**NHS HEALTH SCOTLAND**

**Draft Minutes of the Audit Committee meeting held at 10.30am on Friday 31 October 2014 in NHS Health Scotland, (Room G2), Meridian Court, Glasgow**

Present: Mr R. Pettigrew (chair)

 Ms J. Fraser

 Mr M. Craig

 Ms Ali Jarvis

 Dr P Stollard

In attendance: Mr G. McLaughlin

 Ms M. Burns (via teleconference)

 Mr A. Patience

 Mr A. Wilson (FTF)

Mr N Bennett (Scott-Moncrieff)

 Mr B. Orpin (item 8)

 Ms Thomson (item 9)

 Ms M Kerrigan (minute)

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|  |  | **ACTION** |
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| 1. | **Apologies** |  |
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|  | Apologies were received from Cath Denholm. |  |
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| 2. | **Declaration of Members’ Interests** |  |
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|  | No meeting-specific interests were recorded. |  |
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| 3. | **Minutes of previous meeting** |  |
|  | (AC Min 5/14) |  |
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|  | The minute of the previous meeting held on 29 August 2014 was agreed subject to the following amendments:* **Page 5** (item No.6) - final paragraph commencing “Approved the proposal…” Replace with:
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|  |  | **ACTION** |
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|  |  *“Approved the proposal that the annual information*  *governance report would be presented at the*  *October meeting with an update at the end of the*  *financial year”.* * **Page 5** (Information Governance update). An additional paragraph to be added as follows:

*“FTF to be asked if they agreed with the self-* *assessment and action plan”.* * **Page 10** (Item 15) - Effectiveness of meeting and papers presented: Replace last sentence with:

 *“The chair encouraged staff members to attend if they wished to do so”.* |  |
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| 4. | **Matters Arising** |  |
|  | **Rolling Action Note** |  |
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|  | * **29 August 2014 –** (item 5 - Management of risk update)

This is complete.* **29 August 2014 -** (item 5 - Risk Register – additional paper circulated)

This is complete.* **29 August 2014** (item 6 - Information Governance update)

 Requires to go into the list. * **29 August 2014 -** (item 7 - Outstanding Audit Recommendations)

 New columns added to agenda item 8.* **29 August 2014** – (item 10 – Procurement: biannual update)

 Paragraph commencing: “The DRM confirmed….” It  was noted that this should be included in the list.  |  |

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|  |  | **ACTION** |
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|  | * **29 August 2014** (item 11 - Counter Fraud Services) This is covered by the risk update.
* **11 June 2014** (Additional text and wording)

 The Executive Finance & Procurement Manager  (EF&PM) will take this forward for the 2014/15  accounts process.* **11 June 2014** - (Best value framework).

 This item will be carried forward and a paper on the  Audit Committee’s role/overview of championing  EFQM will be brought to the next meeting. It was noted that Mr Gaskin (FTF) required to undertake  work on bringing together the best value framework  on EFQM and report back to the Director of Equality  People and Performance (DEPP). * **11 June 2014** - (Audit Scotland Report)

 This will be discussed on Monday 3 November 2014  with a view to it being part of a future Board seminar,  subject to agreement with the Board Chair. * **11 June 2014** – (Counter Fraud Awareness)

 The EFPM and Mr Wilson have discussed a series of  measures which will be discussed as part of the  counter fraud paper.* **28 April 2014 -** (Outstanding Audit Recommendations):

           The responsible officer and timescale is included in  the CEL update which was noted in  agenda item 14  AC Paper 23/14a for the AC meeting of 29 August.         The Governance walk rounds point has been dropped  as the whole reporting mechanism has changed asnoted in agenda item 14 AC Paper 23/14 being the risk update to the AC meeting of 29 August.* **5 February 2014 –** (Procurement: Biannual update).

The EFPM to give an update today on the current position with SAS as part of his report on the financial position.The rolling action note was updated to reflect the above. | EFPM/FTFEFPMEFPM |
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|  |  | **ACTION** |
| 5. | **Review of 6 month financial position** |  |
|  | **(AC paper 24/14)** |  |
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|  | The EF&PM presented his 6 monthly update.  |  |
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|  | It was noted that a paper had been circulated to Directors with feedback sought on their spending commitments. A further review of the year-end forecast will be carried out within two weeks with the CEO due to give an update to the Board in late November.  |  |
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|  | The CEO outlined the current staffing position. He indicated that it was likely that the second half staffing costs will increase in accordance with the appointment of additional staff over that period.  |  |
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|  | It was noted that the CEO is currently engaged in discussions with a national working group around support for achieving smoke free hospital grounds. It is likely significant resource will require to be committed from unallocated budget to support this.  |  |
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|  | On capital, it was reported that the revised allocation from Scottish Government was £250,000 which would cover 2 main projects; IT virtualisation which will come back to the CMT in November/December and a possible project which is currently under review by the Director of Delivery (DoD).  |  |
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|  | The CEO advised the Committee that the potential financial commitment in the project under consideration was within his delegated limit and he was working with the DoD to finalise that. The Committee recognised that the matter is commercially sensitive but wanted assurance that all risks attached to it will be properly addressed in governance terms. The CEO undertook to keep the Board Chair and the Committee Chair informed of progress so that due governance process is observed. |  |
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|  | The Committee expressed concern that the pattern of underspend seen in previous years seems to be repeated currently. In noting that concern, the CEO said that a review of the planning and budgeting system is being undertaken.  |  |

