

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Wednesday, 21<sup>st</sup> March 2018 at 2 p.m. in the Board Room, Newstead.

**Present:** Mr D Davidson (Chair)  
Mr M Dickson  
Mrs K Hamilton

**In Attendance:** Mr K Allan, Consultant in Public Health (Item 7.2)  
Mr G Bell, Audit Manager, PWC  
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  
Mr T Patterson, Joint Director of Public Health (Item 7.2)  
Mrs J Smyth, Director of Strategic Change and Performance  
Mr J Steen, Senior Auditor, Audit Scotland  
Mrs J Stephen, Head of IM&T (Item 4)  
Ms S Swan, Deputy Director of Finance

1. **Introduction, Apologies and Welcome**

David Davidson welcomed those present to the meeting. Apologies had been received from Stephen Mather, Claire Pearce, Jane Davidson and Gillian Woolman.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes of Previous Meetings: 11<sup>th</sup> December 2017 and 30<sup>th</sup> January 2018 (Extraordinary)**

Jonny Steen referred to item 9.3 on the December minutes and advised that NHS Borders required to be compliant with the European General Data Protection Regulations by May 2018 rather than March as stated.

**The minutes were approved as an accurate record with the proviso of the one change discussed being made.**

4. **Matters Arising**

*Action Trackers*

**The Committee noted the action trackers.**

### *Cyber Security Internal Audit Report - Update*

June Smyth introduced this item. June highlighted that the report provided a clearer picture on how the 'Road to Digital' investment plan maps to the recommendations within the Internal Audit report. June explained that the demands on IT teams are now much greater and need to be prioritised. June advised that a public sector action plan has now been issued and an assessment will require to be undertaken to ensure that staff have the sufficient skills and capacity. June confirmed that this is currently being mapped out to determine what this means for NHS Borders and findings will be presented to a future Board Development Session. Jackie Stephen confirmed that this is being assessed locally and job descriptions are being reviewed to recruit to. Jackie provided an update on regional work and it was noted that there is a first draft for Information Governance and IT Security which looks feasible, however timings may not be compatible. In regard to national work it was noted that a network is in place which generates alerts that local teams are required to respond to. Carol Gillie referred to the deadline for actions as she did not feel these were clear. Jackie explained that there is a further action plan which has this level of detail but requires more discussion with the team. It was noted that the complete action plan would be available for the Board Development Session. Margaret Kerr advised that this is less of an IT issue than it used to be and requires people with a broader skill set. Margaret highlighted that the people with the required skills are in high demand and this is a national issue. Asif Haseeb noted his agreement with these comments in regard to staffing. Malcolm Dickson enquired if there was any scope of linking with Borders College. June advised that there would be for some elements but not for all therefore it was not feasible to go down that route.

**The Committee noted the update report.**

## 5. **Fraud & Payment Verification**

### 5.1 *Countering Fraud Operational Group – Update*

Susan Swan spoke to this report which had been circulated to the Countering Fraud Operational Group by way of an update. Susan highlighted the section on gifts, gratuities and hospitality and confirmed that the relevant sections of the Code of Corporate Governance had been updated and included a complete refresh of the gifts and hospitality requirements. It was noted that a communication had gone out to all Line Managers for cascading to staff.

**The Committee noted the update.**

### 5.2 *NFI Update & Risk Assessment*

Susan Swan spoke to this report which provided an update on the 2016/17 National Fraud Initiative (NFI) exercise. It was noted that there had been a total of 1,655 matches with 1,640 being investigated and closed. Of the 15 outstanding, 12 related to "payroll to payroll" matches with staff being on two payrolls. Susan referred to "supplier" matches and confirmed that where duplicate payments had been made these have been recovered. Susan referred to the match relating to Companies House and advised that this had still to be investigated to ensure there was no conflict of interest. Karen Hamilton presumed that some issues were down to human error. Susan confirmed that they were and assured that electronic authorisation through PECOS has been progressed as much as possible to reduce paper authorising.

