Minutes of NHS Ayrshire and Arran Audit Committee Meeting
held on Wednesday 21st November 2018 at 14:15 hours in the Board Room,
University Hospital, Ayr

Present
Alistair McKie, (Chair) Non-Executive Board Member
Stewart Donnelly, Non-Executive Board Member
Robert Martin, Non-Executive Board Member
Janet McKay, Non-Executive Board Member
Lisa Tennant, Non-Executive Board Member

In attendance
Bob Brown, Assistant Director of Finance (Governance and Shared Services)
John Burns, Chief Executive
Derek Lindsay, Director of Finance
Joanne Brown Grant Thornton
David Lochran Deloitte
Laura Miller Chief Internal Auditor - South Ayrshire Integration Joint Board
Tommy Stevenson Senior Manager (CAMHS/CEDS)

Frances Forsyth (Minutes)

1. Apologies
Cllr Douglas Reid

2. Declaration of interests
There were none

3. Minutes of the meeting held on 19th September 2018
3.1 The Chair requested that a sentence be added to section 5.4, paragraph 2, regarding the investigation of the way a donation had been handled, stating that the outcome of the investigation by the Endowment Committee would be reported back to the Audit Committee in due course. With the noted amendment the minutes were approved as an accurate record of the meeting.

4. Matters arising/Action Log
4.1 The Chief Executive confirmed that the processes to ensure the timeous removal of
IT access/authorisation which had been put in place 18 months ago, were working effectively.

4.2 There were no other outstanding actions

5. Internal Audit

5.1 Internal audit activity report

The Board’s Chief Internal Auditor explained that it had taken longer to scope the internal audit reviews due to the fact that this was the first year Grant Thornton were the Board’s internal auditor. Assurance was given that scoping would be completed by the end of November with fieldwork completed by the end of March. Every effort would be made to present as many reports as possible to the February and May 2019 meetings of the Audit Committee. The Auditor gave assurance that they would be in a position to give their annual audit opinion to the Committee in June 2019.

Outcome: The Committee accepted the explanation provided by the Auditor regarding the status against the audit plan and understood the challenge facing the new auditors during the first part of the contract period. The Chair noted that if required another meeting could be arranged, although the Director of Finance pointed out that meetings were already concentrated during the later part of the year with meetings planned for February, May and June.

5.2 Patient property arrangements

Audit Committee members were reminded that this was an annual review in which internal audit undertook sample checking of compliance with the Board’s policies and procedures on patient’s private property. This year checks were carried out at Ayr Hospital. The review had noted 7 low risk findings, these related to inconsistency in processes due to a lack of formal training, a lack of spot checks on compliance within wards and inconsistency in the use of documentation. The Chair expressed disappointment that, although these were low risk/housekeeping issues, similar recommendations were made every year.

Outcome: The findings arising from the review were noted along with management responses to address these.

6. External Audit

6.1 2017/18 Planning

The External Auditor explained that the plan had been developed in collaboration with the Board and focused on the most significant areas of importance and risk:
- Achieving a financial balance
- Cost pressures from unfunded beds, unachieved cash releasing efficiency savings and financial pressures carried forward from 2016/17
- Significant financial challenges which will make it difficult to achieve financial balance. As a result of these challenges there is a risk that core expenditure limits will be exceeded in the year and a presumed fraud risk in accordance with auditing standards around the recognition of expenditure in the year.
Management override of controls for specific transactions to enable management to influence the financial statements. The Auditor noted that in view of this they would be doing journal entry testing and accounting estimates. Commenting on the references to the risk of ‘fraud’ and ‘manipulation’ in the Deloitte report, the Chief Executive gave assurance that management policy was to work in an open and transparent way.

The Auditor explained that the wider audit would consider financial sustainability and forecasting; financial management; governance and transparency; value for money and risks arising from withdrawal from the European Union.

Committee members heard that there was a changing landscape for public financial management, one significant aspect of this was that Health Boards would be required to break-even over three years rather than every year.

Other specific risks which would be considered was the dependency on key suppliers and an increasing focus on how public money is used and what is achieved which will be considered as part of the audit into the Board’s governance arrangements.

