

Borders NHS Board



Meeting Date: 4 February 2021

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| Approved by: | Iris Bishop, Board Secretary |
| Author: | Iris Bishop, Board Secretary |
| AUDIT COMMITTEE MINUTES: 14.09.2020, 22.10.2020 | |
| Purpose of Report: | |
| The purpose of this report is to share the approved minutes of the Audit Committee with the Board. | |
| Recommendations: | |
| The Board is asked to note the minutes. | |
| Approval Pathways: | |
| This report has been prepared specifically for the Board. | |
| Executive Summary: | |
| The minutes are presented to the Board as per the Audit Committee Terms of Reference and also in regard to Freedom of Information requirements compliance. | |
| Impact of item/issues on: | |
| Strategic Context | As per the Audit Committee Terms of Reference. As per Freedom of Information requirements compliance. |
| Patient Safety/Clinical Impact | As may be identified within the minutes. |
| Staffing/Workforce | As may be identified within the minutes. |
| Finance/Resources | As may be identified within the minutes. |
| Risk Implications | As may be identified within the minutes. |
| Equality and Diversity | Compliant. |
| Consultation | Not Applicable. |
| Glossary | Not Applicable. |

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Monday, 14th September 2020 @ 2 p.m. via MS Teams.

Present: Mr M Dickson, Non Executive Director (Chair)
Mr B Brackenridge, Non Executive Director Elect

In Attendance: Mr A Bone, Director of Finance
Mrs J Brown, Director, Audit, Grant Thornton
Mrs B Everitt, Personal Assistant to Director of Finance (Minutes)
Mr J Fraser, Associate, Grant Thornton
Mrs K Hamilton, Chair
Mr A Haseeb, Senior Audit Manager, Audit Scotland
Mrs L Pringle, Risk Manager
Mr R Roberts, Chief Executive
Mr J Steen, Senior Auditor, Audit Scotland
Ms S Swan, Deputy Director of Finance, Head of Finance
Mrs G Woolman, Director, Audit Scotland

1. **Introduction, Apologies and Welcome**

Malcolm Dickson welcomed those present to the meeting, and in particular to Bill Brackenridge who has been co-opted as a temporary Non Executive Director due to recruitment for Non Executive Directors being paused. It was noted that Bill was covering the vacancy on the Committee left by Stephen Mather. Malcolm, on behalf of the Committee, noted his thanks to Stephen who had been a huge asset on the Audit Committee.

Apologies were received from Mrs L Farrell, Audit Manager, Grant Thornton, Mrs F Sandford, Non Executive Director and Dr T Patterson, Director of Public Health.

2. **Declaration of Interest**

Gillian Woolman, for the benefit of the new Audit Committee member, advised she is the appointed auditor for Scottish Borders Council and the Integrated Joint Board (IJB). It was also noted that Asif Haseeb is the lead auditor for the IJB.

3. **Minutes of Previous Meeting: 15th June 2020**

The minutes were approved as an accurate record.

4. **Matters Arising**

Action Tracker

The Committee noted the action tracker.

5. Governance & Assurance

5.1 *Audit Follow Up Report*

Jamie Fraser spoke to this item. Jamie reported that since the last meeting nine recommendations had been closed by management. It was noted that for 17 recommendations the implementation dates had been revised and were not yet due, this was primarily due to the Covid19 pandemic and capacity issues. Jamie highlighted that there were two recommendations where he had been unable to get an update. Jamie drew the Committee's attention to the recommendations with the revised timescales and asked members if they were content with these or if they wish Internal Audit to continue to request updates. Malcolm Dickson felt that these recommendations should remain on the follow up report and updates sought. Bill Brackenridge agreed but added that he would like to see action to close these as he was concerned at the large amount of recommendations awaiting closure. Bill felt that management should either deal with these or provide a reason why they can't be progressed. Both Andrew Bone and Ralph Roberts agreed that there had been necessary slippage with these due to the pressures of Covid19, however there was now a need to refocus and felt the revised timescales were achievable. Andrew referred to the two budgetary recommendations and advised he would ensure that these are delivered by the end of the calendar year. Bill did not feel it was unreasonable to expect these recommendations to have been dealt with by the next meeting on the 14th December and if they are not then a report should be requested to provide an update. Andrew Bone agreed to pick up with management via the Board Executive Team to ensure these are delivered within the revised timescales noted. Karen Hamilton referred to the Public Engagement and Involvement recommendations and noted that the revised timescales were yet to be confirmed. Karen was aware that understandably there had not been much progress but queried if the Audit Committee should now be requesting specific timescales for completion. Andrew agreed to liaise with June Smyth around the Engagement Plan for 2021/22 and ask that this be brought to the next meeting on 14th December 2020 by way of an update. Malcolm Dickson referred to Risk Management, which was rated as high risk, and highlighted that the KPIs had not been updated or monitored during the pandemic period due to resource being redirected to Covid19 work. Ralph stressed that it was important to recognise the work that has been undertaken around risk management, with focus being on the Covid19 risk register, however this was now moving back to the organisation's operational risks. Bill stressed that if auditors highlight something as a high risk, Covid should not be used as a reason not to progress, these should be seen as high risk and dealt with appropriately in the organisation.

