

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Monday, 17th June 2019 @ 2 p.m. in the Board Room, Newstead.

Present: Mr M Dickson, Non Executive Director (Chair)
Dr S Mather, Non Executive Director
Mr T Taylor, Non Executive Director

In Attendance: Ms K Brooks, Assistant Manager, Audit, Grant Thornton
Miss I Bishop, Board Secretary (Item 5.2)
Mr B Douglas, Head of Estates & Facilities (Item 6.2)
Mrs B Everitt, Personal Assistant to Director of Finance (Minutes)
Mrs C Gillie, Director of Finance
Mr A Haseeb, Senior Audit Manager, Audit Scotland
Mrs M Kerr, Director, PWC
Mrs S MacDougall, Risk & Safety Manager
Mr R Roberts, Chief Executive
Mr J Steen, Senior Auditor, Audit Scotland
Ms S Swan, Deputy Director of Finance
Ms G Woolman, Director, Audit Scotland

1. **Introduction, Apologies and Welcome**

Malcolm Dickson welcomed those present to the meeting. Apologies had been received from Mrs F Sandford, Non Executive Director, Dr T Patterson, Joint Director of Public Health, Ms J Brown, Head of Public Sector Assurance Scotland, Grant Thornton and Mr G Bell, Manager, PWC.

2. **Declaration of Interest**

There were no declaration of interests.

3. **Minutes of Previous Meeting: 20th March 2019**

The minutes were approved as an accurate record.

4. **Matters Arising**

Action Tracker

Stephen Mather referred to the first action on the tracker regarding the Audit Committee and Finance & Resources Committee having the same Chair when the Audit Committee Terms of Reference state that these roles should not be covered by the same person. Carol Gillie confirmed that she had raised this with the Chair and highlighted that the Terms of Reference state that ordinarily it should not be the same person, however at present the Board was not in an ordinary situation. Stephen appreciated this, however felt that when the Non Executive Directors are back to full compliment this should be revisited.

The Committee noted the action tracker.

Access to Audit Committee Minutes

Carol Gillie reminded of discussion around the Audit Committee minutes being made available to the IJB Audit Committee and advised that they are published as part of the NHS Borders Board papers and are available on NHS Borders' website. Iris Bishop agreed to make members of the IJB Audit Committee aware of this.

The Audit Committee noted the update.

5. **Governance & Assurance**

5.1 *Code of Corporate Governance Update – Section Update*

Iris Bishop spoke to this item. Iris explained that section A (How Business is Organised) had been updated to include the Terms of Reference (ToR) for the Finance & Resources Committee, remove the ToR for the Financial Performance Group and include the revised ToR for the Strategy & Performance Committee. Sheila MacDougall highlighted that under the Audit Committee ToR it still had the Director of Nursing, Midwifery & Acute Services as the lead for Risk when in fact this had changed to the Joint Director of Public Health. Iris agreed to make this amendment. Stephen Mather felt that in future it would be helpful to have any amendments as tracked changes so they are easily seen. Tris Taylor noted that there were differing figures on pages 17 and 49 for the number of core members on the Public Governance Committee. Iris confirmed that there should be four core members and would ensure that this is corrected. Tris also commented that as far as he was aware the Public Governance Committee was not a statutory committee. Iris advised that national guidance on governance is awaited, however she would expect this committee to abide by the same rules as the other Governance Committees and agreed to take this away to investigate.

The Committee reviewed Section A of the Code of Corporate Governance and recommended, with the changes discussed being made, that it be put forward to Borders NHS Board for approval.

6. **Internal Audit**

6.1 *Internal Audit Plan Progress Report*

Margaret Kerr confirmed that the plan for 2018/19 was now complete with the two remaining reports being on today's agenda. Tris Taylor assumed that the date recorded for the Medicines Cost audit fieldwork was a typo and should read December 2018 rather than December 2019. Margaret confirmed that was correct.

The Committee noted the progress report.

