|  |  |
| --- | --- |
|  | BO_2col |

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