**The Committee noted the update report and the risk information provided.**

## 6. Governance & Assurance

### 6.1 *Audit Committee Terms of Reference*

Susan Swan spoke to this item and confirmed that she was not proposing any amendments. David Davidson advised that the Audit Committee Chairs for the NHS, SBC and IJB had agreed to circulate the Audit Committee minutes after approval by the appropriate body. It was agreed that this would be noted within the Terms of Reference. Asif Haseeb noted that he had some minor amendments which he would pass over at the end of the meeting.

**The Committee reviewed and approved the Terms of Reference with the inclusion of the addition discussed and the amendments from External Audit.**

### 6.2 *Audit Committee Work Plan 2018/19*

Susan Swan spoke to this item and advised that this assists with agenda planning and allows the Committee to see what will be coming forward. Asif Haseeb noted that he had some minor amendments which he would pass over at the end of the meeting.

**The Committee discussed and approved the work plan for 2018/19 with the inclusion of the amendments from External Audit.**

### 6.3 *Audit Follow Up Report*

Susan Swan spoke to this item. Susan referred to the outstanding high risk recommendations relating to the “Training of Junior Doctor – Simulation Training Facilities” and “Mandatory Staff Training” and advised that they are working with lead officers to revise the timelines. David Davidson noted that there were currently six External Audit recommendations outstanding. Susan explained that these all related to Finance and would be actioned during the Annual Accounts process. Jonny Steen assured that they would be following these up.

**The Committee noted the audit follow up report.**

### 6.4 *Debtors Write-Off Schedule*

Susan Swan spoke to this item and was pleased to report that there had been no requests for bad debts to be written off for the period to 28<sup>th</sup> February 2018. Susan confirmed that contractual arrangements had been finalised with the preferred debt recovery agency who she would be meeting the following day to pass over details for debts to be recovered. Susan gave assurance that there would be no doorstep calling. It was noted that the company would receive 10% of any payments recovered which was in line with NHS Lothian arrangements.

**The Committee noted the debtors write-off schedule.**

### 6.5 *Update on Very High Risks*

As there was no-one in attendance to speak to this item the Committee agreed to defer to the June meeting and ask Sheila MacDougall to attend with an updated report. Malcolm Dickson highlighted that the responsibility around risk has increased over time and noted that a few Boards have an Audit & Risk Committee. Carol Gillie explained that Sheila MacDougall attends the Audit Committee twice a year to provide updates and agreed to revisit the agenda to see if there were any other risk areas that required to be covered.

**The Committee agreed to receive an updated report at the June meeting.**

## 7. Internal Audit

### 7.1 *Internal Audit Plan Progress Report*

George Bell spoke to this item and confirmed that progress is on course against the plan for 2017/18. George advised that two reports had been finalised since the last meeting and were being presented today. It was noted that the “Health & Social Care Integration – Risk Management” audit report would come forward to the June Audit Committee meeting.

**The Committee noted the progress report.**

### 7.2 *Internal Audit Report – Business Continuity*

Margaret Kerr introduced this report and advised that the report had an overall high risk rating. It was noted that there were two high rated findings, one medium rated finding and one low rated finding. Margaret referred to the executive summary and highlighted that the NHS is a reactive organisation due to the nature of the business and relies on key people to respond in an ever changing environment. Margaret referred to the first high risk finding regarding the quality and maintenance of the business impact analysis and plans in place. Margaret explained that although these are in place the quality and level of detail underpinning them is of mixed quality. The second high risk finding related to how business continuity linked with IT disaster recovery. Margaret stressed that this is an organisational prioritisation issue and not just for IT. The third and fourth findings of medium rating related to the linkage between business continuity and risk management and business continuity training and monitoring of training records respectively. Tim Patterson welcomed this report and explained that there are ongoing pressures, however agreed that it does need to be made a key priority. It was noted that actions have been agreed with the Board Executive Team and these will be corporately owned. An action plan is being pulled together against the recommendations and this will be shared with key personnel. It was noted that the audit report would be going to the Resilience Committee to have oversight of progress. Tim provided the Committee with assurance that it is the intention to ensure every business continuity plan is updated this year with focus being given to the top critical priority areas, which would be reviewed every six months. It was noted that areas of lower priority would be reviewed every two years. Margaret highlighted that testing a plan is an extremely valuable exercise to undertake. David Davidson enquired about the timescale for the Committee receiving an update. It was agreed that an update would be provided at the September meeting. Malcolm Dickson referred to the management comments on page 7 regarding the integration of business continuity and disaster recovery and asked for assurance that this is the viewpoint from across the organisation. June Smyth advised that these comments followed the lessons learnt exercise after the cyber attack in 2017. Karen Hamilton noted caution and reminded that this needed to be looked at from a broader perspective rather than just IM&T, however appreciated that the lessons learnt from this should be taken into account. Carol Gillie, on behalf of Stephen Mather, asked for assurance on the actions being undertaken and suggested that an update be provided to the Committee in six months time. This had previously been agreed. Stephen had also suggested that one Director should be overall accountable. Carol felt that Tim would be the most appropriate Director to do this with the support of his Executive Team colleagues. Tim confirmed that he was happy to do this, however felt it important that the Director who directly manages the General Managers is also named.