6.2 *Internal Audit Report – Estates & Facilities Time & Attendance*

Margaret Kerr introduced this report and advised that the report had an overall medium risk rating. It was noted that there were four medium rated and one low rated findings arising from the audit. Margaret explained that this was at the higher end of medium risk due to the number of findings. Margaret took the Committee through the findings where it was noted that there was generally a lack of formality around processes and arrangements in place. Margaret felt that in the current financial climate it may be worth considering if any other areas across the organisation have these weaknesses. Carol Gillie explained that since the audit being requested a Grip and Control Workstream has been established within Financial Turnaround and they will be looking at controls across the organisation. Brian Douglas clarified that the audit undertaken was for the Estates team only and

explained that due to the nature of the workforce it was worthwhile having a closer look at the controls in place. Brian advised that there is no manager on call as they work Monday to Friday 9 a.m. – 5 p.m. so there is potential for a lack of control. Brian confirmed that an action plan has been produced on the back of the findings which should be complete by the end of the calendar year. It was noted that HR have also had input into this. Stephen Mather suggested that the report be shared across the organisation to see if there was anything that could be applied in other areas. Carol Gillie agreed to put this on the Clinical Executive Operational Group agenda.

The Committee noted the report.

6.3 *Internal Audit Report – Staff Recruitment*

Margaret Kerr introduced this report and advised that the report had an overall low risk rating. It was noted that there was one medium rated and three low rated findings arising from the audit. Margaret referred to the medium risk finding regarding recruitment KPIs where it had been found that the management information underpinning processes was not sufficient. Margaret referred to finding 2 relating to the Board Executive Team's review of unfunded positions as due to the Board's financial position she would have expected to see the Executive Team approve these in advance of job offers being made rather than after. Bob Salmond referred to the recommendation regarding KPIs and advised that following implementation of JOBTRAIN, a national e-recruitment product, this would lead to more reliable KPI information. In regard to the unfunded posts it was noted that a rapid review of processes, due to the financial turnaround, had been undertaken with a new vacancy control process being put in place and as part of this the Board Executive Team would meet monthly to review vacancies within Support Services. Carol Gillie added that the Grip and Control Workstream have oversight of this and are able to challenge. Tris Taylor appreciated that the target date of 31 March 2020 was driven by implementation of the national system but was unsure why the KPIs could not be put in place quicker. Following discussion Bob committed to producing a local report which the Grip and Control Workstream would have oversight of by the 31st July 2019.

The Committee noted the report.

6.4 *Internal Audit Annual Report 2018/19*

Margaret Kerr spoke to this report which provided an annual audit opinion. Margaret advised that overall the opinion was generally satisfactory with some improvements required. Margaret referred to the executive summary which summarised the work undertaken throughout the year and concluded that controls are generally satisfactory with some improvement required. Margaret went on to highlight areas where improvement could be made. It was noted that the table on page 8 provided year on year comparisons for the Internal Audit work conducted, however this was not a direct comparison but for information. Margaret advised that the opinion is based on what has been undertaken during the year but stressed that the Board cannot lose sight of the challenge that lies ahead. Stephen Mather asked for assurance that any areas requiring improvement are being addressed. Carol Gillie advised that this can be sought from the audit-follow up report. It was noted that Grant Thornton will be picking up the audit follow-up process as this will provide more independent scrutiny.

