

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 17 August 2020
Title:	Audit Committee Annual Assurance Report 2019-20
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Michael Breen, Chair of Audit Committee

1. Purpose

This is presented to the Board for:

- Decision

This paper relates to:

- Government policy/directive

2. Report summary

2.1 Situation

The Audit Committee provides an assurance report annually which sets out key achievements through the year in discharging its remit. The draft Audit Committee report for 2019-2020 was presented for Members to consider and approve on 13 May 2020 prior to submission to the NHS Board.

This report provides the Board with details of the work carried out by the Audit Committee during 2019/20 which has enabled it to discharge its remit and forms part of the Board's annual assurance process.

In addition, Members are asked to note and approve changes to the Committee's Terms of Reference.

2.2 Background

Each NHS Board Governance Committee is required to provide an annual report to Committee and the Board to provide assurance that the Committee has discharged its role as set out in the agreed Terms of Reference. The Committees' approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Board Standing Orders.

The Governance Committee annual reports are part of the overall assurance mechanism for the NHS Board and are considered by the Audit Committee in order to provide assurance in support of the Board's annual governance statement that the committees have fulfilled their remit.

The internal auditor carries out a programme of reviews which are all reported to the Audit Committee.

External auditors attend Audit Committee meetings and audit the Board annual accounts.

2.3 Assessment

Details of the membership and work carried out by the Committee are contained in the Annual report (Appendix 1).

The Committee reviewed its Terms of Reference on two occasions during the year and seeks the approval of the Board to make the following amendments:

- Amendment to the title of the Committee to the 'Audit and Risk Committee' reflecting its role in reviewing all risks on the Board's Strategic Risk register.
- Amendments to reflect national guidelines around the governance of Board Committees have been included – details of amendments made are included in the Terms of Reference in Appendix 2.

2.3.1 Quality/patient care

Internal audit reports on GP Sustainability, Healthcare Governance, Central Decontamination Unit and Nurse Staff Rostering were considered during the year.

2.3.2 Workforce

Internal audit reports on Medical Workforce Planning and Compliance with Leave Policy were considered at the Audit Committee.

2.3.3 Financial

Internal audit reports on Financial Controls (fixed assets and cash and bank), Patient Funds, Capital Planning and Procurement were considered.

2.3.4 Risk assessment/management

An internal audit report on Risk Management Arrangements was discussed at the June 2019 meeting.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because – not relevant

2.3.6 Other impacts

- Best value
 - Governance and accountability

2.3.7 Communication, involvement, engagement and consultation

The Audit Committee has carried out its duties to involve and engage external stakeholders where appropriate:

- Internal Auditor attends all meetings of the Audit Committee

- External Auditor attends all meetings of the Audit Committee
- Head of Counter Fraud services attends the Committee annually
- Members of the Board's management team attend the Committee to inform aspects of the Committee's business as appropriate.

2.3.8 Route to the meeting

- Audit Committee Terms of Reference were reviewed by the Audit Committee on 18 March 2020.
- Audit Committee Annual Report was approved for submission to the Board by Committee members via a Microsoft Teams meeting on 13 May 2020 due to COVID-19 pandemic restrictions.

2.4 Recommendation

For awareness. Members are asked to receive the annual report and note the progress of the Audit Committee in 2019/20.

The Board is also asked to approve the amendments to the Terms of Reference for the Audit Committee, including amending the name of the Committee to the 'Audit and Risk Committee'.

3. List of appendices (where required)

The following appendices are included with this report:

- Appendix No 1, Audit Committee Annual Report 2019-20
- Appendix No 2, Terms of Reference for the Audit Committee

NHS Ayrshire & Arran

Annual Report of Audit Committee 2019/2020

1. Summary

1.1 In line with the Board's Code of Corporate Governance, the functions and main topics covered by the Audit Committee during the year are as follows:

- Responsibility for overall audit arrangements
- Recommending approval to the Board of all audit plans
- Keeping under review the role, function and performance of the Board's Internal Audit service
- Keeping under review the Board's External Audit arrangements
- Overseeing the Board's Internal Control Systems Counter Fraud measures
- Gaining assurance that all strategic risk and change in strategic risk is being monitored

1.2 Key Messages

- The Internal Auditor confirmed in their annual report to the Committee in June 2019, that no critical control weaknesses were identified by audit work carried out during 2018/19.

2. Remit

2.1 At its meeting in January 2020, the Committee proposed to update the name of the Audit Committee to the Audit and Risk Committee to reflect comments made by Internal Audit regarding the Committee's role in the Board's management of risk. Prior to the meeting in March 2020, the Chair of the Committee and Director of Finance reviewed the Audit Committee Terms of Reference and proposed revisions to reflect guidance contained in the Audit Committee Handbook. The Committee recommended the revisions to its Terms of Reference for approval by the Board.

