

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Thursday, 14th June 2018 at 2 p.m. in the Board Room, Newstead.

Present: Mr M Dickson (Chair)
Mrs K Hamilton
Dr S Mather

In Attendance: 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 (Left meeting at 3.30 p.m.)
Mrs S MacDougall, Risk & Safety Manager (Item 6.2)
Mrs L Paterson, Resilience Manager (Item 6.1)
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**

Malcolm Dickson welcomed those present to the meeting. Apologies had been received from Fiona Sandford, Jane Davidson and George Bell.

2. **Declaration of Interest**

There were no declarations of interest.

3. **Minutes of Previous Meetings: 21st March 2018**

The minutes were approved as an accurate record.

4. **Matters Arising**

Action Tracker

It was noted that there will be an increased focus on risk and a section will be included within future agendas. The format of this is still being worked through. The Terms of Reference will be updated to reflect this as part of the annual review.

The Committee noted the action tracker.

5. **Fraud & Payment Verification**

5.1 *Fraud Liaison Officer Update*

Susan Swan provided an update where it was noted that CFS are co-ordinating an investigation to which NHS Borders are linked. At this point in time any potential financial impact has not yet been quantified. Updates will be provided at future meetings.

The Committee noted the update.

5.2 *Report on MKU Thefts*

Carol Gillie spoke to this report which was a summary of the events produced by the Fraud Liaison Officer and actions that had been taken on the alleged thefts within the Margaret Kerr Unit. It was noted that Internal Audit have been asked to undertake a review, with the focus being on processes for receiving cash, which was anticipated to commence w/c 18th June 2018. Carol advised that the Endowment Fund Board of Trustees had received an update at their meeting the previous week and the Audit Committee would receive the Internal Audit report with findings/recommendations in due course. The recommendations would also be fed back to Trustees with proposed actions against these.

The Committee noted the update.

6. Governance & Assurance

6.1 *Resilience Committee Workplan 2018/19 - Draft*

Lorna Paterson spoke to this item. Lorna advised that a large part of the plan would be implementing the recommendations arising from the Business Continuity audit. Lorna referred to the update of the Major Incident Plan and confirmed that the completed action cards had been presented to the Strategy Group earlier in the day and training would be rolled out to ensure people are aware of their responsibilities. Karen Hamilton referred to the NHS Scotland Resilience Standards as she felt it would have been helpful to have received a hyperlink to access these. Lorna agreed to send these around the Committee for information. Malcolm Dickson enquired if joint exercises are still undertaken on a regional basis. Lorna advised that regional working is being revisited, however a local inter-agency exercise was undertaken a few weeks ago and went on to provide an update from this.

Carol Gillie asked Audit Committee members if they still felt it was beneficial having sight of the Resilience Committee workplan as this followed a long standing arrangement. Following discussion it was agreed that it would be appropriate for the Audit Committee to continue to have sight of this on an annual basis to provide assurance.

The Committee noted the 2018/19 Resilience Committee draft workplan.

6.2 *Update on Very High Risks*

Sheila MacDougall spoke to this item which provided an update on the very high risks on the risk register. It was noted that the Clinical Executive Operational Group are charged with monitoring and reviewing these. Karen Hamilton referred to the very high risk regarding patients absconding from community hospitals which had been tolerated for a considerable time and asked if this was acceptable. Sheila confirmed that this should not be tolerated and that they should be looking to lower this to at least a high level risk. Malcolm Dickson asked members if it would be beneficial to receive a refresh on how the risk management process/system works. Following discussion it was agreed that it would be helpful to do this at a Board development session and Carol Gillie agreed to speak with the Board Secretary to arrange this.

The Committee noted the report.

7. **Internal Audit**

7.1 *Internal Audit Plan Progress Report*

Margaret Kerr spoke to this item and confirmed that progress is on course against the plan for 2017/18.

The Committee noted the progress report.

7.2 *Internal Audit Report – Health & Social Care Integration – Risk Management*

Margaret Kerr introduced this item and advised that the report had an overall low risk rating. It was noted that there had been one medium risk finding arising from the audit, namely absence of risk identification, assessment and evaluation. Margaret confirmed that overall there are good processes in place. Stephen Mather was pleased to see this being taken forward, however did not expect to see a compiled risk register being presented to the Integrated Joint Board for quite some time. Margaret reminded that the audit had purely been undertaken from a Health perspective. Carol Gillie explained that NHS Borders have strategic risks which require to be reviewed now that the IJB is its own entity. It was noted that Robert McCulloch-Graham has work planned with his leadership team around this piece of work which would be helpful in moving forward. Stephen stressed the need for clear communication to ensure there is no duplication across the organisations.