Jo Brown agreed to take on board the Audit Committee's comments when picking up with key contacts during the next follow up exercise and for the remainder of the year would work closely with management when they submit responses to ensure timescales are achievable.

The Committee noted the Audit Follow Up report.

The Committee noted that updates from management on recommendations where timescales had slipped would be fed in through the Audit Follow Up process and reported at the next meeting.

6. Internal Audit

6.1 *Internal Audit Plan Update Report*

Jo Brown spoke to this item and advised that since the last meeting the Estates and Facilities report had been issued in draft. This would come as a final report to the December meeting along with the Delayed Discharges (IJB) and Pharmacy Controls reports. Malcolm Dickson referred to the Primary Care Improvement Plans (PCIP) audit and enquired if the GP Sub Committee had been consulted on the proposed timing. Jo was unaware if they had been but advised that the scope was yet to be finalised. Bill Brackenridge commented that GPs are doing a fantastic job in the current circumstances and felt it was very important that this was not seen as an additional priority for them at the present time. Ralph Roberts agreed that there should be a conversation with GPs to alert them to this audit which he believed would be welcomed as it would provide reassurance. It was agreed that Rob McCulloch-Graham should raise this with GP Execs. Ralph also agreed that the work involved should be kept to a minimum. Andrew Bone added that the timeline for the plan to be delivered and implemented was the 31st March 2021 and felt that the timing of the audit in January would complement this. Malcolm also referred to the timing of the Financial Transformation audit, noted as January 2021, and enquired if Financial Turnaround would have been restarted sufficiently to allow this to be beneficial. Andrew advised that at this stage he was unable to comment and reminded of the discussion at the last meeting where it was the Committee's view that this audit should take place to follow up on the actions which had arisen the previous year. It was noted that it would be raised with Internal Audit if a change in timing was required.

The Committee noted the update report.

6.2 *Internal Audit Charter 2020/21*

Jo Brown spoke to this item. Jo advised that the content was largely the same as previously received and sets out how Internal Audit complies with public sector standards. Malcolm Dickson referred to the independence and objectivity section on page 3 as he did not feel that this read like there was any influence from NHS Borders. Jo assured that they work closely with management around objectivity and in turn this is reported through the Audit Committee. Malcolm also mentioned key performance indicators (KPIs) detailed within appendix 2 and assumed that the Audit Committee could suggest other KPIs if they wished. Jo confirmed that they would be happy to look at these should the Committee have any suggestions to put forward.

The Committee noted the Internal Audit Charter for 2020/21.

7. External Audit

7.1 *2019/20 Financial Statements Audit - Update*

Gillian Woolman reported that this was year 4 of Audit Scotland's 5 year appointment, however in light of Covid19 this had been extended by 1 year making a total of 6.

Gillian advised that the original agreed date of 5th May to commence the audit had subsequently been changed to 5th August, with a revised date of 30th September for submission of the accounts to Scottish Government. However due to resource challenges within NHS Borders this had not been achieved. Gillian confirmed that there had been good communication throughout, and with additional resources being sought for the Audit Scotland team, a revised date of 22nd October 2020 had been agreed by both parties for submission of the accounts. It was noted that the Director of Finance has kept Scottish Government up to date on the situation. Malcolm Dickson advised that Audit Committee

members had been given the opportunity of a private meeting with External Audit and this had taken place prior to today's meeting. Malcolm added that he had also been kept fully updated by the Director of Finance and he was very much aware of the flexibility shown by Audit Scotland around juggling resources and this has been very much appreciated. Andrew Bone re-iterated that it has been a challenging process and also noted his gratitude to Audit Scotland for their support and flexibility.

Asif Haseeb provided an update on the audit and advised that a clearance meeting was currently scheduled for 22nd September 2020 where key findings would be presented. The draft report and accounts would be presented to the Audit Committee on the 22nd October before going forward to Borders NHS Board for formal approval on the same date and subsequent submission to Scottish Government.

The Committee noted the update.

