

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Monday, 3rd April 2017 at 10 a.m. in the Board Room, Newstead.

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

In Attendance: Mr T Barrie, Audit Manager, PWC
Mrs N Berry, Associate Nurse Director / Head of Midwifery & General Manager for Women & Children's Services (Items 7.4 and 7.6)
Mrs B Everitt, Personal Assistant to Director of Finance
Mrs C Gillie, Director of Finance
Mr C Herbert, Head of Human Resources (Item 7.5)
Mrs M Kerr, Director, PWC
Mr P McMenamin, Interim Chief Financial Officer (Items 4 and 7.3)
Mr C Sharp, Medical Director (Item 7.4)
Mrs J Smyth, Director of Workforce & Planning (Item 7.5)
Mrs J Stacey, Chief Officer Audit & Risk
Mr J Steen, Senior Auditor, Audit Scotland
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. Apologies had been received from Jane Davidson and Vivienne Buchan.

2. **Declaration of Interest**

Doreen Steele declared an interest in the Agency and Locum Staff Internal Audit report as she was the Director of an agency that included nursing staff.

3. **Minutes of Previous Meeting: 12th December 2016**

The minutes were approved as an accurate record.

4. **Matters Arising**

Action Tracker

The Committee noted the action tracker.

IRAG Update

Paul McMenamin spoke to this item. Paul reported that work had taken place over the last 12 months to implement all recommendations. Paul confirmed that he was content with the current position and went on to give an update on the reports that have been submitted to the IJB to date.

Paul assured that it was a well placed position to be in to move forward in a robust financial manner. Paul highlighted that the report also provided detail on the outstanding actions. It was noted that of the 16 outstanding, nine were low risk, five were medium risk, one was high risk and one did not currently apply. The outstanding action rated as high was in regard to a full review of financial regulations within NHS Borders and Scottish Borders Council being overdue. It was noted that this was incorrect as NHS Borders had undertaken a review of the Code of Corporate Governance in October 2016 therefore the action remained outstanding for Scottish Borders Council. Paul recommended that the Committee receives a further update report in six months. This was agreed. Paul agreed to ensure that SBC provide an update within agreed timescales on this action in advance of the next IJB Audit Committee. Jill Stacey confirmed that the financial regulations, which form part of the wider Code of Corporate Governance, would be going to the Council meeting after the new Council administration was in place. Jill anticipated this going in June. Stephen Mather asked for clarification on what is classed as non-current assets. Paul advised that these were fixed assets such as property. Karen Hamilton highlighted that timings are crucial to ensure everything ties in to the relevant meetings. Carol agreed that this is extremely important and stressed the need for the three organisations to link with each other.

The Committee noted the update.

5. **Fraud & Payment Verification**

5.1 *Countering Fraud Operational Group Annual Meeting with CFS - Feedback*

Susan Swan reminded that the Countering Fraud Operational Group had been delegated to take forward the fraud agenda on behalf of the Audit Committee. Swan reported that the annual meeting with Counter Fraud Services had taken place on 27th February 2017. Susan confirmed that NHS Borders had responded to the questionnaire issued by CFS prior to the annual meeting and the feedback received had been positive where it was noted that NHS Borders is engaged both pro-actively and re-actively with the fraud agenda. Susan advised that CFS will be taking forward a further review to assist Boards in this challenging financial environment. Doreen Steele enquired if staff made use of the eLearning module. Susan confirmed that 467 members of staff have completed this which she has been advised is a good uptake. Susan added that they are also looking to incorporate this within individual department's training plans and they are working with CFS on this.

The Committee noted the update.

5.2 *NFI Update & Risk Assessment*

Susan Swan spoke to this item. Susan reported that matches had been issued in January with the exception of Payroll. It was noted that this was due to a national issue and these were expected in May. Susan highlighted that the report detailed areas for potential fraud and that she would bring back an updated report, including Payroll matches if possible, to the June meeting.

The Committee noted the update.

