

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Wednesday, 20th March 2019 @ 2 p.m. in the Board Room, Newstead.

Present: Mr M Dickson, Non Executive Director (Chair)
Mrs K Hamilton, Non Executive Director (Left meeting at 3.15 p.m.)
Dr S Mather, Non Executive Director
Mrs F Sandford, Non Executive Director

In Attendance: Mrs F Bathgate, Deputy Aseptic and Clinical Pharmacist (Item 6.3)
Mr J Cowie, Director of Workforce (Item 4)
Mrs B Everitt, Personal Assistant to Director of Finance (Minutes)
Mrs C Gillie, Director of Finance
Mr G Ironside, Senior Health Information Manager (Item 6.2)
Mrs M Kerr, Director, PWC
Mrs S MacDougall, Risk & Safety Manager
Mrs L Paterson, Resilience Manager (Item 4)
Mr J Steen, Senior Auditor, Audit Scotland
Ms S Swan, Deputy Director of Finance

1. **Introduction, Apologies and Welcome**

Malcolm Dickson welcomed those present to the meeting. Apologies had been received from Jane Davidson, Chief Executive, Tim Patterson, Joint Director of Public Health, Gillian Woolman, Director, Audit Scotland, Asif Haseeb, Senior Audit Manager, Audit Scotland and George Bell, Manager, PWC.

Karen Hamilton advised that she would have to temporarily stand down as a member of the Audit Committee in light of her role as Interim Chair but would still join the meetings in attendance. It was agreed to continue with three members for the time being.

2. **Declaration of Interest**

Margaret Kerr advised that she would leave the meeting for discussion at item 6.4.

3. **Minutes of Previous Meeting: 11th December 2018**

Margaret Kerr highlighted that her surname was incorrect twice on page 3.

The minutes were approved as an accurate record with the proviso that the changes discussed are made.

4. **Matters Arising**

Action Tracker

The Committee noted the action tracker.

Update on EU Withdrawal

John Cowie gave a presentation on Brexit providing background and an update on the current situation highlighting where there is a potential effect on NHS Borders. It was noted that a scenario exercise was taking place that day. Lorna Paterson went on to provide an update on reporting within the multi agency partnership which would officially begin the following week and would be required seven days a week. It was noted that focus would be on supplies, such as food and medicines. Fiona Sandford noted that there were 57 EU nationals within NHS Borders' workforce and asked for an update on any risks. John confirmed that there was no trend of EU nationals leaving and assured that contact is being maintained with those staff involved. Fiona also enquired about non food provisions and whether there were any vulnerable areas. Lorna Paterson advised that these are being dealt with nationally. Sheila MacDougall added that procurement risks, including an increase in prices, are included within the Risk Register.

The Audit Committee noted the update.

5. Governance & Assurance

5.1 *Audit Committee Terms of Reference*

Susan Swan spoke to this item. Stephen Mather asked if the Finance & Resources Committee was a Governance Committee reporting to the Board as the Terms of Reference for the Audit Committee stated that the Chair of this Committee could not be the Chair of any other Governance Committee of the Board which would mean Malcolm Dickson would be unable to chair both. Karen Hamilton advised that the Chair is currently realigning membership of the Governance Committees in light of her taking over as the Chair temporarily. Carol Gillie agreed to highlight this to the Chair. Stephen referred to the Internal Audit and External Audit sections on page 3 and asked if it would be appropriate to include a statement about best value and that they are appointed by NHS Borders and the Auditor General respectively. This was agreed. Stephen also referred to the second bullet point on page 4 stating the Committee "annually appraise the performance of the External Auditors" and asked if members had the authority to appraise the performance of External Audit. Jonny Steen advised that a questionnaire is issued periodically for completing. It was agreed that this should also be referenced within the Terms of Reference. Sheila MacDougall noted that the Director of Nursing, Midwifery & Acute Services was still listed as the Executive Lead for Risk Management and advised that this was now under the remit of the Joint Director of Public Health. Margaret Kerr stressed the need to be clear around the Committee's responsibilities and queried whether this should be an Audit & Risk Committee. The Committee discussed this and felt it would be appropriate for the Code of Corporate Governance Steering Group to take this forward and make recommendations to the Board. Carol Gillie to pick this up with the Code of Corporate Governance Steering Group.

The Committee reviewed and approved the Terms of Reference with the proviso that the additions discussed are added.

5.2 *Audit Committee Work Plan 2019/20*

Susan Swan spoke to this item. Malcolm Dickson referred to the deep dive for Risk which he assumed could be moveable. Carol Gillie advised that this was listed as an ad hoc to give the option should members feel this was necessary. Sheila MacDougall referred to the claims litigation which the Committee received twice per year and suggested that this be added to the work plan. Susan Swan agreed to add this.