7.2 *Covid19 – Guide for Audit and Risk Committees*

Gillian Woolman advised that Audit Scotland now have a Covid19 Hub of publications and briefings and the guide presented today was the most recent which detailed key areas for consideration during the Covid19 pandemic. Gillian felt it may also be of benefit to the wider Board. Gillian took the Committee through the guide and highlighted key points. Andrew Bone agreed that this was a very helpful document and undertook to consider the options in the guide and prepare a report for consideration.

The Committee noted the guide prepared for Audit and Risk Committees.

8. **Fraud & Payment Verification**

8.1 *Countering Fraud Operational Group – Update*

Susan Swan reported that the Countering Fraud Operational Group had not met recently, however assured that the regular updates received are circulated around the group to take forward appropriately across the organisation.

The Committee noted the update.

8.2 *NFI 2018/19 Exercise Report*

Susan Swan spoke to this item. Susan advised that the report had been received in July and closed off the exercise which had commenced in 2018. Susan was pleased to report that no fraudulent activity had been identified within NHS Borders. Susan highlighted that although there is no direct financial benefit to NHS Borders, the participation makes a significant contribution to benefits gained across the wider public sector in Scotland. Gillian Woolman added that Covid19 has heightened the risk of fraud and this exercise is a helpful control going forward in the new environment.

The Committee noted the report.

8.3 *NFI Update*

Susan Swan spoke to this item which provided an update on the actions required for the 2020/21 exercise. Susan highlighted the timetable which detailed the timing for each activity and NHS Borders' current status. Susan confirmed that access to the database has been set up and data will be uploaded between the timescales detailed. Susan assured that all matches would be investigated. It was noted that the Audit Committee would continue to receive updates on a quarterly basis.

The Committee noted the update report.

9. **Risk Management**

9.1 *Update on Very High Risks*

Lettie Pringle spoke to this item. Lettie advised that the report received today was different to that received previously as the Covid19 risks have now been included. Lettie highlighted the main points within the report and explained that Covid19 has been the priority but as Ralph Roberts indicated earlier they are now getting back to business as usual. Lettie appreciated the impact there has been around resources for risk owners and confirmed that the Risk Management Board (RMB) would be looking into this. It was noted that training is also an issue as face to face training is not possible in the current climate, however eLearning training continues. Lettie advised that the RMB has adjusted its remit to include Covid19 risks. Malcolm Dickson enquired if it was the intention to combine both registers. Lettie advised that this had been discussed at the August RMB meeting where the group had decided not to merge these at present due to the potential of a second wave of Covid19. Bill Brackenridge commented that this was a very reassuring report which stated that things are under control and noted that there have also been developments.

The Committee noted the report.

10. **Integration Joint Board**

It was noted that Karen Hamilton is now the Chair of the IJB Audit Committee. Karen advised that the last meeting had been to review the IJB Annual Accounts.

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

11. **Items for Noting**

11.1 *Audit Committee Self Assessment Checklist - Findings*

Andrew Bone spoke to this item. Andrew advised that the Audit Committee members had completed the self assessment on the 3rd August 2020 and the output was attached at appendix A. Following this exercise two actions had been identified, namely how the Board seeks assurance that the relevant Governance Committees are performing all duties expected of them and consideration should be given to seek the views of the other Governance Committees prior to finalising future Internal Audit plans. For the first action Andrew Bone would pick this up with the Chair and Chief Executive. For the second action, Malcolm Dickson stressed that he would not wish to hold up the Internal Audit plan timetable to allow for this and suggested that perhaps the Chairs of the Committees could be asked for comment if meetings were not scheduled within the timescales. Jo Brown agreed to look to build this into the timeline for future audit plans.

The Committee noted the completed self assessment and the agreed actions arising from this.

12. **Any Other Competent Business**

None.

13. **Date of Next Meeting**

Monday, 22nd October 2020 @ 9 a.m., Microsoft Teams
Monday, 14th December 2020 @ 2 p.m., Microsoft Teams

BE
21.09.20

Minutes of a Meeting of **Borders NHS Board Audit Committee** held on Thursday, 22nd October 2020 @ 9 a.m. via MS Teams.

Present: Mr M Dickson, Non Executive Director (Chair)
Mr B Brackenridge, Non Executive Director Elect (Left at 9.40 a.m.)
Mrs F Sandford, Non Executive Director

In Attendance: Mr A Bone, Director of Finance
Mrs B Everitt, Personal Assistant to Director of Finance (Minutes)
Mrs K Hamilton, Chair
Mr A Haseeb, Senior Audit Manager, Audit Scotland
Mr T Patterson, Director of Public Health
Mr R Roberts, Chief Executive
Mr J Steen, Senior Auditor, Audit Scotland
Ms S Swan, Deputy Director of Finance, Head of Finance (Arrived at 9.55 a.m.)