**The Committee noted the report and would receive an update on progress at the September meeting.**

### 7.3 *Internal Audit Report – Financial Efficiency Savings*

George Bell introduced this report which had an overall medium risk rating. George advised that there had been one high rated finding and one low rated finding. George explained that the high rated finding related to the £3.8m savings shortfall and the lack of a plan to address this. The low risk finding was in regard to the Better Borders Programme where it was recommended that a record is maintained to ensure that projects that fail to qualify for inclusion in the programme can be revisited at a later date if appropriate to do so. George also noted that some budget holders do not formulate plans to achieve 3% savings and recommended that these are produced going forward and assessed to ensure they are fit for purpose. George referred to the management comments on page 14 where it was noted that NHS Borders will be developing a long term plan to identify when and how a breakeven position will be attained. It was also noted for the finding relating to the Better Borders Programme that management have agreed to amend the tracker with additional columns to record all projects submitted but had not qualified for inclusion. June Smyth assured that projects that did not qualify for inclusion in the programme this year would be looked at again in future years. Malcolm Dickson enquired about timescales to revisit the Better Borders programme. Carol Gillie suggested inclusion in the 2019/20 audit plan. This was felt to be acceptable. Carol welcomed the report and agreed with the findings. Carol highlighted that the goal to attain a break even position had not yet been achieved and advised that options for non recurring savings to the level now required was unachievable. It was noted that Scottish Government have been made aware of this and further discussion has been requested on working together to get some non-recurring support. Work is also being undertaken on financial plans on a regional basis as well as within individual Boards. Margaret Kerr stressed that this situation is becoming more serious across NHS Scotland with cost pressures constantly going up, some of which cannot be controlled. Margaret highlighted the importance of Board Members having transparency and scrutiny. Karen Hamilton asked what would be a realistic timescale to see the benefits from the Better Borders projects. June advised that Better Borders had been running from August 2017 and provided an overview of the work undertaken to date whilst providing a flavour of the challenges encountered. Carol, on behalf of Stephen Mather, noted that some areas cannot be controlled and requested all Executive Directors undertake an assessment of their areas of responsibility and propose potential options. Carol agreed to engage with colleagues on this proposal and incorporate this into the financial planning process. Carol also agreed to provide an update to the September meeting on the high risk finding.

**The Committee noted the report.**

### 7.4 *Internal Audit Plan 2018/19*

Margaret Kerr spoke to this item. Margaret highlighted that the approach to undertaking the risk assessment and preparing the Internal Audit Plan was detailed on page 4. Margaret took the Committee through the proposed audits to be undertaken during 2018/19. Carol noted the “Information Asset Register” audit in quarter 3 would be aligned with the requirements of the GDPR. Carol also mentioned the “Medicines Administration – Home Care Services” audit for quarter 4 as she was pleased to see something linked to prescribing due to the escalating costs. The Committee discussed the various options that could be covered under prescribing and Margaret agreed to scope something out which would have Cliff Sharp as the Executive Lead. Malcolm Dickson did not feel that the “Complaint Handling” audit was the most appropriate use of time to get leverage in acceptable clinical performance. June Smyth advised that she was keen for this audit to be undertaken as there is a direct impact on individual patient cases who have

noted dissatisfaction. Malcolm noted that emergency patient flow appeared on numerous occasions and stressed he would like to see this flow right through to discharge.