6. Governance & Assurance

6.1 *Audit Committee Terms of Reference*

Susan Swan spoke to this item which was a review of the Terms of Reference to ensure the Committee are still content with the remit. Susan reminded that this had been discussed as part of the Code of Corporate Governance refresh which had been approved by the Board in October 2016. David Davidson referred to “Meetings” at section 1.3 and asked who the Lead Officer was for the Committee. Susan confirmed that it was the Director of Finance and agreed to add this to provide clarity. David highlighted the “Internal Audit” section and queried if it was felt necessary to have regular meetings of the three Audit Committee Chairs. Jill Stacey felt that the current informal information sharing sessions would suffice. This was agreed. David also referred to the “Other Matters” section and asked if the Audit Committee ever considers its own performance. Following discussion it was agreed that completion of a self assessment checklist could be an appropriate way forward and Carol Gillie agreed to discuss further with Margaret Kerr outwith the meeting. Jill Stacey advised that SBC use a best practice self assessment checklist which they have found to be a useful exercise to undertake. Karen Hamilton referred to the section on “External Audit” in regard to the bullet points. Susan confirmed that these had been knocked off and agreed to amend these. Doreen Steele highlighted the reference to “Executive Members” and suggested a change of wording as the Executive Directors were in attendance rather than a member. Susan agreed to amend this and ensure consistency throughout the Terms of Reference. Gillian Woolman suggested that the review of group accounts be added to the eighth bullet point under External Audit. This was agreed. Susan agreed to make all the necessary amendments and circulate the revised Terms of Reference.

The Committee reviewed and approved the Terms of Reference with the proviso that the changes discussed be made.

6.2 *Audit Committee Work Plan 2017/18*

Susan Swan spoke to this item. Susan advised that as part of the Terms of Reference the Committee receive an annual work plan to alert them to what will be coming forward to meetings for the year ahead. Susan went over the changes made to the plan, including addition of an Integrated Joint Board section and the session for the Non Executive and Executive Directors to go through the Annual Accounts. Susan highlighted that the ISA 260 Report under External Audit for the June meeting should read Annual Report to Members. Jill Stacey advised that similar discussions have taken place within SBC and stressed the need to avoid duplication of work. Jill confirmed that the IJB Audit Committee papers are published within the public domain and suggested that a link to these is provided to avoid papers being circulated to each Audit Committee. This was agreed. Gillian Woolman referred to the session for Non Executive and Executive Directors to go through the Annual Accounts and asked for assurance that points that were raised were acted upon. Carol Gillie confirmed she felt that they were and advised that this session is documented and any issues/changes are presented at the June Audit Committee meeting.

The Committee discussed and approved the Work Plan for 2017/18.

6.3 *Audit Follow-Up Report*

Susan Swan advised that work is currently underway and a report would be presented to the June meeting.

6.4 *Debtors Write-Off Schedule*

Susan Swan spoke to this item. Susan explained that the Committee were only made aware of debts when they reached write-off stage and advised that following a recommendation from External Audit the report now attempted to capture elements of bad debts and doubtful debts in addition to the usual information reported. Susan highlighted the potential of using an external Debt Recovery Agency and advised that a review of this option is being undertaken. The Committee would receive the findings and recommendations at the June meeting. Susan referred to the doubtful debt where it was noted that the level held totalled £23,000 for the period 2011 to date. David Davidson noted his support around the use of an external Debt Recovery Agency. Doreen Steele also supported this, however reminded of the need to be proportionate and choose the agency carefully. Karen Hamilton appreciated why this option was being looked at, however noted her concern that it could be a risk to the organisation's reputation. Margaret Kerr highlighted the effort made to recover debts must be in proportion to the level of debt outstanding, particularly around foreign patients. Gillian Woolman added that it was important that the Committee did not lose sight of the amount of debt potentially lost which would have had an impact on the financial outturn at that point in time.

The Committee noted the report.