The Committee noted the report

7.3 *Internal Audit Annual Report 2017/18*

Margaret Kerr spoke to this item and explained that the purpose of the report is to provide an opinion on work undertaken throughout the year on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It was noted that audit's role is to look at areas of risk with an expectation that some improvements will be required. Margaret referred to previous discussion on the audits with an overall high risk rating, namely Business Continuity Management and Financial Efficiency Savings. Margaret confirmed that on a day to day basis there are generally satisfactory processes in place to provide an opinion of reasonable assurance that there are no major weaknesses in the system of internal control.

The Committee noted the report.

7.4 *Internal Audit Charter*

Margaret Kerr spoke to this item which provided clarification around the arrangements in place. It was noted that this is issued as good practice and there were no changes from the previous version seen by the Committee.

The Committee noted the Internal Audit Charter.

7.5 *Updated Draft Internal Audit Plan 2018/19*

Margaret Kerr spoke to this item and advised that the plan had been updated following discussion at the last Audit Committee meeting around prescribing. It was noted that this had been actioned following input from management and was the only substantive change made to the overall plan. Stephen Mather enquired if this would include the wider aspect of medical medicine costs. Margaret confirmed that they would not be looking at wider pharmaceutical pricing and would be concentrating on what is within NHS Borders' control. Karen Hamilton asked if the audit would cover the re-ordering of medicines with a view to ascertaining those ordered unnecessarily. Margaret confirmed that it would. Karen also asked if the complaint handling audit would pick up on improvements following the move to

the new system. Carol Gillie confirmed that the audit is being undertaken on the back of this move to see if there is any further potential for improvement. Margaret clarified that there would be an additional charge for the audit looking at processes for receiving cash as discussed under item 5.2 and she expected the findings from this to be presented at the September Audit Committee meeting.

The Committee approved the Internal Audit Plan for 2018/19.

8. Corporate Governance Framework

8.1 Review of Corporate Governance Framework

Susan Swan spoke to this item and explained that the covering report provided details on the changes made since the last version seen at the session on 28th May 2018. It was noted that this document provides support to the Chief Executive in signing the Governance Statement. Susan referred to the draft letter to Scottish Government, which would be signed by Malcolm Dickson as Chair of the Audit Committee, confirming there were no significant issues to report.

Gillian Woolman welcomed this document in assisting members of the Audit Committee. Gillian commented on two points of accuracy, namely that the Signed Independent Auditor's Report for 2017/18 referred to on page 10 would not be signed until the Board meeting on 28th June 2018 and the draft letter to Scottish Government on page 100 only made reference to medium rated reports received from Internal Audit, however Gillian recalled that there was one high risk report received during 2017/18. Susan Swan agreed to make the necessary amendments. The Committee appreciated the content of the report in its final form and noted their thanks for this.

The Committee noted the report and the changes made to the Corporate Governance Framework.

9. Annual Accounts 2017/18

9.1 Final Annual Report and Accounts 2017/18

Susan Swan spoke to this item and explained that the covering report provided details on the changes made since the last version seen at the session on 28th May 2018. Susan was pleased to report that an unqualified opinion had been received. Susan advised that since circulation there had been four presentational amendments made which she took the Committee through and agreed to circulate for completeness.

Stephen Mather proposed that the Audit Committee expressed thanks to Susan and the Finance Team in producing the annual accounts and this was readily agreed.

The Committee noted the report and the adjustments made in finalising the 2017/18 Annual Report and Accounts and approved them being put forward to the NHS Borders Board meeting on 28th June 2018 for approval following advice received from External Audit.

9.2 Final Endowment Fund Annual Accounts 2017/18

Susan Swan spoke to this item and advised that the accounts had received an unqualified opinion and had been approved by the Endowment Fund Board of Trustees at their meeting on 6th June 2018. It was noted that Trustees will receive an update against the recommendations within the memorandum at the September meeting.