The Committee approved the Work Plan for 2019/20 with the proviso that the item discussed be added.

5.3 *Audit Follow Up Report*

Susan Swan spoke to this item. Susan highlighted the new format of the report following discussion at the last meeting. Susan went on to provide the Committee with an update on the progress of recommendations received from both Internal and External Audit. Stephen Mather referred to table 4 as he was unable to follow this. Susan provided clarification and agreed to make this clearer in future reports. Stephen also referred to table 6 as he was concerned that the target dates were extremely overdue for two in particular, namely business continuity planning and the training of junior medical staffing. Susan reminded of the updates provided on these at previous meetings. Stephen felt it would be helpful to include the updates within the report to provide further clarity. Susan agreed to add a progress column to provide this.

The Committee noted the report.

5.4 *Debtors Write-Off Schedule*

This item was deferred to the next meeting.

6. **Internal Audit**

6.1 *Internal Audit Plan Progress Report*

Margaret Kerr confirmed that progress is on course against the plan for 2018/19. Margaret advised that the two remaining audits, namely Staff Recruitment and Estates & Facilities Time & Attendance Recording, would be completed well in advance of the June Audit Committee meeting. It was noted that the Estates & Facilities audit was an extra audit at the request of the Director of Finance. Carol Gillie provided an update on the reasoning for requesting this.

The Committee noted the progress report.

6.2 *Internal Audit Report – Information Asset Register*

Margaret Kerr introduced this item and advised that the report had an overall medium risk rating. It was noted that there was one high rated finding and three low rated findings arising from the audit. Margaret referred to the high rated finding, namely that the Information Asset Register (IAR) is incomplete with only 42% of owners having submitted their local IARs for review and consolidation into the master IAR. Margaret explained that due to this they were unable to give assurance that the system is working well. George Ironside welcomed the report and confirmed that there would be engagement with Directors to encourage key senior staff to complete their local IARs and this would be pursued over the next two months. George added that it was also the intention to request an annual return to provide added assurance. Fiona Stanford appreciated that there was compliance, however felt that early 2018 was quite late to start this process and was surprised to see only a 42% response rate. Fiona asked how much confidence there was that this action will be completed and if the Board could do anything to help. George appreciated that it would be challenging but did not feel it would be hugely onerous as the information should be readily available. It was noted that a communication will be issued across the organisation by the end of the month. Sheila MacDougall commented that from experience the key to completing this is to secure support from the Information Governance Team as this is invaluable to ensure it is done correctly. George explained that there is a finite resource within Information Governance and that he would be looking at the overall resource within this area. Margaret referred to the lower rated recommendations and advised that these have all been accepted and are being taken forward.

The Committee noted the report.

6.3 *Internal Audit Report – Medicine Costs (Healthcare at Home)*

Margaret Kerr introduced this item and advised that the report had an overall high risk rating. It was noted that there was one high rated finding, two medium rated findings and one low rated finding arising from the audit. Margaret highlighted the high rated finding, namely there was a lack of proper governance and oversight of the medicines homecare arrangements which may expose the Board to a number of clinical, legal or financial risks. Fiona Bathgate advised that a policy is being written and is due to go to the Area Drugs & Therapeutics Committee in May 2019 for approval. Malcolm Dickson referred to management comments on page 6 and asked if the Area Drugs & Therapeutics Committee was the appropriate route for this. Margaret confirmed that it was. Fiona also advised that there are now Service Level Agreements (SLA) in place for two of the three companies used, prepared using the NHS Scotland standard SLA, and these will be signed by NHS Scotland on behalf of all Boards in the near future. It was noted that alternatives to using spreadsheets has also been pursued to minimise risk as these can be prone to errors and project support was now in place to progress this. Stephen Mather was unaware that there were contracts in place with external suppliers to provide this service and asked if this could be something NHS Borders takes forward. Carol Gillie advised that this had been raised previously and that there would be issues with the Inland Revenue, however she agreed to raise with the PMO to ascertain if it may be worthwhile looking into it again. Fiona agreed to feedback to the Director of Pharmacy that an update would be required by the end of May 2019 to provide assurance that the recommendations are progressing.

The Committee noted the report.

6.4 *Appointment of Internal Auditor*

Internal Audit were not present for this item

Carol Gillie spoke to this item. Carol advised that the paper had been circulated to Audit Committee members previously recommending approval of a 12 month contract with Grant Thornton/NHS Lothian. It was noted that meetings have since taken place between Grant Thornton and key personnel. Carol explained that to provide additional independence it was being suggested that Internal Audit do a trial of undertaking the audit follow up process. Stephen Mather referred to option 3 and noted his concern around this, namely using an existing contract which is in place with another Board. The Committee appreciated the risk but accepted this recommendation as the way forward.

