

**Minutes of NHS Ayrshire and Arran Audit Committee Meeting**  
held on Friday 24 January 2020 at 14:30 hours in meeting room 1, Eglinton House, Ailsa Hospital

|                      |   |  |
|----------------------|---|--|
| <b>Present</b>       | Michael Breen<br>Adrian Carragher<br>Jean Ford<br>Bob Martin                            | (Chair), Non-Executive Board Member<br>Non-Executive Board Member<br>Non-Executive Board Member<br>Non-Executive Board Member  |
| <b>Ex Officio</b>    | John Burns<br>Derek Lindsay   | Chief Executive<br>Director of Finance   |
| <b>In attendance</b> | Coenraad Balfoort<br>Bob Brown,<br><br>Joanne Brown<br>John Boyd<br><br>Frances Forsyth | External Auditor - Deloitte<br>Assistant Director of Finance (Governance and Shared Services)<br>Internal Auditor - Grant Thornton<br>Internal Auditor - Grant Thornton<br><br>Committee Secretary (Minutes) |

**1. Apologies**

Cllr Douglas Reid, Lisa Tennant

**2. Declaration of interests**

There were none

**3. Minutes of the meeting held on 18<sup>th</sup> September 2019**

- 3.1 The minutes were proposed by Jean Ford and approved as an accurate record of the meeting.

**4. Matters arising/Action Log**

**4.1 Audit Committee Terms of Reference**

It was proposed to update the name of the Committee to the Audit and Risk Committee to reflect comments made by Internal Audit regarding the Committee's role in the Board's management of risk.

The Chair requested that the Terms of Reference for the Committee were amended to make it explicit what the role of the Committee is in relation to internal audit reports, noting that although all reports came to the Audit Committee, responsibility for the monitoring of the implementation of actions in some reports lay with other Governance Committees as agreed by the Corporate Management Team. It was also noted that the membership of the Committee would be required to be amended in light of new guidance received.

**Outcome:** The Committee recommended that the Board approve the change of name to the Audit and Risk Committee. The Chair and Director of Finance will review the Terms of Reference with regard to the responsibility of the Committee in relation to the monitoring of internal audit reports and Committee members. The revised Terms of Reference would be presented to the next meeting of the Audit Committee

**Action: M Breen / D Lindsay**

4.2 All other actions were either captured on the agenda or not yet due.

## **5.0 Internal Audit**

### **5.1 Internal audit status report**

The Board's Chief Internal Auditor told the Committee that the internal audit plan was on schedule.

The Auditor proposed that the review of 'Brexit' arrangements be deferred and the fifteen audit days assigned to this be put into contingency, in view of the current Brexit position. The Chief Executive advised Committee members that the Board was working to Scottish Government guidance and that the Board's Brexit Steering Group had been stood down. The Director of Finance read an extract from a letter to Chief Executives from the Scottish Government dated 15 January 2020, "following the outcome of the recent General Election, it now seems highly unlikely that we will face a No Deal exit scenario .... The Scottish Government ... has stepped back from its civil contingencies preparations. This means that there is no longer an expectation that your own organisation will stand up its resilience of major incident procedures."

**Outcome:** Progress against the Internal Audit plan was noted. It was agreed that the Brexit review which had been included in the 2019/20 internal audit plan should be deferred.

### **5.2 Financial Controls**

The Auditor explained that this report was part of a rolling programme of reviews of the controls around financial processes. This year the areas examined had been Fixed Assets and Cash and Bank. As these were distinct areas they had been considered separately. The review was positive, providing 'significant assurance' and raising only three low level recommendations for which management had provided action plans which would be completed by the end of March 2020. One of the Committee members noted that the recommendations had a common theme of reduced controls/follow through in less important processes and that it was important to ensure that application of controls was consistent across all processes. .