Margaret Kerr enquired if any declaration was required in relation to the alleged thefts within the Margaret Kerr Unit. Susan advised that she had received confirmation from Geoghegans, the External Auditor, that this is not required as it is an ongoing investigation.

The Committee noted the final Endowment Fund Annual Accounts for 2017/18.

9.3 *Final Patient's Private Funds Annual Accounts 2017/18*

Susan Swan spoke to this item and advised that the accounts had received an unqualified opinion. Susan confirmed that there was nothing of significance to be brought to the Committee's attention.

The Committee noted the final Patient's Private Funds Annual Accounts for 2017/18 and approved them being put forward to the NHS Borders Board meeting on 28th June 2018 for approval.

10. **External Audit**

10.1 *2017/18 Annual Audit Report (including ISA 260 Requirement)*

Gillian Woolman spoke to this item and was pleased to confirm that an unqualified opinion would be given following receipt of a signed letter of representation and the revised annual report and accounts being fully checked and agreed. Gillian referred to the key messages within Appendix A of the covering letter, the proposed Independent Auditor's Report, which concluded that a satisfactory opinion had been received for all areas covered. Gillian advised that there were no concerns detailed within the Letter of Representation from the Accountable Officer at Appendix B. Gillian then took the Committee through the annual audit report and brought any key areas to the Committee's attention. Gillian highlighted that NHS Borders' financial statements give a true and fair view and noted her thanks to the Finance Team for the improved working papers supplied to the audit team. Gillian confirmed that all financial targets had been achieved during 2017/18. Gillian highlighted the huge financial challenge that lay ahead and the need to identify savings and noted that a Financial Plan paper was due to go to the Board meeting on 28th June 2018. Gillian referred to Appendix 1 of the report which detailed recommendations for improvement with agreed management action and timescales.

Malcolm Dickson referred to the evaluation of misstatements detailed on page 8 and asked members if they were content that these were considered to be immaterial. Audit Committee members confirmed that they were content. Malcolm also referred to workforce planning on page 17 as he felt it would be helpful to know if there would be any impact due to the differing amount of income tax being paid north and south of the border. Asif Haseeb advised that if the trend continues we could see moves in future however it is still too early to gauge this at the present time. Malcolm highlighted the good practice on page 28 relating to the 'Back to Basics' programme and asked that this be made known to the Director of Nursing, Midwifery & Acute Services.

Carol Gillie noted her thanks to Audit Scotland for the professional way they had undertaken the audit. It was noted that a review would be undertaken in September to see if any further improvements could be made.

The Committee noted the report and endorsed the Annual Report and Accounts for 2017/18 to be put forward to NHS Borders Board for approval following advice received from External Audit.

10.2 *Good Practice Note – Improving the Quality of NHS Annual Report and Accounts – Performance Report*

Susan Swan spoke to this item which was in response to Audit Scotland's Good Practice Note issued in November 2017. Susan confirmed that this had been considered as part of the process in producing the Annual Report and Accounts for 2017/18 and that the report highlighted action taken during this period and action planned for 2018/19. It was noted that the Audit Scotland checklist had also been completed and was included to provide added assurance. Gillian Woolman noted her thanks for this exercise having been undertaken.

The Committee noted the report and the improvements made during 2017/18 as well as those planned for 2018/19.

11. **Integration Joint Board**

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

Asif Haseeb referred to the vacant Chief Financial Officer post and enquired who would be producing the Annual Report and Accounts for the IJB. Carol Gillie confirmed that David Robertson would be leading on this and would sign off the accounts with Leslie Gill supporting.

12. **Items for Noting**

12.1 Information Governance Committee Minutes: 30th March 2018 (Draft)

Malcolm Dickson referred to the KPI report at item 4.3 which stated that GP's would be asked if they would like to have access to undertake the information governance training on LearnPro. Malcolm asked if this was to enable them to fulfil their information governance responsibilities in respect of NHS Borders information technology. Susan Swan explained that the offer would be to give them access to available modules for their own information technology rather than them having their own training packages. It was noted that NHS Borders would have no accountability as GP's are independent contractors.

The Committee noted the draft Information Governance Committee minutes.

12. **Any Other Competent Business**

None.

13. **Date of Next Meeting**

Wednesday, 26th September 2018 @ 10 a.m., Board Room, Newstead.

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20.06.18