

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Monday, 19th June 2017 at 2 p.m. in the Board Room, Newstead.

Present: Mr D Davidson (Chair)
Mrs K Hamilton
Dr S Mather

In Attendance: Mr G Bell, Audit Manager, PWC
Mrs J Davidson, Chief Executive (Arrived at 3.15 p.m.)
Mrs B Everitt, Personal Assistant to Director of Finance
Mrs C Gillie, Director of Finance
Mr A Haseeb, Senior Audit Manager, Audit Scotland
Mrs M Kerr, Director, PWC
Mrs A McCloy, Senior Finance Manager
Mr P McMenamin, Interim Chief Financial Officer (Item 10.1)
Mr K Messer, IT Delivery Manager (Item 6.5)
Mrs C Pearce, Director of Nursing, Midwifery and Acute Services (Arrived at 3.05 p.m.)
Mrs J Smyth, Director of Planning & Performance (Item 6.5)
Mr J Steen, Senior Auditor, Audit Scotland
Mrs J Stephen, Head of IM&T (Item 6.5)
Ms S Swan, Deputy Director of Finance
Mrs G Woolman, Assistant Director, Audit Scotland

1. **Introduction, Apologies and Welcome**

David Davidson welcomed those present to the meeting.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes of Previous Meeting: 3rd April 2017**

The minutes were approved as an accurate record.

David Davidson enquired if there had been any updates to the Internal Audit plan since the April meeting. Margaret Kerr confirmed that following approval of the plan at the previous meeting there had not been any change to this.

4. **Matters Arising**

Action Tracker

Gillian Woolman welcomed the supporting evidence in the form of the report following NHS Greater Glasgow & Clyde's external assessment review on PWC. Gillian felt that it would be appropriate to look at the actions arising to see if there was anything relevant for NHS Borders.

Margaret Kerr explained that although this was not tailored for NHS Borders it provided information on the systems and processes used by PWC to give assurance of an appropriate approach to work and that all outputs could be applied in similar ways to NHS Borders.

The Committee noted the action tracker.

5. **Fraud & Payment Verification**

5.1 *Countering Fraud Operational Group – Feedback*

Susan Swan advised that the last meeting of the Countering Fraud Operational Group had been cancelled. This had been planned for Countering Fraud Services (CFS) to deliver a working session on the UK Bribery Act 2010 on Gifts, Gratuities and Hospitality to ensure NHS Borders are applying this correctly through the Code of Corporate Governance. It was noted that CFS will do this at the next scheduled meeting of the Countering Fraud Operational Group. A session with CFS was also planned for the September Board Development Session. Margaret Kerr reminded that the audit on gifts and hospitality would also give assurance around the use of policies.

The Committee noted the update.

5.2 *NFI Update*

Susan Swan spoke to this report which provided details on the number of matches found for further investigation. Susan highlighted that there had been a timing difference with matches for categories 1 – 5 (payroll) not being received until the end of May. Susan confirmed that there has been liaison with other Boards for the matches received where there is dual employment. Susan anticipated all recommended matches will have been investigated by the end of June with all matches being cleared by the end of August. It was noted that there had been no issues with the investigations undertaken to date.

The Committee noted the update.

6. **Governance & Assurance**

6.1 *Resilience Committee Work Plan 2017/18*

David Davidson confirmed that he had received a copy of the work plan for review as Chair of the Resilience Committee. David advised that he had requested more information on item 10 in regard to testing the BGH control room with managers and bleep holders, however this had not yet been received. David explained that he has chaired the Resilience Committee for a number of years and had recently made recommendations to the Chair about someone else taking this over. Karen Hamilton referred to item 2 about updating the major incident plan and queried the timescale for this of 31st August 2017. David explained that this is dependent on availability as it also involves personnel who are external to the organisation. Stephen Mather referred to item 15 (bomb and suspicious plan exercise) as he felt there was a need for more urgency around the timescales, currently noted as October 2017, particularly given the recent events in Manchester and London. Carol Gillie confirmed that a small group has been convened following these events and work is ongoing, particularly around security. Lorna Paterson to provide more information on the issues raised to give the Committee assurance.

The Committee noted the Resilience Committee Work Plan for 2017/18.

6.2 *Audit Follow Up Report*

Susan Swan spoke to this item. Susan advised that work will be undertaken with managers to detail the steps for recommendations to be completed and appreciated the report was not presented in a format to ascertain what has been implemented and what is still outstanding. This is currently being reviewed and it is anticipated the report would be presented differently in future. Carol Gillie assured that the process previously put in place is still being followed, whereby if a period of three months has passed after the deadline those responsible are asked to attend the Audit Committee to provide an update. Susan assured that all the recommendations reported are still within designated timescales. Stephen Mather asked for clarification on maverick spend. Susan explained that this is when goods ordered are not covered by the national contract or local tendering processes and spend is below the tender limit of £10k. Stephen also referred to the training of junior medical staffing and the inadequate simulation facilities. Stephen advised that he had written to the Chief Executive about this and had received a response giving assurance that simulated training accommodation options are being considered. Karen Hamilton appreciated that work was ongoing to provide an improved reporting format to give assurance on the updates provided against each of the recommendations and felt that a trend analysis may also be a helpful addition.