**Outcome:** The report was noted and an update on progress with the actions would be brought back to the Committee.

**Action: Bob Brown**

### 5.3 Integration Joint Board - Directions

The Chief Internal Auditor explained that this report had been very wide in scope including engagement with a number of key stakeholders as noted within the report. The report had raised two high and three medium risk recommendations. The two high risks were in relation to clarity around roles, responsibilities and accountabilities and the timely completion of risk sharing agreements.

The Chief Executive explained to the Committee that he had not been involved in discussions during the review and did not believe that it accurately reflected the position in Ayrshire and Arran where integration was an important part of the Board's policies; Ayrshire and Arran having worked with the Scottish Government to develop the directions for Health and Social Care integration.

Committee members, who are also members of the Integration Joint Boards (IJBs) agreed that it would have been a challenging review to conduct from a whole Ayrshire perspective given the different stages reached within the three IJBs. The Chief Executive suggested that the 'high risk' classification was based on the lowest denominator rather than reflecting the position across all three IJBs.

The Chief Executive agreed with the findings leading to the medium risk recommendations. However, he noted that the budget setting process was challenging due to the UK election and subsequent budget timing. Actions to address the other two recommendations had already been commenced.

Committee members noted that this report would be submitted to the audit committees of all three IJBs and were concerned about the 'message' this report would give to the individual IJBs. It was agreed that as the fieldwork for the review had commenced in June 2019 before national guidance had been established and as such the report did not reflect the work which had been

completed in the period between the commencement of the review and the final report. The Chief Executive would speak to each of the three IJB Directors in order to get an updated management response to the recommendations which he would then discuss with the Chief Internal Auditor.

**Outcome:** The Auditor agreed to discuss the report further and consider the presentation of the three IJBs, the narrative and management responses could be updated and risk rating re-assessed.

A revised report would be brought back to the Audit Committee meeting in March 2020. The report would not be circulated to IJBs in its current format.

**Action: J Burns / Auditor**

#### 5.4 Internal Audit Follow-Up

The Auditor advised that following the discussions at the last Audit Committee meeting a review of all of the historic recommendations had taken place allowing the majority to be closed. The Committee heard that the Auditor felt that arrangements for the engagement of the Corporate Management Team in reviewing outstanding audit actions was working well. There were currently only nine outstanding actions, none of which were high risk; revised completion dates had been provided by management and the auditor was comfortable that these would be met.

**Outcome:** The Committee welcomed the review of the historic recommendations and the position regarding all audit recommendations and revision of outstanding recommendations was noted.

#### 5.5 Staff Rostering (Nursing)

The review looked at the design and operation of controls in relation to nursing rostering over the previous year. Two medium and one low risk recommendation had been identified for which Board management had responded that actions were already in the process of being implemented and would be complete by 31 March 2020.

**Outcome:** The report was noted and would be forwarded to the Staff Governance Committee for monitoring of implementation.

#### 5.6 Theatre Utilisation and Improvement

The review had evaluated the design and effectiveness of internal controls in relation to the use of theatres and practices at University Hospitals Ayr and

Crosshouse. Two medium and one low risk recommendation were made. Management would implement actions by the end of January 2020.

**Outcome:** The report was noted by the Audit Committee and, due to the postponement of the Audit Committee meeting scheduled for November 2019, had already been presented to the Performance Governance Committee which would monitor completion of the actions.

## 5.7 Unscheduled Care

The auditor explained that they had reviewed the accuracy of data in respect of the four hour unscheduled care target within the Emergency Departments at both acute hospitals. The auditor highlighted areas of good practice which had been observed and noted that three medium risk recommendations had been raised. The Director of Finance advised the Committee that the Director of Acute Services had attended the Performance Governance Committee the previous week and provided an update on the actions being taken to address the recommendations.

**Outcome:** The report was noted and was being monitored by the Performance Governance Committee.

## 5.8 Internal Audit Plan 2020/21

The Chief Internal Auditor explained to Committee members that the plan was built up from a variety of sources, starting with the three year strategic plan agreed at the beginning of the internal audit contract; the current Strategic Risk Register; the Audit universe (Board structure) and previous internal audit reviews.