The Committee's revised Terms of Reference are detailed at Appendix 1 to this report – approval of the revisions will be considered by the Board at its meeting on 25 May 2020.

3. Membership

3.1 Members of the Audit Committee during 2019/20 were:-

- Mr Michael Breen – Non-Executive Director (Chair)
- Mr Adrian Carragher – Head of Audiology Service (01/09/2020 – 01/03/2020)
- Dr Sukhomoy Das – Non-Executive Director (commenced 18/03/2020)
- Mr Stewart Donnelly – Non-Executive Director (until 06/05/2019)
- Mrs Jean Ford – Non-Executive Director (commenced 14/06/2019)
- Dr Janet McKay – Non-Executive Director (until 17/08/2019)
- Mr Robert Martin – Non-Executive Director (Vice-Chair)
- Councillor Douglas Reid – Non-Executive Director
- Ms Lisa Tennant – Non-Executive Director

Ex Officio members

- Dr Martin Cheyne, Chair (until 31/12/2019)
- Mrs Lesley Bowie, Chair (from 01/01/2020)
- Mr John Burns, Chief Executive
- Mr Derek Lindsay, Director of Finance

4. Meeting

4.1 The Committee met on five occasions between 1 April 2019 and 31 March 2020.

4.2 The NHS Board has previously agreed that attendance at Committee meetings should be recorded in the relevant Annual Report. The attendance record of each member is shown below (x indicates attended).

Member	Meeting date				
	1 May	14 Jun	18 Sep	24 Jan	18 Mar
Michael Breen	x	x	x	x	x
Adrian Carragher			-	x	Step down 01/03/2020
Sukhomoy Das					x
Stewart Donnelly	x	Step down 06/05/2019			
Jean Ford		x	x	x	x
Janet McKay	-	x	Step down 17/08/2019		
Bob Martin	x	x	-	x	x
Douglas Reid	-	-	-	-	x
Lisa Tennant	-	-	x	-	-

5. Committee Activities

The Committee is charged with providing assurance to the NHS Board on corporate governance and financial probity. In order to do so it considers the following areas and receives reports, listed in section 5.10 as appropriate to support this work

5.1 Internal Audit

Members of the Committee meet with the Auditors prior to each meeting, without management present, to discuss the audit programme and a status report on the internal audit programme is submitted to the Committee at each meeting. The Board's internal auditor during 2019/20 was Grant Thornton.

Throughout the year Grant Thornton verified actions taken by management to put in place measures to address recommendations made in audit reviews. Progress with this work was reported in follow-up reports submitted to the Audit Committee meetings in January and March 2020.

At its meeting on 1 May 2019 the Audit Committee received reports from the Joint Medical Director and General Manager, Women, Children and Diagnostics, about actions which were in progress to address overdue recommendations contained in earlier audit reports on Workforce planning – junior doctors and Laboratory controls, respectively.

During the year the Audit Committee considered in detail, the following reports from Grant Thornton:

2018/19 audit programme:

- Capital Planning
- Digital strategy – IT infrastructure and investment prioritisation
- Integration Joint Board – lead partnership arrangements
- Procurement
- Risk management arrangements

2019/20 audit programme:

- Financial controls (Fixed assets and Cash and bank)
- Health and Safety Self Audit Management Review (Risk Management) – report referred on to Staff Governance Committee in view of its focus on Health and Safety.
- Integration Joint Board – directions. The Audit Committee requested that this report be revised prior to circulation to reflect developments in what was a continually evolving position.
- Patient funds

The scope of internal audit reviews is wider than purely finance and reflects the control environment for the organisation as a whole. The following reports were submitted to the Audit Committee for information, but were considered in detail by a different lead Governance Committee:

2018/19 programme - Report title	Lead Committee
GP sustainability arrangements	Healthcare
Healthcare governance	Healthcare
Estates Management	Performance
Compliance with leave policies	Staff
Workforce planning – medical	Staff

2019/20 programme - Report title	Lead Committee
Central Decontamination Unit – management arrangements	Healthcare
Staff rostering - nursing	Healthcare
Theatre utilisation	Performance
Unscheduled care	Performance
Waiting Times – DNA and CNA Management	Performance

At its meeting on 1 May, the Audit Committee received a report from BDO LLP on the provision of the National Single Instance of the finance system by NHS Ayrshire and Arran. The report was conducted to provide assurance to the twenty one other Scottish Health Boards that the controls around the financial ledger hosted by NHS Ayrshire & Arran on behalf of all Boards were operating effectively. This was approved by the Committee for circulation to other boards as part of their annual accounts governance assurance.

5.2 External Audit

The Board's external auditor for the 2018/19 annual accounts was Deloitte LLP.