The Committee noted the Audit Follow Up Report.

6.3 *Self Assessment on Effectiveness of the Audit Committee*

Carol Gillie reminded the Committee of discussion at the last meeting on assessing the effectiveness of the Audit Committee. Carol advised that Margaret Kerr had provided the self assessment circulated for completion by Audit Committee members. Stephen Mather stated that he would welcome discussion around some of the questions with the other two members of the Committee and suggested Iris Bishop arrange a meeting to do this. This was agreed.

The Committee agreed to complete the self assessment following a meeting to discuss this in more detail.

6.4 *Cyber Attack Update Report*

Jackie Stephen advised that a report was being presented to the Audit Committee following the cyber attack due to the effect on the Finance Department which resulted in a significant impact on the year end audit. Jackie highlighted that the report concentrated on the impact to the file storage (ITSNAS server) and she was still unable to give an indication of the final impact across the organisation. It was noted that there will be lessons learned exercise with recommendations arising from this. Jackie provided an update on the security patches that have been applied and appreciated there was more work to be undertaken within IM&T to put them in a better situation in relation to patching and it was hoped to achieve a four week turnaround from the patch being received to being fully implemented. Jackie highlighted that assistance had been received nationally as well as from other Boards, particularly Lothian and Fife. David Davidson thanked those within IM&T who had dealt with this so efficiently. David enquired if adequate support had been given. Jackie advised that they would be looking at the IM&T resource plan as currently there are insufficient resources. June Smyth added that a debrief had taken place, however an in depth review to inform a resource plan still required to be undertaken. June reminded that the Board had previously signed up to an investment plan for IM&T and advised that this would require to be looked at again as there may be a need to refocus in light of this incident. It was noted that Tim Patterson would be leading the review. Karen Hamilton asked about the level of information shared with the organisation. Jackie advised that staff had received regular updates following the

attack but no outputs had been shared as of yet. David asked if there was a reason the majority of files were stored on ITSNAS. Jackie confirmed that they would also be reassessing file storage which is sufficient for planned events but not for the recent attack. Jackie added that there would be a tidy up of the server and files not used for a particular period of time would be archived.

Margaret Kerr reminded the Committee that they will receive the output following the planned cyber security audit which would be a helpful link to the work being undertaken. Gillian Woolman noted the confidential status of the report and highlighted that some of this information is contained within the External Audit Annual Report which would go into the public domain in due course and asked if there were any issues with this. Carol Gillie confirmed that there would be no issue with this. It was noted that June Smyth would also be taking a report to the Board on the 29th June 2017.

The Committee noted the report.

7. Internal Audit

7.1 Internal Audit Plan Progress Report

Margaret Kerr spoke to this item. Margaret confirmed that the 2016/17 plan had been concluded with one report, namely Risk Management, due to come to the September meeting. It was noted that this was due to a timing issue with the new Director of Nursing, Midwifery and Acute Services taking up post. Margaret confirmed that all findings for this report had been reflected within Internal Audit's Annual Report. Margaret also highlighted the audits that are currently in scope or within the early stages as part of the 2017/18 plan.

The Committee noted the progress report.

7.2 Internal Audit Annual Report 2016/17

Margaret Kerr spoke to this item. Margaret advised that the audit opinion on the work undertaken during 2016/17 was generally satisfactory with some improvements required. Margaret referred to appendix 2 which provided details on the four types of opinions used for the overall rating and advised that there had been a mix of these during 2016/17. Margaret advised that she had no new information to bring to the Committee's attention. Carol Gillie confirmed that she was content with the report received.

The Committee noted the Internal Audit Annual Report for 2016/17.

8. Corporate Governance Framework

8.1 Review of Corporate Governance Framework

Susan Swan spoke to this item which included annual reports from the Governance Committees, audit opinions from Internal Audit and External Audit and any third party assurances received. Susan confirmed that all documentation had been reviewed and this summary document had been compiled to allow the Governance Statement within the Annual Report and Accounts to be signed by the Chief Executive. Susan referred to appendix 2, Statement of Assurance from the Audit Committee to the NHS Board, which David Davidson as Chair would be asked to sign. Susan also highlighted the letter to Scottish Government from the Chair of the Audit Committee confirming there was nothing of significance which required disclosure to the Scottish Government portfolio Audit Committee. David Davidson noted that the attendance at Audit Committee meetings had not been included and felt for completeness that this should be added.

Susan advised that following a recommendation from External Audit all Executive Directors would be asked to sign an assurance statement and this will be included from next year.

The Committee noted the Corporate Governance Framework for 2016/17.

