

Minutes of the meeting of 30 June 2014

The meeting opened at 10.34.

Present:

Brian Baverstock, Chair

Andrew Thin, committee member

Linda Watt, committee member

Also present:

Boyd McAdam, National Convener/Interim Chief Executive, CHS

Joe Campbell, Interim Director of Finance and Corporate Services, CHS

Franck David, Interim Executive Assistant (minute taker), CHS

Stewart Brown, Manager, Scott-Moncrieff

Robert Mackenzie, Senior Partner, Scott-Moncrieff

Matt Swann, Manager, PwC

Items	Actions / owner	Time-scales
1 Welcome		
<p>The Chair welcomed everyone to the meeting and in particular the internal and external auditors. Apologies were received from Marian Martin, committee member.</p> <p>In order to have an informed discussion on the draft Governance Statement and the Annual Report and Accounts, the committee agreed to a request by the Chair to alter the order of agenda items.</p>	N/A	N/A
2 Minutes of previous meeting		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • The minutes were reviewed without any amendment. <p>2) Decisions—</p> <p>The committee agreed to—</p> <ul style="list-style-type: none"> • approve the minutes of the meeting on 25 February 2014 • submit the minutes to the Board for noting. 	Board	26/08/14

3	Action log		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> Item 2 – delegated authority. The matter had been discussed at the Accountability meeting on 12 June 2014. The Scottish Government did not alter a view it had expressed previously that the CHS’ delegated authority should not be increased. Items 3 and 4 – assurance mapping and risk appetite. A target day for completion had yet to be agreed. <p>2) Decisions—</p> <p>The committee agreed—</p> <ul style="list-style-type: none"> That, once appointed, the new National Convener and the Chair of the Board should revisit the matter of delegated authority with the Scottish Government Sponsor Team. That the Executive Team and Internal Audit should consider a revised date re. the provision of an assurance mapping workshop. Further that the SMT might want to review the risk appetite around the engagement with the panel community to note the action log. 		<p>NC/CEO & CHS Chair</p> <p>SMT/IA</p> <p>SMT</p>	<p>tbc</p>
4	Chair update		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> None. <p>2) Decision—</p> <ul style="list-style-type: none"> None. 			
5.1	Internal Audit Reports – Information Governance		
<p>1. Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> No control objective had been assessed as red. CHS faces a unique challenge in respect of information governance in that, although CHS was the data controller for panel papers, it had no involvement in either their creation or dispatch or their return to the Reporters after each hearing. In that context, Internal Audit advised that work between CHS and SCRA would be helpful to identify any solutions that would lead to a better 			

<p>management and control of panel papers i.e. papers can be traced and reconciled. The Committee considered the recommendation relating to control of panel papers to be particularly important. While the difficulty of implementing such a control was noted, the Chair saw this as fundamentally important and potentially a way of driving the behavioural changes that are needed.</p> <ul style="list-style-type: none"> • A clearer alignment of information governance roles and responsibilities with the CHS corporate governance arrangements was deemed to be required by the auditors. Although the idea was put forward to have such alignment overseen by a new group or a committee/sub-committee of the Board, SMT and the committee felt that this would be best addressed by having a standing item on the ARMC’s agenda. This would offer the added benefit of providing a formal reporting line to the committee. • The Committee questioned whether the proposed implementation target date sufficiently reflected the seriousness of some of the recommendations and asked the executive to reflect on whether these could be brought forward. It was also noted that improvements would, to a large extent, be driven through ASTs and therefore it was important that the executive work closely with them on initiatives to improve information governance. <p>2. Decisions—</p> <p>The committee approved—</p> <ul style="list-style-type: none"> • that Information Governance would be a standing item on its agenda with a report to be provided to the next meeting by the Records Manager on practice and compliance. • to agree a protocol with SCRA to ensure the corporate governance framework contains appropriate policy and procedural guidance for all parties bound by it. • that SMT should confirm whether the self-assessment template to be circulated to local authorities re. their compliance with data processing contacts could be brought forward before the intended date of March 2015. Further, to ensure that the self-assessment process is on ASTs agenda for discussion. • That the SMT would review the proposed implementation dates for the implementation of the recommendations • to re-iterate the seriousness of data breaches for the individuals concerned and the underlying need for a change in behaviour. • to note the report. 	<p>Records Manager</p> <p>CHS/SCRA joint Board meeting SMT</p>	<p>Standing item</p> <p>06/08/14</p> <p>19/08/14</p>
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5.2	Internal Audit Reports – AST/Panel Management		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • Three control objectives had been assessed as yellow and one as green. • Despite going through a challenging operating environment last year, the auditors found that CHS had put in place and communicated, clear functions, roles and responsibilities for, and to, ASTs and panel members. • There was a focus on the effectiveness of ASTs/panel members and how the Board could help enhance it. It was felt essential to shift towards a stronger cultural leadership, including the development of processes for AST reviews, to ensure that ASTs are accountable. The use of a self-assessment template was seen as a potentially useful tool to form part of the annual review. • Some concerns were expressed about the quarterly AST reports and the use of raw data in particular which did not allow to draw meaningful conclusions whereas having comparative data was essential. SMT was keen to review the format of the AST quarterly reports to incorporate comparative data and trends from August. Similarly, SMT would work on the self-assessment template over the summer to be discussed at the next AST forum event in September. <p>2) Decision—</p> <p>The committee agreed to note the report.</p>	SMT	August 2014	
5.3	Internal Audit Reports – Follow up review		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • 15 out of 18 actions had been confirmed as “completed” and that covered recommendations made by Internal Audit in 2011/12 and 2012/13. The action deemed “no longer relevant” related to the ICT healthcheck (data security) review where the action had been superseded by a review of Information Governance carried out in 2013/14. • None of the action followed up were high risk. <p>2) Decision—</p> <p>The committee agreed to note the follow up review.</p>			