Deloitte presented the Annual Audit report 2018/19 at the 14 June 2019 Audit Committee and this report was subsequently received at the 24 June Board meeting.

5.3 Annual Accounts governance assurance

An Annual Assurance report based on the internal audit work done during 2018/19 was presented to the Audit Committee by the internal auditors, Grant Thornton on the 14 June 2019 which confirmed that their work did not identify any critical control weaknesses.

The Audit Committee also received annual reports from the Healthcare Governance, Information Governance, Performance Governance, Staff Governance and Integrated Governance committees.

Assurance was received from the Chief Executive and supporting letters from all Directors. The Committee also reviewed the Governance Statement and approved it for signature by the Chief Executive. Having received these assurances, the Committee submitted an Annual Assurance Statement to the Board meeting in June 2019.

The Audit Committee received and considered the Annual Accounts for 2018/19 before they were submitted to the June 2019 NHS Board Meeting. In accordance with ISA260, the External Auditor confirmed that there were no significant findings from the audit which required to be highlighted. The external auditor gave the Audit Committee assurance that an unqualified audit opinion would be provided.

5.4 Audit Scotland national reports

The Audit Committee receives all national audit reports on health issues as well as the health related section of Audit Scotland's quarterly Technical Bulletin.

In May 2019 the Audit Committee received a copy of the Audit Scotland notes for guidance 'Assessing public bodies' response to EU withdrawal'. A paper summarising the process which management had adopted to identify the potential risks arising from Brexit and consideration of the impact on the financial statements was provided to the Audit Committee at the same meeting.

The Committee received a copy of part two of the NHS workforce planning review by Audit Scotland at its meeting in September 2019. An overview of this report and the work being undertaken in NHS Ayrshire & Arran to address the issues identified in the report was provided to the Committee by the Director of the East Ayrshire Health and Social Care Partnership, as it related to general practice.

Audit Scotland's report on the 'NHS in Scotland 2019' was received at the meeting on 24 January 2020 and the committee asked that all Board members see this overview of the national position.

In March 2020 the Committee considered the national report on 'Privately financed infrastructure investment' and recommended that this be considered in more detail by the Performance Governance Committee.

5.5 Risk Management

During the year the Audit Committee considered the governance of risk, looking at all strategic risks at three of the meetings.

5.6 Counter Fraud

The Committee receives a Counter Fraud and fraud liaison report containing an update on counter fraud activity at each meeting (with the exception of the meeting in June). The report includes the following areas:

- Referrals to, and investigations by, Counter Fraud Services (CFS)
- CFS Crime Prevention plan for 2019/20
- Annual Fraud Prevention Plan, incorporating the Government strategy to combat financial crime
- The National Fraud Initiative

The annual Patient Exemption checking report provided figures for the whole of Scotland and the extract for Ayrshire & Arran.

The Head of NHS Counter Fraud Services (CFS) gave a presentation to the Committee on 18 September in which he gave an overview of the CFS end of year report for 2018/19, including final reports on three investigations. Work and priorities for 2019/20 were also outlined.

5.7 Governance

The Corporate Business Manager attended the Committee on 14 June 2019 and explained that the annual review of the Code of Corporate Governance was being deferred pending development of a 'Once for Scotland' model, which would include a model for NHS Boards' Standing Orders, including Governance Committees, Standing Financial Instructions and Scheme of Delegation. At its meeting on 18 March 2020 the Committee received the new Model Standing Orders which were supported for presentation to the Board for approval and subsequent inclusion in the Code of Corporate Governance.

The Committee reviewed and submitted its Annual report to the Board, including its Terms of Reference in May 2019.

5.8 Health and Social Care Integration

Throughout the year, NHS Ayrshire and Arran's internal audit plans and reports were shared with the Integrated Joint Boards. The audit plans and governance reports for each of the Integration Joint Boards were presented to the September Audit Committee by their respective chief internal auditors.

5.9 Procurement

The Audit Committee receives a report at each meeting of all items procured where no tender/quotation was invited or where the lowest price was not accepted. While these are approved by the Director of Finance and Assistant Director of Finance, the reasons for these exceptions are scrutinised by the Committee.

5.10 Reports received by the Committee during 2019/20

Meeting date	Reports received
1 May 2019	<ul style="list-style-type: none"> • Internal Audit reports: <ul style="list-style-type: none"> ○ Laboratory controls ○ Integration Joint Boards – lead partnership arrangements ○ Procurement – contractors • • National Finance System assurance report – ISAE3402 • Audit Scotland technical bulletin 2019/1 • Scottish Government letter - EU Exit update • Audit Scotland guidance – EU withdrawal assessment