6.5 *Update on Very High Risks*

Sheila MacDougall spoke to this item. Sheila highlighted that two new very high risks had been added, with one of these being mitigated down to high risk. Sheila explained that following discussion at the Clinical Executive Operational Group a new process has been put in place to ensure better reporting on the Risk Management process which in turn will have a positive impact on the key performance indicators. David Davidson referred to page 10 of the Annual Report which provided attendance stats for training during 2015/16 and asked what action is being taken to improve these. Sheila confirmed that there has been improved attendance during 2016/17 and provided an update on action taken, for example the Training & Development Department are providing support to managers to ensure that the appropriate staff are sent on training. Stephen Mather referred to the update report and showed surprise at the risk relating to patients falling when boarding outwith their speciality as he felt that there was a risk of this happening wherever they are. Sheila went on to provide feedback following an instance when this had happened which had raised issues on the supervision and skills of nursing staff from ward to ward. Nicky Berry, as ultimate risk owner for this particular issue, advised that training has been undertaken. Karen Hamilton noted that the due date for a number of risks was either today or had just past and asked if we were on track to meet the deadlines for the very high risks. Sheila confirmed that some were on track, however some were not and provided an update. David Davidson reminded of previous discussion on what should be included as statutory and mandatory training following receipt of the Internal Audit report which had been remitted to the Staff Governance Committee to take forward. Carol agreed to discuss this with June Smyth and would provide the Committee with feedback. Doreen Steele encouraged that action is taken and the Staff Governance Committee is given a timescale for a detailed piece of work to be undertaken and feedback provided. Stephen Mather advised that this has been raised periodically at the Staff Governance Committee over the last two years and although they are being assured that mandatory training is being looked at, no feedback has been received.

The Committee noted the report.

7. **Internal Audit**

7.1 *2016/17 Internal Audit Plan Progress Report*

Tony Barrie spoke to this item which provided a summary of the reports issued since the last meeting, with four being received today and the final one outstanding on Risk Management to be presented at the June meeting. It was noted that there were no issues with the findings on this report, clarity was still required on who would be taking forward some of the actions and the deadlines for these.

The Committee noted the progress report.

7.2 *2017/18 Internal Audit Plan*

Margaret Kerr spoke to this item. Margaret advised that the plan was currently a draft and confirmed that various discussions have taken place with management. Margaret highlighted the approach detailed on page four and confirmed that there has been no change to this and that the plan provides what can be done within resource on what is seen as a priority to the organisation. Margaret referred to page six which detailed the audit universe, corporate objectives and risks. It was noted that there had been no change to this following the establishment of the Integrated Joint Board (IJB) as this is not included within NHS Borders' Audit Universe. Margaret drew the Committee's attention to the proposed plan for 2017/18 which included the scope, number of days and timing. David Davidson asked Carol Gillie if she was content with the plan. Carol confirmed that discussions had taken place with Internal Audit and BET colleagues and that she was content. Doreen Steele was pleased to see the inclusion of Clinical Governance and asked if Internal Audit would be looking at the visibility of clinical audits. Margaret confirmed that this could be picked up if it was a concern. Karen Hamilton asked if it could be clarified within any reports relating to Health & Social Care Integration who must address the issue.

The Committee approved the Audit Plan for 2017/18.

7.3 *Internal Audit Report – Health & Social Care Integration*

Tony Barrie introduced this report which had an overall low risk rating. Tony reported that there had been one medium risk and two low risk findings. Tony referred to the medium risk relating to performance monitoring not having been sufficiently developed. Tony advised that there is insufficient detail for all monitoring requirements and performance reporting was a requirement in the Scheme of Integration. Carol Gillie explained that a significant amount of work has been undertaken on financial reporting but not around activity reporting. Carol confirmed that Elaine Torrance has started doing this and there is evidence of more robust reporting being in place in recent months. The Committee discussed the potential for duplication of work across the three organisations and the need for improved co-ordination. June Smyth gave assurance that there was ongoing work behind the scenes with the objective of putting in place a streamlined regular reporting process. Margaret Kerr stressed the need to apply the same rigour for performance monitoring as had been undertaken for financial monitoring. It was noted that progress would be monitored through the audit follow-up process.

The Committee noted the report.