6	Internal Audit Annual Report 2013/14	
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • No major control weaknesses had been identified by the auditors during 2013/14. The assessment of the ICT healthcheck had been satisfactory and in particular the information security policies had been created and designed in such way that they were targeting specific audiences, making it clear to each group what their responsibilities were. • Internal Audit Opinion was that CHS had a framework of controls in place that provided reasonable assurance regarding the effective and efficient achievement of the organisation’s objectives and the management of key risks. <p>2) Decision—</p> <p>The committee agreed to note the report.</p>		
8	Final outturn position at 31.03.2014	
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • This was the same paper that had been considered and noted by the Board at its meeting on 16 June 2014. The 2013/14 reporting period only consisted of nine months. CHS grant in aide allocation for 2013/14 was agreed at £3,300,000 and had been used in full. • As at 31st March 2014 there was a general fund surplus of £277,000. The closing bank balance at 31st March 2014 was £801,613. • Panel members’ expense accrual of £123,700 had been agreed with PwC and would be carried forward to 2014/15. • The overspend of £96k under Corporate Costs was mainly due to the costs associated with the organisational survey and a research study. These expenses will not recur in the 2014/15 budget. The approved 2014/15 budget of £103k was deemed sufficient to cover corporate costs. • It was confirmed that the budget for panel and AST training was sufficient and that a general reserve did exist. <p>2) Decision—</p> <p>The committee agreed to note the final outturn position.</p>		

12	Draft Governance Statement	
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • One addition had been made to the statement to reflect the change of National Convener/Chief Executive. • One significant issue related to data breaches where sensitive panel papers had been mislaid by panel members and were reported to the Information Commissioner’s Office. The Statement recognised that, although robust mitigating actions had been put in place by CHS, the risk of such event happening again was likely to remain high as was the impact of the loss of panel papers due to the sensitivity of data. • The Accountable Officer was content that adequate and effective governance arrangements were in place; his review had been informed by: <ul style="list-style-type: none"> ○ CHS’ directors, who have responsibility for the development and maintenance of the internal control framework ○ regular internal auditors reports submitted to the committee and which included independent and objective opinion on the adequacy and effectiveness of CHS’ system of internal control together with any recommendations for improvement ○ comments made by the external auditors in their management letter and other reports ○ assurances from senior staff in CHS’ 2013/14 Certificate of Assurance which had been submitted to the Sponsor Division as part of the Scottish Government’s Certificates of Assurance process. <p>2. Decision—</p> <p>The committee agreed that, subject to minor changes, the draft Governance Statement should be signed by the Accountable Officer.</p>	AO	
9	Draft Annual Report and Accounts 2013/14	
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • PwC proposed an unqualified opinion and were content with the financial statements that had been disclosed. • A change in the remuneration report was required and would be provided by PwC. • A discussion about the costs associated with the resignation of the former NC/CEO post yearend 2013/14 suggested that those were not to be reflected in the 2013/14 Accounts. 		

	<p>2) Decision—</p> <p>The committee agreed to recommend to the Board to approve the Annual Report and Accounts 2013/14, subject to minor amendments.</p>	Board	26.08.14
10	ISA 260		
	<p>1. Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • PwC issued an unqualified audit opinion on the financial statements for the year ended 31 March 2014. In particular, the audit around areas such as the management of override of controls and expenditure transactions did not identify any errors. • CHS accepted the recommendation to develop a contract register. Specifically around the training contract, the IDoFCS confirmed that the College was held into accounts as part of the monthly Contract Management Group meetings. • The committee asked the auditors whether the accrual for panel members' expenses was likely to be challenged. It was explained that, although a challenge could never be excluded, PwC agreed with SMT's rationale that the level of uncertainty and the lack of robust historical financial information on expenses surrounding panel members' expense claims did not allow to predict accurately the resources required. <p>2) Decision—</p> <p>The committee agreed to note the ISA 260.</p>	IDoFCS	Sept. 2014
11	Draft letter of representation		
	<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • The committee considered the letter by external audit and made no comments. <p>2) Decision—</p> <p>The committee agreed to recommend to the Board to approve the letter of representation by PwC.</p>	Board	26.08.14