1. **Introduction, Apologies and Welcome**

Apologies were received from Mrs J Brown, Director, Audit, Grant Thornton and Mrs G Woolman, Director, Audit Scotland.

2. **Declaration of Interest**

Malcolm Dickson declared that this sister in law is an Executive Director at Northumbria Healthcare Trust.

3. **2019/20 Annual Audit Report (including ISA 260 requirement)**

Asif Haseeb introduced this item. Asif referred to the covering letter to Audit Committee members which noted that an 'Emphasis of matter: valuation of land and buildings' paragraph had been included drawing attention to section 29 of Note 1 which described the effects of material uncertainties caused by Covid19, declared in the valuation report of land and buildings. Asif confirmed that the audit opinion was not modified in respect of this matter. Asif confirmed that the remainder of the report was in the same format as previous years. Asif referred to the section on misstatements and confirmed that the audit had not identified any unadjusted misstatements. In regard to fraud and compliance with laws and regulations, Asif confirmed that management were not aware of any non compliance. Asif referred to the Letter of Representation which was in a similar format to last year but made reference to the uncertainty created by the impact of the Covid19 pandemic. Asif highlighted the last section on outstanding matters where it noted that the accounts would be signed off electronically prior to submission to Scottish Government.

Jonny Steen went on to take the Committee through the annual audit report whilst bringing key areas to the Committee's attention. Jonny was pleased to report that the audit opinion on the annual report and accounts was unmodified. Fiona Sandford referred to item 6 under key messages regarding the three year financial plan which reported an unbalanced position and forecast additional brokerage of £7.9M would be required in 2020/21, noting that the brokerage

funding would be subject to repayment if a balanced position was not achieved in the three year period. Fiona enquired if the three year period ended on 31st March 2021. Jonny advised that the three year period ended on 31st March 2023 and offered to reword this if necessary to provide clarity. Jonny took the Committee through part 1 of the report which detailed the audit of the 2019/20 annual report and accounts. Jonny highlighted the section on materiality which noted this as being £2.6M in total overall and concluded that some revisions had been required. It was noted that all the misstatements found had been adjusted within the accounts presented today. Jonny referred to exhibit 3 on page 9 which detailed the findings and recommendations from the audit of the financial statements in accordance with ISA 260 and went on to take the Committee through these. Andrew Bone accepted all the recommendations made and confirmed that these would be taken forward. In terms of the delay to preparation of the accounts Andrew gave assurance that actions will be in place in advance of next year's review to mitigate risk of disruption to the timetable. Jonny referred to part 2 of the report in regard to financial management which summarised the financial outturn and the pressures faced by the Board. Jonny highlighted page 12 which noted that the Board remained at Escalation Level 4 in the NHS Performance Framework and continue to face significant financial challenges. Jonny noted that although the Board has a three year financial plan, due to Covid19 there was still a lot of progress to be made with this. Karen Hamilton commented that the statement regarding the Board being on Level 4 did not reflect that this was in fact due to leadership issues as it would have remained at Level 3 in regard to the financial position. Karen assured that the Board are working hard to address these issues to bring this back down to Level 3. Asif agreed to work with Andrew to consider whether revised wording was required for this section. Jonny advised that part 3 of the report on financial sustainability detailed the challenges the Board faces in terms of efficiency savings. It was noted that the full implications of Covid19 and the impact on the Board's financial plans had still yet to be assessed. Part 4 of the report, in relation to governance and transparency, noted that there were satisfactory arrangements in place. Jonny highlighted that the IT infrastructure / resources required to be prioritised to continue to improve service upgrades and enhance cyber security. At part 5 of the report, value for money, it was noted that service performance had been variable during 2019/20 with only 5 out of the 13 Key Performance Indications (KPIs) being achieved and some waiting time targets missed. Malcolm Dickson appreciated the position on KPIs but highlighted that that NHS Borders still perform better than the Scottish average in most of these. Ralph Roberts noted the amber RAG status for CAMHS waiting times and advised that this would have been green had it not been for Covid19.

Malcolm referred to page 17 and reference to the three year financial plan which forecast an additional £7.9M of brokerage being required in 2020/21 and would be subject to repayment if a balanced position is not achieved during the three year period. Malcolm felt that this implied that repayment would not be required if the Board were to break even and suggested this be reworded to provide clarity. Andrew Bone referred to paragraph 56 on page 18 regarding savings of £1.6M which required clarification that these would be recurring savings. Andrew confirmed that there was also non recurring savings and these could be provided for the final version of the report. Audit Scotland to make the necessary changes to the report.