Committee members questioned how prepared the Board was for ‘Brexit’. The Chief Executive updated on work by the group which he chairs which is planning for Brexit. The Internal Auditor noted that the Scottish Government was taking the risks seriously and also noted that the internal audit review of Business Continuity Planning would be looking at key areas such as medicines, food and fuel but that at the present time there was little information about how these areas may be affected.

**Outcome:** The Committee noted the external audit plan for 2017/18.

6.2 Sector developments

Deloitte’s centre for Health Solutions had looked at how connected medical devices were transforming health care and the implications this has for Health Boards.

**Outcome:** Audit Committee members accepted this report which had been provided for information.

7. Audit Scotland reports

7.1 Children and young people’s mental health

The Senior Manager (CAMHS/CEDS) explained that children and young people’s mental health and wellbeing was a priority for the Scottish Government, however these services were under pressure as a result of increasing demand for the services. The aim of the audit was to establish how effectively children and young people’s mental health services were delivered and funded across Scotland. The review found that access to these services varied across Scotland and that it was difficult to identify how much of the Scottish Government mental health services budget was being spent specifically on children and young people’s mental health services. A range of recommendations were made, including the need for early intervention and a pro-active approach.

An in depth case study looking at a pilot project which was running in partnership
with a secondary school in North Ayrshire and its cluster primary schools formed part of the report. Committee members heard how the project had been a response to the identified need to change the model of service provision to achieve sustainability. The project focused on improving the assessment process by strengthening links between CAMHS and education staff; with engagement with the GP community as well as with third sector organisations, parents and young people. The manager stressed the importance of engaging with all stakeholders and noted that the challenge for NHS Ayrshire and Arran was how to scale up the approach across all areas.

Outcome: Committee members commended the report and positive outcomes which had been achieved in the pilot project undertaken in North Ayrshire and hoped that it would be rolled out further across the Board area.

7.2 NHS in Scotland 2018

The Director of Finance explained that this report was a compilation of all external audit reports for the Scottish Health Boards and drew out the common themes arising from them. It was noted that there had been considerable press coverage of the report when it was published on 25th October 2018. The Auditor General press release had been around declining performance and an assertion that the NHS was not sustainable in its current form.

The report noted that NHS Boards had made unprecedented savings in recent years but that these relied heavily on ‘one off’ savings which were not sustainable. It was noted that a number of Boards had required brokerage and other measures to reach a break-even position. The report recognised that there had been significant increased demand for secondary care services and a declining performance against national waiting time standards.

Audit Scotland made recommendations for action by Scottish Government, NHS Boards and Integration Authorities to achieve the changes needed.

Outcome: The Audit Committee noted the report.

7.3 The 2017/18 audit of NHS Ayrshire & Arran – financial sustainability

The Director of Finance explained that the Auditor General had produced a ‘section 22’ report for the three NHS Boards which had received brokerage in 2017/18. The report had been submitted to the Scottish Parliament along with the Board’s annual accounts. The Director of Finance believed that it was a balanced report recognising the scale of the challenges which faced NHS Ayrshire and Arran. The report had been discussed at the Public Audit Committee on 15th November. The Director of Finance was unsure what the next stage would be.

Outcome: The Audit Committee noted the report and requested that it be circulated to all Board members.

Action: Derek Lindsay

8. Integration Joint Boards

The Chief Internal Auditor for the South Ayrshire Integration Joint Board apologised
for the delay in presenting the following reports, explaining that this had been due to the cancellation of the June meeting of the South Ayrshire Health and Social Care Partnership Performance and Audit Committee meeting.

8.1 Annual audit report 2017/18

Committee members noted the summary of the internal audit work which had been carried out by the South Ayrshire Integration Joint Board during 2017/18.

8.2 Assurance Statement 2017/18

The Auditor confirmed that on the basis of the internal audit work and internal controls she had been able to provide a statement of ‘reasonable assurance’ that adequate controls were in place and operating throughout the Integration Joint Board in 2017/18.

8.3 Audit Plan 2018/19

The Audit Committee noted the process of agreement for the use of the 25 audit days in the South Ayrshire Integration Joint Board internal audit plan for 2018/19. The Chief Internal Auditor explained that it was hoped to bring the South Ayrshire audit work into line with the other partnerships since lead partnerships arrangements were across all partnerships.