9. Annual Accounts 2016/17

9.1 Final Annual Report and Accounts 2016/17

Susan Swan referred to the session which had taken place the previous week to go through the annual accounts in detail and which had been well attended by Non Executive and Executive Directors. Susan confirmed that all changes requested at this session had been actioned. Susan advised that some further changes had been made following discussion with Audit Scotland but these were not substantive. Susan went on to take the Committee through the most recent changes made.

The Committee noted the Annual Report and Accounts for 2016/17 and recommended these be put forward to Borders NHS Board for approval on 29th June 2017.

9.2 Final Endowment Fund Annual Accounts 2016/17

Susan Swan advised that the Endowment Fund Annual Accounts had been approved by the Endowment Fund Board of Trustees at its meeting on 6th June 2017. It was noted that these had been audited by Geoghegans, the External Auditor and had received an unqualified opinion.

The Committee noted the Endowment Fund Annual Accounts for 2016/17.

9.3 Final Patient's Private Fund Annual Accounts 2016/17

Susan Swan advised that a closing balance of £70,196 was reported for patient's private funds held. It was noted that these had been audited by Geoghegans, the External Auditor and had received an unqualified opinion.

The Committee noted the Patient's Private Fund Annual Accounts for 2016/17 and recommended these be put forward to Borders NHS Board for approval on 29th June 2017.

10. Integration Joint Board

10.1 Draft IJB Annual Accounts 2016/17

Paul McMenamin spoke to this item. Paul explained that Local Authorities have until 30th June 2017 to produce an unaudited set of accounts therefore it had been challenging to ensure consistency across all three partner's accounts due to the differing timescales. It was noted that the draft IJB annual accounts will go to the IJB meeting on the 26th June 2017. Paul went over the key areas that had been looked at to ensure consistent reporting. Carol suggested that when these are available they are circulated around the Committee for information and noting. This was agreed. Paul noted his thanks for the support from the NHS Finance Team, particularly Kirk Lakie. Susan Swan reminded that the final IJB annual accounts would come forward to the September meeting.

The Committee noted the update.

11. **External Audit**

11.1 *Annual Report to Members*

Gillian Woolman spoke to this item. Gillian referred to the covering letter and highlighted that the International Standard on Auditing (UK and Ireland) 260 (ISA 260) must be adhered to. Gillian reported that the audit work was substantially complete subject to the satisfactory conclusion of any outstanding matters. Gillian highlighted the tremendous amount of work undertaken by Finance staff following the cyber attack. It was noted that this was the first year of Audit Scotland being the External Auditor for NHS Borders and the teams had worked well in establishing new relationships. Gillian referred to paragraph 3 which sought confirmation from those charged with governance if they were aware of any instances of actual, suspected or alleged fraud that had not been reported through the normal channels. All three members confirmed that they were not aware of any such instances. Gillian went on to paragraph 8 which explained that written assurance would be sought from the Chief Executive as Accountable Officer. This would be in the form of the Letter of Representation (appendix B) which would be signed by the Chief Executive after the Board meeting on 29th June 2017. Gillian referred to appendix A (Independent Auditor's Report) which noted a fair and true representation and was pleased to report that an unqualified audit opinion had been given. Gillian highlighted the section on matters required to be reported by exception and confirmed that there were no matters to report. It was noted that appendix C provided a summary of the unadjusted misstatements. David Davidson noted his thanks for the report and to the Finance Team for all their hard work.

Gillian then referred to the Annual Audit Report which would go into the public domain in due course and highlighted the key messages detailed on page 4. Gillian referred to the financial sustainability section and stressed the challenges that lay ahead to achieve a break-even position. Gillian confirmed that there was a satisfactory value for money performance management framework in place. Gillian went on to take the Committee through the report and highlighted areas of interest. Gillian recognised that this was the first year of working with a new audit team which also included the challenges of the cyber attack, however felt good relationships had been built.

David Davidson enquired if any of the recommendations were required to be picked up by members of the Committee as he would be happy to discuss at the meeting which followed in private.

Carol Gillie noted her thanks to all those involved as everyone had worked well throughout the audit and in particular for the flexibility given by Audit Scotland following the cyber attack.

The Committee noted the report.

11.2 *Audit Scotland Report: Managing New Financial Powers*

Carol Gillie spoke to this item which was a follow up to the report previously seen by the Committee. Carol drew the Committee's attention to the recommendations detailed on page 6.

The Committee noted the report.

11.3 *Annual Scotland Report: Equal Pay Review*

Carol Gillie spoke to this item and advised that the report provided examples of best practice.

The Committee noted the report.

12. **Items for Noting**

12.1 *Minutes of Information Governance Committee: 13th December 2016*

There were no issues raised.

The Committee noted the minutes of the Information Governance Committee.

13. **Any Other Competent Business**

None.

14. **Date of Next Meeting**

Monday, 18th September 2017 @ 2 p.m., Board Room, Newstead.

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26.06.17