13	Annual Report on Compliance		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> The committee considered the report which was deemed to be overall positive. However, the committee asked the Executive team to be mindful of not building a picture of the information governance which could be perceived as being too positive in the context of several data breaches which had occurred during the reporting period. <p>2) Decision—</p> <p>The committee agreed to approve the annual report on compliance.</p>			
14	Review of the process used by the Executive to review risks		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> The paper was too focused on corporate and strategic risks and not enough on operational risks. Although a more flexible approach to risk management was important e.g. upside risks, PESTLES analysis, the priority was to ensure that current mechanisms for identifying, mitigating and reporting on risks worked efficiently before moving in a new direction. <p>2) Decision—</p> <p>The committee agreed to consider a revised paper focusing on how risks are managed at the operational level; i.e. the identification, validation, management (particularly of mitigating actions) and escalation processes, at the next meeting.</p>		SMT	19.08.14
15	Review of the performance of CHS' strategic risk register		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> 3 risks had increased since the risk register had been reviewed by the committee in February 2014: <ul style="list-style-type: none"> Provision of efficient IT systems Panel member training Feedback loop Some anxiety was expressed by the committee around the level of support and engagement from local authorities to progress the Feedback loop. The residual score had increased from 6 to 12 however, since taking 			

	<p>up his post, the NC/ICEO had started a focused programme of engagement with CoSLA and representatives from a number of local authorities to secure support. Although local authorities will not be expected to report on each measure attached to each CSO from August 2014, they will be expected to do so for the information outlined in area 9 of the consultation document – in relation to secure care. This would give the local authorities a further year to put in place the systems to collect all information required under the feedback loop.</p> <ul style="list-style-type: none"> • Risk 11 on information management had decreased mainly due to the suite of targeted policies and training videos that CHS had put in place, regularly reviewed and communicated to the panel community to make them aware of their obligations to treat data and communication securely. It was however recognised that, that alone would not be sufficient to prevent future data breaches and that training had an important role to play to help mitigate against such incident happening. In the Committee’s view, this overall risk had not decreased and it was noted that the risk appetite should be re-classified as cautious to emphasise the criticality of the potential impact on individuals and to CHS from a reputational and financial perspectives. • The committee asked that resources and expenditure for the recruitment of new panel members this August be closely monitored. <p>2) Decisions—</p> <p>The committee agreed to note the report.</p>		
16	Review of the Business Continuity Plan (BCP)		
	<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> • The main improvements to the BCP since its last review in 2013 had consisted of an aligning it with West Lothian College’s own BCP and disaster recovery plans. The latter had been considered at the Contract Management Group meeting in June 2014 and were deemed sufficiently robust to cope with an emergency situation affecting the delivery of training to panel members. Although the Colleges’ BCP mentioned that, in the event of a Business Continuity Incident affecting the delivery of training, the college would notify CHS of that incident within 2 working days, discussions at the last Contract Management Group meeting had confirmed that, in practice, such notification would only be a matter of 2 hours. • Arrangements had been made to test the BCP in July followed by training to staff. 		

<p>2) Decisions—</p> <p>The committee agreed to—</p> <ul style="list-style-type: none"> consider a summary report on the testing of the BCP at its next meeting approve the revised BCP. 	IDoFCS	19.08.14
<p>7 Committee annual report 2013/14</p>		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> In addition to considering the report, the committee asked for the strategic issues to be examined during 2014/15 to be included e.g. embedding of risk management into all of CHS processes, contract management arrangements for the national training contract, Information Governance and Data Security Arrangements and performance management improvements. <p>2) Decisions—</p> <p>The committee agreed to approve the annual report 2013/14 subject to the above and a few minor changes.</p>	IDoFCS	w/c 30.06.14
<p>17 Review of committee's own effectiveness</p>		
<p>1) Summary of discussion and/or issues raised—</p> <ul style="list-style-type: none"> Comments had been received from all committee members and Internal Audit. <p>2) Decisions—</p> <p>The committee agreed to—</p> <ul style="list-style-type: none"> the proposal by Internal Audit to provide a draft Internal Audit Charter to supplement the agreed terms of reference. the proposal by Internal Audit to provide draft performance metrics for discussion and approval. consider stewardship reports on an exception basis. formalise the continuous development for, and induction of, Board and committee members. discuss with the Chair and the NC/CEO, options re. publication of committee papers. approve the report on the committee's effectiveness. 	<p>IA</p> <p>IA</p> <p>Chair</p> <p>Chair</p>	<p>19.08.14</p> <p>19.08.14</p> <p>2014</p> <p>2014</p>

The Chair thanked everyone for their contribution.		
The next committee meeting will be on 19 August 2014.		
The meeting closed at 12.40		