The Committee noted the update

6.5 *Draft Internal Audit Plan 2019/20*

Kate Brooks spoke to this item which provided the Committee with the draft Internal Audit Plan for 2019/20 for comment and approval. It was noted that this had been discussed with the Interim Chair, Chair of the Audit Committee, Director of Finance and Deputy Director of Finance. Kate explained that the process to produce the draft plan had included reviewing the strategic risk register and previous audit plans to avoid duplication. It was noted that the plan reflects the transformation work that is being undertaken. Kate referred to appendix one which detailed the proposed audits and number of days. A total of 150 days was recorded to undertake the audits and follow-up process. Malcolm Dickson felt that in future it might be useful for the Audit Committee to review the strategic risk register along with proposals from management to input into the plan in advance of the financial year. Stephen Mather felt that the topics selected appeared to concentrate on corporate issues at the expense of operational matters and therefore didn't give a real flavour of what is going on in the organisation's core business. Stephen went on to provide some examples of where he thought savings could be made, such as community hospital beds and theatre usage. Ralph Roberts stressed the need to ensure that the correct areas are selected which will give most value for money. Carol Gillie advised that Joanne Brown, in preparing the plan, had attended a Board Executive Team meeting to ask members for their opinion as well as reviewing the strategic risk register and previous audit plans to avoid duplication. Kate added that should any further audits be added they would have to replace ones already within the plan. Ralph queried whether it had to be Internal Audit who looked at the suggested areas from Stephen or if there was another way of getting this information internally. Following discussion it was agreed to commence with the audits in quarter 1. Stephen noted that there was reference throughout the document to the Audit & Risk Committee and reminded that there has been no agreement to rename the Committee should it should only be the Audit Committee. Kate agreed to amend this. Sheila MacDougall suggested that the operational risk register also be reviewed as part of the process as well as the strategic risk register. Sheila also referred to the adverse events audit as she was surprised to see this as it had recently been reviewed by Health Improvement Scotland. Kate explained that when the plan was scoped out they had not been aware of this review being undertaken, however agreed to remove this audit and bring back an updated proposal to the next meeting. Kate highlighted that this would not affect the audits in quarters 1 and 2. Tris Taylor appreciated that the plan was still draft but queried if the number of days listed for the governance audit would be sufficient particularly due to the introduction of the Governance Blueprint in April 2019. As Interim Chair of the Public Governance Committee, Tris was keen that the public involvement and engagement audit remained in the plan.

The Committee reviewed, commented and approved quarters 1 and 2 of the Internal Audit Plan for 2019/20. An updated plan would be received at the next meeting.

7. **External Audit**

7.1 *2018/19 Annual Audit Report (including ISA 260 Requirement)*

Gillian Woolman spoke to this item and advised that the audit had been done undertaken using the International Standards on Auditing in the UK. Gillian referred to the section on misstatements and in particular the unadjusted misstatement for £132,000 which related to the understatement of the Board's CNORIS provision. It was noted that this was due to the timing of receiving clinical negligence amendments from Scottish Government. This was an issue across NHS Scotland and did not impact on the outturn position, therefore management within Borders have made the decision not to amend the accounts. Gillian

highlighted the representations from the Accountable Officer section where it stated that written representations from the Accountable Officer will be sought on aspects of the annual report and accounts, including the judgements and estimates made. Gillian was pleased to report that an unqualified opinion was given on the financial statements as at 31st March 2019. Stephen Mather asked for clarification around CNORIS. Gillian explained that there are two provisions with the second one relating to centrally held funding which led to Boards receiving the late notification. Gillian then took the Committee through the annual audit report whilst bringing any key areas to the Committee's attention. Susan Swan referred to paragraph 49 relating to budgetary processes and in particular improving the documentation of meetings with budget holders. Susan advised that the schedule of questioning had come forward from Internal Audit recommendations which had been picked up but not fully implemented across all budget holders, however it was planned to do this. It was noted that there had been agreement with the Chief Executive and Director of Finance to undertake a more targeted approach and look at the areas requiring more input in the first instance.

The Committee noted the report.