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|  |  | **ACTION** |
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|  | Mr Wilson explained that Internal audit is currently completing a review of project management and was hopeful that the Audit Report would be ready for the CMT review in a couple of weeks. It was agreed this report would be helpful background for the proposed Board Seminar on financial matters.It was pointed out that the Audit Scotland report on Scotland’s Public Finances – A follow-up audit, was published in June 2014. On Part 2 of the report (page 14) there were two main points for organisations to consider (i) focus on priorities when setting budgets and (ii) limited evidence of longer-term financial planning.The EFPM would discuss the above with the CEO as noted in the action points above.**Noted** the contents of 6 month financial paper.  | EFPM |
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|  | Verbal updates were given by the EFPM on Procurement and Finance. ProcurementIn updating the Audit Committee the EFPM indicated that a tri-board set up is being looked at between the Scottish Ambulance Service, Healthcare Improvement Scotland and NHS Health Scotland. It was noted that good progress is being made towards a target date of 1 April 2015 with 2015/16 year being a transitional year. Finance A review with Healthcare Improvement Scotland is being carried out to ascertain whether a shared finance function in whole or part would be possible. The review is at an early stage of mapping out policy and procedures at present.The verbal updates were **noted**. |  |
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| 6. | **External Audit Plan 2014/15****(Item 6)** |  |
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|  | The plan in draft has been submitted as guidance on the audit fee and is awaited from Audit Scotland.  |  |
|  |  | **ACTION** |
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|  | Mr. Bennett (Scott-Moncrieff) drew the Committee’s attention to: Page 7 (Materiality) which touched on some of the key audit risks and the estates strategy;Page 10 (para 43 - National Fraud Initiative), which commenced in October 2014 and will require the Board to participate;Page11 (Audit Outputs, timetable and fees) sets out the timetable, looking for an interim management report to come to this Committee in February;Page 12, para 51, details the intended approach to the audit fee; andPage 13 (Appendix 1) sets out the audit team. The External Audit Plan was **approved with the exception of the audit fee**. Once the guidance on the audit fee becomes available this item only will come back to the Audit Committee for approval. |  |
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| 7. | **Internal Audit****(Item 7)** |  |
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|  | There were no audit assignment/reports to present to the Committee. At present work is being completed on 4 audit assignments. It was noted that the Assignment Plan was approved and due to commence within the next couple of weeks. The Programme Project Management assignment is around 75% complete. The Staff Costs assignment is approved and due to commence shortly and the E-health Management audit is also around 75% complete. A further 2 audit assignments are due to be complete by the end of March. The paper was **noted**. |  |
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| 8. | **Management of risk update****(AC paper 25/14)** |  |
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|  | Mr. Orpin, Information Governance & Risk Manager (IGRM) presented his report.  |  |

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|  | On page 2 (item 5 - Corporate Risk Register) It was **agreed** a revised protocol be brought to the next meeting of the Board.P3 (items 11/12 – Table 1)It was felt it would be useful for the title to be inserted within the table.It was pointed out that there were two 16/9/14s. The last column heading should therefore read “16/10/14”.With these amendments the Committee **noted** the update paper and **endorsed** the proposals to delegate responsibility. |  |
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| 9. | **Equality & Diversity In-Year update** |  |
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|  | Ms Thomson, Policy Officer, presented her paper to the Committee. The paper was **noted**. |  |
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| 10. | **Technical Bulletin****(AC Paper 27/14)** |  |
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|  | P41, Health Chapter – It was **noted** that the target of a 25% reduction in Senior Managers in Health Scotland had been achieved by 31 March 2014.P12, Corporate Governance Developments, item 9 – it was **noted** that CIPFA and the International Federation of Accountants had issued an International Framework: Good Governance in the Public Sector, which may in due course have an impact on guidance issued to health boards. |  |
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| 11. | **Counter Fraud Services – quarterly update** |  |
|  | Paper and enclosures were **noted**, and the Quarterly Return (paper 28/14a) was **approved** for submission. It was **agreed** that the EFPM should seek a 10 day postponement of deadline for submission of the checklist, and that the Committee Chair sign this off when completed | EFPM |

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|  |  | **ACTION** |
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|  | It was noted that a Counter Fraud Network meeting will be held on 20 November 2014 at which the Chair and EFPM will be in attendance. | EFPM |
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| 12. | **Outstanding Audit Recommendations** |  |
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|  | This paper was presented by the EFPM with the request that the Committee note progress made to date; endorse the 6.25 recommendations proposed for archiving; endorse the date extensions proposed for 4 recommendations. It was noted that in some cases the Original Date in the summary schedule referred to a previous revised date. Future reports should list the original date and any subsequent revisions.After some discussion the 4 date extensions proposed were accepted by the Committee. It was noted that the Committee does want to see recommendations implemented as fast as they possibly can be irrespective of their degree of priority.The 6.25 recommendations proposed for archiving were accepted by the Committee.Mr Wilson noted that recommendation 5 from H08/14 - Risk Management, seems to be missing in the Summary of Recommendation Progress report.  There is a copy of the recommendation in the supporting papers, with a revised implementation date of March 2015. The EPFM would check and clarify the matter for the next meeting. | EFPMEFPMEFPM |
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| 13. | **Any Other Business** |  |
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|  | * Effectiveness of meeting and papers
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|  | * It was noted that it would be helpful to have future finance papers in landscape where appropriate;
* It was important to ensure that where appropriate papers be printed in colour;
* Since there is no facility through NHSNet to ‘download all’, consideration to be given to using a zip file for future papers.
 | EFPM etc. |
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|  |  | **ACTION** |
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| 14. | **Date of next meeting** |  |
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|  | 10.30am, Wednesday 4 February 2015, Gyle Square (Room 18). |  |