Carol confirmed that there had been discussion about the audit plan and a draft would be circulated in the near future for approval at the next meeting. Malcolm Dickson stressed the importance of assessing how things are working half way through the contract. Carol suggested adding this to the work plan around October. Susan Swan agreed to add this. Stephen felt it might be helpful meantime to have sight of some sample reports. Carol agreed to speak with colleagues at NHS Lothian to ask if they would be willing to share any in confidence.

The Committee noted the update

7. External Audit

7.1 *External Audit Interim Management Report 2018/19*

Jonny Steen spoke to this item. Jonny explained that under the Code of Audit Practice they were required to seek assurance that there were satisfactory systems of control in place and compliance with policies and procedures. Jonny highlighted the conclusion on page 4 which confirmed that adequate systems were in place and there was compliance with policies and procedures. Jonny referred to exhibit 1 on page 5 which detailed the key controls tested for each system listed. Jonny advised that a review on the adequacy of work and compliance with the Public Sector Internal Audit Standards had been undertaken on PricewaterHouseCoopers (PWC), Internal Auditors, where they had been found to be compliant subject to one point. This was in regard to the external quality review which had been completed on PWC's work for another Scottish Health Board where they have provided Internal Audit services. Johnny highlighted that it would be advisable for the Audit Committee to consider quality arrangements as part of the Board's next Internal Audit appointment. Carol Gillie agreed to take this forward. Jonny took the Committee through the remainder of the report which listed the main findings from the audit, with recommendations, including target dates, and management responses noted. Malcolm Dickson felt that the management responses were sparse in some instances but appreciated that the recommendations had been accepted and would be taken forward.

The Committee noted the report.

8. Integration Joint Board

The Committee noted the link to the IJB Audit Committee agenda and minutes. Carol Gillie agreed to look at how we can share our minutes with the IJB Audit Committee.

9. Fraud & Payment Verification

9.1 *Countering Fraud Operational Group - Feedback*

Susan Swan provided an update on recent activity and advised that the next meeting in May 2019 will be the annual review meeting with CFS. It was noted that a questionnaire has been completed and feedback will be captured as part of the annual review meeting.

The Committee noted the update.

9.2 *NFI Update*

Susan Swan spoke to this item where it was noted that the 2018/19 data sets had been submitted in October with matches being received in January. Susan explained that the report received includes a risk assessment in terms of payments which helps grade the level of urgency for investigating. Susan highlighted the second table on page 2 which detailed the various types of potential matches, such as employees working within another Board whilst being off sick or duplicate payments being made. It was noted that External Audit will review the process during their annual audit in May 2019. An update would be provided at next meeting.

The Committee noted the update.

10. **Risk Management**

10.1 *Update on Very High Risks*

Sheila MacDougall spoke to this item. Sheila was pleased to report that there had been movement since the previous report with three very high risks being managed to a lower risk level and one being fully mitigated. Sheila reminded the Committee that the Clinical Executive Operational Group had oversight of the high and very high risks. Sheila highlighted threats to corporate objectives where it was noted that the biggest concern is the quality of services, however this may change as the organisation moves through transformational change and financial scrutiny. Sheila referred to the risk appetite and confirmed that a review of the Risk Management policy has been undertaken which included the organisation's risk appetite. It was noted that the policy has been agreed by the Clinical Executive Operational Group and will be put forward to the Board for approval. Stephen Mather referred to the risk on page 14 regarding absconding patients as he was concerned that the review of security within community hospitals had not yet commenced as this could be a reputational risk for the organisation. Sheila confirmed that this has been raised at the Clinical Board meetings and she has been given assurance that a manager is now in post and this will be looked at as a priority. The Audit Committee members expressed concerns around timescales for some of the risks and asked that these be addressed timeously. Sheila agreed to feed this back to the Chair and Vice Chair of the Clinical Executive Operational Group.

Malcolm Dickson asked if it would be beneficial to include an exercise on the organisation's risk appetite as part of the Board Development Session on risk. It was agreed that this would be beneficial, however it would be key that people understood what is meant by risk appetite. Sheila agreed to include this with the session on risk.

The Committee noted the report.

11. **Annual Accounts 2018/19**

11.1 *Annual Accounts 2018/19 Timetable*

Susan Swan spoke to this item which provided key dates for the production of the 2018/19 annual accounts. Susan highlighted two additions, namely assurance statements from the Executive Directors and the Chief Finance Officer presenting the draft IJB Annual Accounts at the June meeting. It was noted that the item relating to the IJB Annual Accounts was indicative at the moment and yet to be confirmed. Carol Gillie advised that the new Chief Executive was aware of the arrangements.

The Committee noted the timetable for the 2018/19 annual accounts.

13. **Any Other Competent Business**

None.

14. **Date of Next Meeting**

Monday, 17th June 2019 @ 2 p.m., Board Room, Newstead.