8. **Corporate Governance Framework**

8.1 *Review of Draft Corporate Governance Framework*

Susan Swan spoke to this item which was in the same format as previous years. Susan explained that the governance report provides support to the Chief Executive in signing the accounts as it lays out what has been considered throughout the year with the key point findings. It was noted that the Governance Assurance Statements had been supplemented with statements from the Executive Directors which followed a recommendation from External Audit. Susan also highlighted the draft letter to Scottish Government Portfolio Audit Committee regarding any significant issues arising during 2018/19. Susan confirmed that there were no significant issues to draw the Committee's attention to. It was noted that the document was still draft as the Internal Audit opinion and letter from External Audit was awaited so this would now be finalised. Tris Taylor referred to the Public Governance section on page 10 and in particular the last paragraph which stated that the Public Governance Committee had fulfilled its statutory obligations. Tris was not aware that they had any statutory obligations to fulfil. Following discussion it was agreed to reword this to read that the Committee had fulfilled its performance against the statutory obligations. Tris also referred to page 87, the assurance certificate signed by the Chief Officer, and enquired if the bullet point advising that "all significant projects have followed Project Management guidelines" applied to the Strata project. Stephen Mather confirmed that he was not aware of any issues and assumed that it had followed due process. Stephen Mather highlighted that the attendance was not included for the Clinical Governance Committee. Susan agreed to add this. Sheila MacDougall noted concern with the statement within the assurance certificate from the Director of Nursing, Midwifery & Acute Services that "there are no known non-compliance with relevant legislation or guidance during the year". Susan Swan agreed to raise this with the Director of Nursing, Midwifery and Acute Services and circulate the response around the Committee for information. Ralph Roberts advised that as Accountable Officer he was expecting a letter of comfort from the previous Chief Executive to aid the signing off of the Annual Accounts.

The Committee reviewed and commented on the Corporate Governance Framework.

9. Annual Accounts 2018/19

9.1 *Final Annual Report and Accounts 2018/19*

Susan Swan spoke to this item and highlighted within the report the changes that had been made to the Annual Accounts following the session held with Non Executive and Executive Directors on the 27th May 2019.

The Committee noted the adjustments made in finalising the 2018/19 Annual Report and Accounts and recommended they be put forward to Borders NHS Board for approval.

9.2 *Final Endowment Fund Annual Accounts 2018/19*

Susan Swan spoke to this item and advised that the Endowment Fund Annual Accounts had been approved at the Endowment Fund Board of Trustees meeting on 6th June 2019. It was noted that these formed part of the consolidated accounts and arrangements were in hand to get these signed.

The Committee noted the final Endowment Fund Annual Accounts for 2018/19.

9.3 *Final Patient's Private Funds Annual Accounts 2018/19*

Susan Swan spoke to this item and explained that the Patient's Private Funds Annual Accounts also form part of the consolidated accounts. It was noted that these had been audited by Geoghegans, the External Auditor, and an unqualified opinion had been received.

The Committee noted the final Private Patient's Funds Annual Accounts and recommended they be put forward to Borders NHS Board for approval.

10. Fraud & Payment Verification

10.1 *Countering Fraud Operational Group - Update*

Susan Swan reported that the meeting held the previous month had been the annual review with Counter Fraud Services (CFS) and there had been good attendance from across the organisation. It was noted that there had been discussion around the various initiatives available from CFS with one service taking up the offer of the cyber initiative.

The Committee noted the update.

10.2 *NFI Update*

Susan Swan spoke to this report which provided an update on the NFI exercise for 2018/19. It was noted that NHS Borders had received 1,228 matches with the investigative work on matches having commenced in February 2019. Susan was pleased to report that no fraud has been identified from these investigations so far, with the majority relating to supplier duplicate payments. Susan confirmed that the same process will be used as in previous years and an update will be provided at the next meeting.

The Committee noted the update.

11. Integration Joint Board

The Committee noted the link to the IJB Audit Committee agenda and minutes.

12. **Items for Noting**

12.1 *Information Governance Minutes: 5th March 2019*

Tris Taylor referred to item 7.4 regarding the email policy update. Tris appreciated that the focus was ensuring that patient data is kept safe but he did not feel that the current policy was explicit. These comments would be fed back.

The Committee noted the minutes of the Information Governance Committee.

13. **Any Other Competent Business**

As this would be Sheila MacDougall's last meeting, Malcolm Dickson noted his thanks on behalf of the Committee for all her advice as this had been appreciated. Malcolm also noted thanks to Margaret Kerr for the Internal Audit service provided by PricewaterhouseCoopers which has always been fair and balanced. Margaret noted thanks on behalf of herself and George Bell.

14. **Date of Next Meeting**

Monday, 16th September 2019 @ 2 p.m., Board Room, Newstead.

BE
24.6.19