Malcolm noted his thanks to Audit Scotland for their flexibility throughout the audit.

The Committee noted the 2019/20 Annual Audit Report from External Audit.

4. **Corporate Governance Framework**

4.1 *Review of Corporate Governance Framework 2019/20*

Andrew Bone spoke to this item. Andrew advised that the report received was in the same format as that seen by the Committee in previous years and included Statement of Assurances from the Governance Committees, the Annual Fraud Report, Losses and Compensations, Property Transactions and Certificates of Assurance. Andrew referred to the Statement of Internal Control which the Committee would be familiar with, however highlighted the changes in leadership that had taken place during the year and the impact of Covid19. Andrew was pleased to report that no significant issues required to be brought to the Committee's attention. It was noted that the 2019/20 Internal Audit reviews had reported two "high" rated recommendations in relation to risk management. Andrew referred to the section on Assurance Statements from Executive Directors which outlined that Executive Directors are required to sign Assurance Statements to provide assurance to the Accountable Officer that organisational objectives will be achieved. Andrew then took the Committee through the Statement of Assurances from the Governance Committees where it was noted that there were no significant issues to raise. Andrew highlighted the statement from the Information Governance Committee and although there were no significant issues to raise, they had flagged a number of areas to be brought to the Committee's attention. Andrew highlighted the Best Value Statement which noted that the Board remains at Level 4 on the NHS Scotland Performance Escalation Framework but assured that there were no significant issues to be disclosed around Best Value. It was noted within the Internal Audit report section that the Chief Internal Auditor's opinion for 2019/20 stated that 'reasonable assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'. Reference was also made to the Internal Audit reviews which had been rated as high risk. In regard to Third Party Assurances it was noted that there are currently three arrangements in place, namely Practitioner and Counter Fraud Services, National IT Services and the National Single Instance (NSI) of the Finance System. The Service Audit Report in relation to NSI financial ledger services was unqualified, however the other two had resulted in a qualified opinion. Andrew advised that Health Boards would be working closely with these services going forward to seek assurance.

Karen Hamilton felt that a structure chart detailing the reporting arrangements of the Governance Committees would have been helpful as an appendix. It was agreed to look at incorporating this for future years.

The Committee reviewed and commented on the Corporate Governance Framework for 2019/20.

5. **Annual Accounts 2019/20**

5.1 *Final Annual Report and Accounts 2019/20*

Andrew Bone spoke to this item. Andrew reminded that the Annual Report and Accounts had been reviewed by Non Executive and Executive Directors at the session on 5th October 2020. Andrew highlighted some minor formatting and referencing issues, as advised by Audit Scotland, which would be actioned within the final pack and assured that none of these were material. Asif Haseeb confirmed that these were all of a minor nature and the accounts could go forward for approval subject to these changes being made. Andrew highlighted page 261 of the pack in reference to the "Emphasis of Matter" section of the Auditors report. Andrew advised that the valuation of land and assets may present

an ongoing challenge for the 2021/22 accounts should Covid19 remain a factor at March 2021.

The Committee noted the final Annual Report and Accounts for 2019/20 and the most recent adjustments made to these. Subject to the minor amendments as advised by Audit Scotland, the Audit Committee recommended approval of the Annual Report and Accounts by Borders NHS Board.

5.2 *Final Endowment Fund Annual Report and Accounts 2019/20*

Andrew Bone spoke to this item and explained that the Endowment Fund Annual Accounts are part of the Board's consolidated accounts. It was noted that the accounts had been approved by the Endowment Fund Board of Trustees on the 28th September 2020 and an unqualified audit opinion had been received from Geoghegans, the External Auditor.

The Committee noted the final Endowment Fund Annual Report and Accounts for 2019/20.

5.3 *Final Patient's Private Funds Annual Accounts 2019/20*

Susan Swan spoke to this item and advised that these accounts are audited by Geoghegans, the External Auditor, who have confirmed that they are content with the processes in place. Susan was pleased to report that an unqualified opinion had been received. Malcolm Dickson noted that the value held had reduced greatly from the previous year. Susan advised that a significant sum of money was being held on behalf of a deceased patient and this has since been passed to the Executor of their estate.

The Committee noted the final Patient's Private Funds Annual Accounts for 2019/20.

6. **Any Other Competent Business**

Ralph Roberts noted his thanks to External Audit and the Finance Team for all their input throughout the annual accounts process.

7. **Date of Next Meeting**

Monday, 14th December 2020 @ 2 p.m., Microsoft Teams

BE
10.11.20