In line with the audit contract, the number of audit days had been reduced to 275. The draft plan had been discussed by the Corporate Management Team the previous week and would go to the Integrated Governance Committee the following week after Audit Committee review. Feedback from these groups and the Audit Committee would be reflected in a revised draft plan which would be submitted to the Audit Committee at its meeting in March 2020 prior to formal approval by the Board which is in line with revised guidance. The Auditor noted that the number of days assigned to the IJB review should be 30 rather than the 15 stated in the plan and confirmed that the scope of this audit would be discussed with the Chief Internal Auditors for each of the IJBs to guard against duplication.

The Chair noted that there were no reviews proposed specifically relating to the 'red risk' assessment of "Financial outturn (ID703)" which although relating to current 2019/20 financial performance should include the effectiveness of strategic financial planning and within this the critical area of cash releasing

efficiency savings which are integral to the achievement of the budget set. One of the Committee members advised the meeting that the Performance Governance Committee had expressed concern that the budget assumed delivery of significant Cash releasing efficiency savings (CRES) which may not be achievable and therefore agreed that an audit review looking at identification and monitoring of CRES delivery would be useful.

The Auditor confirmed that a review covering cyber security, which was also a 'red risk' on the register, was included in the 2019/20 plan.

The Committee heard that the Corporate Management Team (CMT) suggested that it would be too early to assess the Best Start national policy in Maternity Services and that there had recently been an external review on Duty of Candour.

**Outcome:** The Chief Internal Auditor to include a review covering strategic financial planning including the approach to cash releasing efficiency savings within the draft audit plan noting that the plan would be considered by other Governance Committee's. A revised plan, retaining the same total number of audit days would be presented to the Audit Committee in March 2020 for approval and recommendation to the Board.

**Action: Internal Audit**

## **6.0 External Audit**

### **6.1 2019/20 Planning**

The Board's external auditor discussed the audit plan for 2019/20 noting that the initial stages; identifying changes in the Board, determining materiality, scoping and significant risk assessment, had been completed. As in the previous year the key risks identified were that the Board was operating within the expenditure resource limits and the management override of controls.

The Chair asked whether there were any requests from Audit Scotland for specific reviews. The Auditor confirmed that the review of fraud and corruption in Procurement was included for this purpose.

**Outcome:** The audit plan for 2019/20 was noted and confirmation received that timelines had been agreed with Board management.

## **7. Audit Scotland reports**

### **7.1 NHS in Scotland 2019**

The Committee discussed the Audit Scotland review of the NHS in Scotland 2019, which had been published in October 2019. The Director of Finance highlighted the following areas:

- Boards which were receiving external support because they were struggling to meet finance and performance targets – Ayrshire and Arran being one of the five.
- The case study examining how Ayrshire & Arran was further developing its improvement plan.
- Details of drug expenditure across Scotland and initiatives to manage prescribing costs.
- Workforce challenges, noting that Ayrshire and Arran had the lowest vacancy levels for nursing, midwifery and Allied Health Professional staff and was also lowest for staff turnover.
- Section two of the report which reviewed key messages around the achievement of a sustainable NHS, and particularly the importance of Health and Social Care integration.

Committee members agreed that it was useful to see an overview of the national position and noted that the majority of Boards were failing to meet performance measures set by the Scottish Government.

The Chief Executive agreed that the report provided a good oversight and noted that it highlighted the importance of significant reform. The Chief Executive was asked if the report would be on the agenda for a Board meeting and responded that it would not but that it was normal practice for Audit Scotland reports to be circulated to Board members and that it would be noted in the Chair's report to the Board.

**Outcome:** The report was discussed. The Chief Executive agreed to check that this report had been circulated to all Board members.