7.4 *Internal Audit Report – Agency & Locum Staff*

Tony Barrie introduced this report which had an overall high risk rating. Tony reported that there had been one high risk and four medium risk findings. Tony advised that a number of areas were found to be of concern and drew the Committee's attention to the high risk finding, namely that the financial cost/impact of the decision to appoint to agency/locum staff is not part of the approval process. It was felt that there should be more visibility of costs and impact on the overall budget at the beginning of the process. David Davidson referred to the exercise undertaken within nursing to reduce agency costs and asked if there had been any progress with medical. Carol Gillie confirmed that it was work in progress and confirmed that they were looking to revamp the Terms of Reference for the Medical Oversight Group. Cliff Sharp stressed the need for a clear process and timescales to ensure all viable options are looked at prior to a locum appointment. It was noted that cross-cover would also be looked at for periods of annual leave rather than employing locums as was the case in some areas. Cliff advised that a cap of £100 had been introduced within NHS Borders. David Davidson enquired if anything was being undertaken on a national or regional level. It was noted that regional working is being looked at and that a group had been set up to look at agency usage and Bob Salmond is the Borders rep on this. Doreen Steele noted that the report stated that NHS Borders had not always used the framework contract and stressed the importance of sticking to this. Tony added that by not using the framework contract there is no assurance on the quality of the providers and in some instances there was no indication of the fee that would be charged. Tony referred to the medium risk findings, namely the lack of investigation into the root cause for the use of agency and locum staff, an update required on the procedures for the use of agency and locum staff and the need for performance reviews of agency and locum staff to be undertaken. Nicky Berry gave assurance that there is a lot of work being undertaken and a Project Board is being set up to ensure that the plans being put in place are in line with the recommendations within the audit report. It was noted that progress would be monitored through the audit follow-up process and if recommendations are not being progressed within the timescales attendance would be requested at a future Audit Committee to provide an update.

The Committee noted the report.

7.5 *Internal Audit Report – Staff Disciplinary*

Tony Barrie introduced this report which had an overall medium risk rating. Tony reported that there had been one medium risk and five low risk findings. Tony advised that the medium risk finding was due to a number of instances of non compliance with the Conduct Policy. The five low risk findings related to policy training, clarity of policy and procedure, review of policy and procedure, policy reporting and timeliness of grievance procedures. Doreen Steele noted her concern on the low risk levels given as she reminded that if this policy is not followed the organisation may potentially face a tribunal and felt this would be a high risk. June Smyth assured that NHS Borders are fully compliant with the PIN policy which is adopted locally and advised that some changes had been made to this but these had not been fundamental and were just to make it easier for managers to understand. Margaret Kerr advised that the risk rating was for the organisation as a whole and not just for an individual department. Margaret stressed that all recommendations should be acted upon regardless of the rating as they all have an impact on the organisation in some way.

The Committee noted the report.

7.5 *Internal Audit Report – Security of Medical Equipment*

Tony Barrie introduced this report which had an overall low risk rating. Tony reported that three low risk findings had been identified. It was noted that good practice had been identified within a number of areas. Tony then went over the areas where improvement was required. Nicky Berry confirmed that the report had been extremely helpful and was pleased to report that all recommendations had been actioned.

The Committee noted the report.

8. **External Audit**

8.1 *External Audit Interim Management Letter 2016/17*

Gillian Woolman spoke to this item. Gillian referred to page one which captured the key systems which had been subject to audit testing. Gillian highlighted that reliance had also been placed on Internal Audit for Payroll. Gillian noted that the overall conclusion confirmed that there were adequate systems of internal control and compliance with established policies and procedures. Gillian highlighted where areas of control weaknesses had been identified and advised that there had been an opportunity to discuss these with management. Gillian advised that Carol Hislop, Senior Audit Manager was now on secondment and Asif Haseeb would be taking over from Carol. It was noted that Asif was also the Senior Audit Manager for SBC and the IJB. Gillian went on to take the Committee through the action plan which would strengthen controls in relation to payment validation, suppliers checks, salary overpayments, debt write-offs and stock procedures.

The Committee noted the report.

9. **Annual Accounts 2016/17**

9.1 *Annual Accounts Timetable*

Susan Swan took the Committee through the timetable for the production of the 2016/17 annual accounts. Susan highlighted that the main change related to the addition of the Integrated Joint Board where it was noted that Paul McMenamin would attend the June Audit Committee meeting with the draft IJB Annual Accounts. The final accounts would be presented to a future meeting. Susan assured that there will be ongoing dialogue to ensure there is a consistent message across all three sets of accounts. Susan went on to take the Committee through the key dates where it was noted that a session to go through the draft accounts in detail, as per previous years, would be arranged with Non Executive and Executive Directors with the final accounts being presented to the June Audit Committee meeting.

The Committee noted the Annual Accounts timetable for 2016/17.

10. **Items for Noting**

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

There were no issues raised.

The Committee noted the minutes of the Information Governance Committee.

11. **Any Other Competent Business**

David Davidson advised that this would be Doreen Steele's last meeting and thanked Doreen for all her input to the Audit Committee over the years and wished her well for the future.

12. **Date of Next Meeting**

Monday, 19th June 2017 @ 2 p.m., Board Room, Newstead.

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07.04.17