Carol confirmed that the Board Executive Team had discussed the draft plan and feedback had been provided to Margaret. Margaret referred to the request for a reduction in fees and advised that she had looked at an appropriate mix of work whilst reviewing a reduction in fee and proposed a 9% reduction. Carol confirmed that she was content with this offer and recommended it was accepted by the Audit Committee.

### **The Committee discussed and approved the Audit Plan and audit fee for 2018/19.**

## **8. External Audit**

### **8.1 *External Audit Interim Management Report 2017/18***

Asif Haseeb introduced this item. Asif highlighted that the report was in a slightly different format to previous years. The Committee welcomed this as it was well presented. Asif referred to exhibit 1 which summarised the key systems and controls tested during the interim audit and exhibit 2 which detailed the key findings and action plan for 2017/18. Jonny Steen reported that within the conclusion detailed on page 5 the audit had concluded that NHS Borders had adequate systems and internal controls in place as well as compliance with policies and procedures. Jonny advised that the Finance Team had made good progress in developing working papers to assist with the Annual Accounts process. Jonny highlighted the seven areas that had been reviewed and advised that one piece of work is yet to be finalised, namely attending the theatre stock count the following week. The findings from this would be included within the annual audit report presented at the June meeting. Jonny reminded that reliance is placed on the work of PricewaterHouseCoopers (PWC), Internal Auditors and an annual review is undertaken by the NHS Greater Glasgow & Clyde External Audit team to ensure their work is adequate and complies with standards. Jonny was pleased to report that the review had concluded that PWC are compliant, however as none of this year's audit reports related directly to financial systems no reliance had been placed on PWC for the audit of the financial statements. Jonny referred to the key findings starting on page 7 which also provided management comments and targets and took the Committee through these. Jonny highlighted item 3 relating to the NFI exercise and confirmed that the NFI database for the 2016/17 exercise has now been updated and conclusions recorded. Jonny also referred to item 4 regarding GDPR progress and advised that this had been discussed with George Ironside and a summary was provided on where urgent action was required. Jonny referred to "other matters" detailed on page 9 and advised that the issue around the authorisation of journals was an area of risk as these are not authorised by a second more senior member of staff until the end of the financial year. Jonny advised that out of the five prior year findings detailed from page 10 onwards, three points were still outstanding. It was noted that the first two related to debtor write offs and reminded of the earlier discussion about the debt recovery agency. David Davidson referred to the mention of staff resources within the Finance Department and asked if this was an issue. Carol Gillie explained that to employ more staff would require more financial resource therefore they were trying to balance tasks against the current staffing. Susan Swan added that although there will always be a certain degree of risk she was confident that the department were not outwith the parameters. Karen Hamilton referred to the May 2018 deadline for compliance with GDPR as she was concerned that NHS Borders may not meet this deadline. June Smyth advised that it was just being flagged as a potential risk and assured that work has been cascaded out with timescales well in advance of the deadline. It was noted that progress is being monitored by the Information Governance Committee.

**The Committee noted the 2017/18 Interim Management Report.**

9. **Integration Joint Board**

David Davidson advised that he had attended the IJB Audit Committee earlier in the week and provided feedback from this.

**The Committee noted the link to the IJB Audit Committee papers.**

10. **Annual Accounts 2017/18**

10.1 *Annual Accounts Timetable*

Susan Swan spoke to this item. Susan explained that the dates were set around the June Audit Committee and highlighted key dates for the various elements of work. Susan advised that the date for the IJB Annual Accounts coming forward for noting was indicative until a Chief Financial Officer is in post.

**The Committee noted the key dates within the timetable for production of the 2017/18 Annual Accounts.**

11. **Items for Noting**

*11.1 Information Governance Committee Minutes: 11<sup>th</sup> December 2017 (Draft)*

No issues were raised.

**The Committee noted the draft Information Governance Committee minutes.**

12. **Any Other Competent Business**

As this was David Davidson's last meeting Carol Gillie took the opportunity to record her thanks to David for his contribution over the last seven years on financial leadership as well as personal support and wished him well for the future.

David noted his thanks for the support received from the Finance Team as well as Internal and External Audit.

13. **Date of Next Meeting**

Thursday, 14<sup>th</sup> June 2018 @ 2 p.m., Board Room, Newstead.

BE  
30.03.18