**Action: John Burns**

## **8. Governance**

### **8.1 Strategic Risk Register**

The Director of Finance explained that the report had been prepared for the Audit Committee meeting which in November was cancelled and that the Risk Management Committee was due to meet again the week after the Audit Committee meeting. Committee members noted that the risk relating to compliance with statutory regulations around blood safety and quality had been downgraded to operational.

The Chief Executive was asked about a progress report on objectives and responded that there was a rolling update on this and therefore no end date.

**Outcome:** The Audit Committee accepted the progress report, taking assurance from the process in place and approved the strategic risk register.

## 8.2 Risk Management Committee – Terms of Reference

The Audit Committee was asked to approve the change of name of the Risk Management Committee to the Risk and Resilience Scrutiny and Assurance Group in line with an audit recommendation. The change of name and Terms of Reference reflected the evolution of the risk management and organisational resilience processes. The Chief Executive explained that the new name reflected the alignment of these two areas and the actual work of the Committee.

**Outcome:** The Audit Committee supported the change of name and revised terms of reference.

## 8.3 Tender exception report

The Assistant Director of Finance (Governance and Shared Services) noted that the exception relating to the provision of medical services in HMP Kilmarnock had remained open pending a decision from a VAT tribunal. Announcement of the decision had been delayed but was expected to conclude by the end of January 2020. The Director of Finance confirmed that the Board had made financial provision for VAT but had appealed against this.

The Chair suggested that the Committee did not need to receive a copy of the tender waiver applications as these had been considered and approval given by the Director and Assistant Director of Finance. An additional column would be added to the summary of waivers approved which would provide the reason for approval linked to the Board's Standing Financial Instructions.

**Outcome:** The Committee was satisfied that all exceptions had been considered appropriately. The report would be amended for future meetings.

**Action: Bob Brown**

## 9.0 Fraud

### 9.1 Counter Fraud and Fraud Liaison update

The Assistant Director of Finance drew members' attention to the appendices containing details of the new referrals since the previous report as well as ongoing cases. It was noted that it had been a quiet period with only two new referrals. Committee members received details of a television programme about the work of the Counter Fraud Service (CFS) which would be aired at the beginning of February. The Director of Finance noted that the CFS



believed that publicity about its work was beneficial but accepted that it could be seen as a 'double edged sword' in that it could be detrimental to public perception of the NHS.

**Outcome:** Referrals to Counter Fraud Services and work on the NFI were noted along with fraud awareness raising activity.

## **10. Key issues to report to the NHS Board**

The Committee agreed that the following points would be highlighted to the Board:

- A number of internal audit reports had been received which provided the Committee with assurance around operational practices on financial controls for fixed assets and cash and bank, nurse staff rostering, theatre utilisation and unscheduled care.
- Discussion of the draft internal audit plan for 2020/21 took place, the auditor was asked to take forward some suggested amendments.
- The external auditor presented the plan for the 2019/20 audit.
- The Audit Scotland report titled 'The NHS in Scotland 2019' was discussed and it was considered to be a very informative and comprehensive report
- The Risk Register was considered and revisions to the title and Terms of Reference of the Risk Management Committee were approved.
- An update to the title of the Audit Committee to the Audit and Risk Committee to better reflect its remit, was approved.

**Outcome:** A report will be submitted to the next Board meeting.  
Action: M Breen

## **11. Risk issues to report to the Risk and Resilience Scrutiny and Assurance Group**

The Committee did not wish to highlight any risks.

**Outcome:** No action required.

## **12. Any other competent business**

### **12.1 Meeting dates 2020/21**

It was agreed to replace the originally planned meeting on 12<sup>th</sup> February with a meeting on 18<sup>th</sup> March to align meetings with the availability of the Risk Register.

The proposed dates for 2020/21 were agreed.

**Outcome:** Committee members would note the meeting dates in their diaries.

**13. Date of next meeting**

The next meeting will take place on Wednesday 18<sup>th</sup> March at 14:00 in Meeting room 1, Eglinton House, Ailsa Hospital.

Approved by Chair of the Committee:

..... Date: .....