deloitte cannot become involved with Public Health Scotland until it is vested, at which point Audit Scotland will appoint auditors for the new public health body.

Conor confirmed that Health Scotland's final audit will be a standard external audit for the period ending 30 November 2019, as per the remit. The intention will be that this will be in line with the indicative fee for the annual audit in 2019/20.

**9. Internal Audit Update**

Since the last Audit Committee meeting on 16 November 2018, one audit has been completed. There are currently two audits in progress and they will be issued together as one report entitled 'Governance and Management of Change' and covered at the April 2019 Committee meeting. Field work has been completed, the next step is for the chief internal auditor to agree the report and discuss with management.

Possible issues have been identified in regards to due diligence and work on NSS and the bearing that would have on Public Health Scotland. The auditors will be looking to SG and the Public Health Reform Team to have a close eye on these possible complications.

It was noted that independent scrutiny in regards to due diligence issues would be worthwhile.

The audit report ensures the Audit Committee complies with standards.

The auditors are satisfied overall with the controls and have not identified any major issues. They have given recommendations to enhance controls and assurance given to the Audit Committee.

Senior Management support the report and recommendations. The Committee endorsed the report.

**10. Review Progress in implementing outstanding audit recommendations**

Andrew Patience advised that there were 2 recommendations outstanding from the September meeting relating to the External Audit. No audit recommendations were considered at the November meeting, so there remains 2 audit recommendations.

These 2 outstanding recommendations had a future date of April 2019 and are related to one external audit report.

There are no internal audit recommendations outstanding.

The Committee noted the 2 recommendations outstanding.

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

Andrew Patience made reference to the Technical Bulletin Review from Quarter 4 (October to December).

There are a number of items that have been carried forward. These are more in respect of year-end reporting. Andrew Patience advised that pension provision and benefits will be looked at in detail on an ongoing basis. The papers noted a mounting pressure from SG.

It was noted that extra input from Deloitte would be beneficial and should be added as an arising item to the agenda going forward. Conor Healy recommended the Deloitte review regular reports from the Health Standard of Excellence and share relevant information at each committee meeting.

**Actions:**

- **Nicole Smith** to add 'Additional Input from Deloitte' to Audit Committee agendas going forward.
- **Conor Healy** to come to the April Audit Committee with relevant updates from Health Standard of Excellence.

The Committee noted the contents of the report.

## 12. Sustainability Annual Report

This item was carried forward from the November Audit Committee meeting. Andrew Patience presented the paper on behalf of Phil Mackie and Dr Andrew Fraser.

The report was encouraging. Going into Public Health Scotland, there is potential for an increased sustainability portfolio.

Assurance was given that something similar to the Sustainability Annual Report will be in the Quarter 4 performance report later on this year.

### Actions:

- **Cath Denholm** to include sustainability information in the Q4 Performance report, as well as the End of Year Impact report.

The Committee noted the contents of the report.

## 13. Standing Orders (pre Board review)

Changes to Standing Orders are being kept to an absolute minimum in preparation for the transition into Public Health Scotland.

Additions to Standing Orders to note include:

- As 2019 is a transition period for the Board, the number of meetings scheduled between 1 April – 30 November 2019 will be proportionate in number.
- Recognising that 2019 is a transition period for Health Scotland, the Board's agenda and schedule of business will pay due regard to the establishment of Public Health Scotland and the National Boards Collaborative Delivery Plan.

Additions to Decisions reserved for the Board to note include:

- Approval of the annual accounts or mechanism for 2019 accounts to be approved in the absence of the NHS Health Scotland Board.
- Approval of the annual report or associated report.

The Committee noted these changes to the Standing Orders.

### Actions:

- **Della Thomas** to schedule Standing Orders on the agenda for the March Board meeting.

#### **14. Terms of Reference Review and Schedule of Business**

Andrew Patience spoke to the paper.

Additions to Terms of Reference to note include:

##### *Role*

- 4. Recognising that 2019 will be the transition period for Health Scotland into Public Health Scotland, the Committee's agenda and schedule of business will pay due regard to the establishment of Public Health Scotland and other national plans.

##### *Frequency of meetings*

- 14...In this transition period, four Audit Committee meetings have been scheduled.

##### *Duties*

- r) reviewing the Annual Accounts and making recommendations to the Board regarding adoption of these accounts. Since 2019 in a transition year, 2019 Annual Accounts for the period from 1 April to 30 November will be presented to the Board of Public Health Scotland for approval as the assets and liabilities of Health Scotland will be transferred to them as at 30 November 2019.

Additions to the Schedule of Business to note include:

##### *June – First meeting (only one meeting may be required)*

- Review draft external audit annual report for previous financial year and agree finalisation (Draft Annual Report)
- Review draft Annual Accounts...and agree process of finalisation with a view to recommending their adoption to the Board (Final Annual Accounts).
- Agree changes to finalise the Audit Committee Annual Report (Final Audit Report).

The Committee noted the changes and endorsed the Terms of Reference and Schedule of Business, which will now to go the Board for approval.

#### **15. AOB**

There was no further business.

#### **16. Issues to report to next Board Meeting**

##### *February Board*

- Russell Pettigrew will note financial position.
- Della Thomas will propose the recommended suspension of the Health Governance Committee.

##### *March*

- Russell Pettigrew will share the Committee's endorsement of the Standing Orders prior to the 22 March Board Meeting.

**17. Effectiveness of business**

Committee members agreed it had been a productive meeting.

**18. Draft agenda for next meeting**

The Committee noted the draft agenda for the 26 April meeting.

**19. Date of next meeting:**

26 April 2019 – 10.30am – Meridian Court