The internal audit plan for South Ayrshire Council was presented in the interests of information sharing.

Outcome: The reports from the South Ayrshire Integration Joint Board were noted.

9. Governance

9.1 Strategic Risk Register

The Director of Finance explained that the Risk Register had been reviewed and agreed at the Risk Management Committee on 1st November 2018 and highlighted a risk which had been escalated to the Strategic Risk Register titled Staffing and Competence – General (internal) Medicine Provision at University Hospital Ayr. This had arisen following a General Medical Council review of arrangements for junior doctors at Ayr Hospital. The actions required to ensure that the Board could retain the provision of these doctors had been identified.

Outcome: The Audit Committee accepted the progress report for the risk management arrangements, approved the strategic risk register and took assurance of the process involved.

9.2 Tender exception report

Three exceptions to the tender protocols approved since the previous meeting were notified to the Committee.

Outcome: The Committee was satisfied that these exceptions had been considered appropriately.
10. **Fraud**

10.1 **Counter fraud and fraud liaison update**

The Audit Committee noted the new referrals to Counter Fraud Services and those which were ongoing. Assistant Director of Finance advised meeting members that the Depute Fraud Liaison Officer had attended the National Fraud Prevention Conference earlier in the month and that fraud awareness raising sessions had been held at University Hospitals Ayr and Crosshouse and also at Woodland View. The Communications Department had also published banners on the Board’s Intranet to raise awareness amongst staff.

Data for the National Fraud Initiative (NFI) had been submitted and matches for investigation would be received by the Board at the end of January 2019.

**Outcome:** The Committee noted the update on cases and counter fraud work being undertaken at the Board and would receive updates on the progress of the NFI at future meetings.

10.2 **Counter Fraud Services report: Operation Flyer**

The Assistant Director of Finance explained that the final report was not yet available. NHS Ayrshire and Arran had made a referral to the General Pharmaceutical Committee (GPhC) to consider taking action against one of their registrants, which had been a recommendation in the draft report. Counter Fraud Services had provided the GPhC with the relevant documentation but were still awaiting the outcome of the hearing before issuing the final report.

**Outcome:** The Committee noted the update on this case and would receive the final report once available.

**Action:** Bob Brown
11. Any other competent business

11.1 Audit and Assurance Committee Handbook

The Director of Finance explained that this had been issued by the Scottish Government. The Chair asked that all Audit Committee members receive the handbook and suggested that an event outside the Audit Committee be arranged to allow members to consider the Handbook in more depth using it as a learning tool. It was agreed that this may be useful once the new Non-Executives had been recruited.

Outcome: The new Chair of the Audit Committee would be asked to consider arranging an event to allow discussion and consideration of the points contained in the Audit and Assurance Committee Handbook.  
Action: Derek Lindsay

11.2 Audit Committee self assessment checklist

Committee members considered the self assessment checklist which formed an appendix to the Audit and Assurance Committee Handbook. Discussion took place around:

- The requirement for at least one member of the Committee to have a financial background. The Director of Finance advised the meeting that this was something which had been discussed with the Board’s Corporate Manager and would be a consideration in the recruitment of new Non-Executives.

- Whether members of the committee are sufficiently independent of the other committees of the Board given that all members sit on other Committees. Members agreed that it would not be practical for Audit Committee members not to be part of other Committees. The Internal Auditor suggested that it may actually be beneficial in the case of internal audit reports which were received by the Audit Committee but passed to other Committees for more detailed review, to have Audit Committee members on the other Committees.

- Whether there are appropriate arrangements for assessing Audit Committee members’ attendance and performance. Members believed that the current arrangement where the Committee Chair met with the Board Chair addressed this point but the Chairman would be asked whether he believed there was a requirement to formalise the process. It was noted that attendance at meetings was recorded in the Committee’s annual report.

Outcome: The Chair asked members to advise himself or the Committee Secretary if they had any issues with any of the other responses to the questions in the checklist.
12. **Date of next meeting**

12.1 The next meeting will take place on **Wednesday 6th February at 14:15 in room 1, Eglinton House, Ailsa Hospital.**

12.2 **Meeting dates 2019/20**

**Outcome:** The proposed dates were approved and Committee members were asked to put them into their diaries.

Approved by Chair of the Committee:

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