	<ul style="list-style-type: none"> • 'Brexit' management paper • Tender exception report • Counter fraud and fraud liaison update • Patient exemption checking • Annual report for the Audit Committee • Audit Committee workplan 2019/20
14 June 2019	<ul style="list-style-type: none"> • Internal Audit reports: <ul style="list-style-type: none"> ○ IT controls – investment ○ Capital plan delivery ○ Risk management ○ Estates management ○ GP sustainability ○ Workforce planning – medical ○ Compliance with leave policies ○ Annual internal audit opinion • Annual Reports for the Governance Committees: <ul style="list-style-type: none"> ○ Healthcare Governance ○ Information Governance ○ Staff Governance ○ Performance Governance ○ Integrated Governance • Assurance reports for services managed by NSS: <ul style="list-style-type: none"> ○ IT services ○ Practitioner Services • • Annual Accounts Assurance <ul style="list-style-type: none"> ○ Payment Verification Annual Report ○ Assurance from the Chief Executive ○ Annual Accounts and supporting documentation ○ Letter of Representation ○ Annual audit assurance statement ○ Significant issues that are considered to be of wider interest ○ External Auditors letter of representation and annual report to the Audit Committee and Board • • Annual accounts for NHS Ayrshire and Arran – 2018/19 • External audit report – Sector developments • Tender exception report
18 September 2018	<ul style="list-style-type: none"> • Counter Fraud Services 2018/19 report • Counter Fraud Service catalogue 2018/19 • Counter Fraud and Fraud Liaison report • Counter Fraud Services reports on Operations 'Flyer', 'Orta' and 'Sava II' • Internal Audit: <ul style="list-style-type: none"> ○ Patients' private funds ○ Healthcare governance

	<ul style="list-style-type: none"> ○ Internal Audit charter • • Integration Joint Board's Annual audit report 2018-19 and audit plan 2019-20 <ul style="list-style-type: none"> ○ East Ayrshire Integration Joint Board ○ North Ayrshire Integration Joint Board ○ South Ayrshire Integration Joint Board • Audit Scotland reports: <ul style="list-style-type: none"> ○ NHS workforce planning – part 2 ○ Fraud and irregularity update 2018/19 • • Tender exception report • Strategic Risk Register • Audit and Assurance Committee handbook – self-assessment checklist
24 January 2020	<ul style="list-style-type: none"> • Internal Audit: <ul style="list-style-type: none"> ○ Financial Controls ○ Integration Joint Board – Directions ○ Staff Rostering – nursing ○ Theatre utilisation and improvement ○ Unscheduled care ○ Audit recommendation follow-up ○ Internal Audit plan 2020/21 (draft) • External Audit: <ul style="list-style-type: none"> ○ 2019/20 Planning report • Audit Scotland reports: <ul style="list-style-type: none"> ○ NHS in Scotland 2019 • Strategic Risk Register • Risk Management Committee – Terms of Reference • Counter Fraud and Fraud Liaison report • Tender exception report •
18 March 2020	<ul style="list-style-type: none"> • Internal Audit reports: <ul style="list-style-type: none"> ○ Health and Safety Self Audit Management Review (Risk Management) ○ Central Decontamination Unit – management arrangements ○ Waiting Times – DNA and CAN management ○ Audit recommendation follow-up • Internal Audit Plan 2020/21 (final draft) • Gifts and Hospitality guideline • Model Standing Orders • Audit Committee Handbook self-assessment • Audit Committee Terms of Reference • Strategic Risk Register

	<ul style="list-style-type: none"> • Counter Fraud and Fraud Liaison report • Tender exception report • Public Sector Fraud Forum report: Guide to understanding the total impact of fraud • Audit Scotland report: Privately financed infrastructure investment
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6. **Priorities for 2020/21**

- 6.1 A key priority for the Committee through 2020/21 will be to support COVID-19 governance requirements as NHS Ayrshire & Arran moves from the emergency response stage to phase 2 mobilisation and towards recovery.

The internal audit plan for 2020/21, setting out areas for review in 2020/21, was recommended to the Board for approval at the 18 March 2020 Audit Committee meeting. This takes a risk based approach to areas for review.

7. **Chair's Comments**

- 7.1 The Audit Committee continues to develop in the contribution that the Committee makes to ensuring the continued provision and improvement in Internal Control arrangements within the Board and, in accordance with its Terms of Reference, will seek to maintain that progress.

During the year there has been an increased focus on the challenge and scrutiny of management follow-up of audit recommendations.

The Chair concludes that the Audit Committee has fulfilled its remit and considers that there are adequate and effective internal financial control arrangements in place to assure the Board of its corporate governance duties.

Michael Breen
Chair – Audit Committee

Audit and Risk Committee Terms of Reference

1 Introduction

- 1.1 The Audit and Risk Committee is identified as a Committee of the NHS Board. The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Standing Orders.
- 1.2 The Committee will be known as the Audit and Risk Committee of the NHS Board and will be a Standing Committee of the Board.

2 Remit

- 2.1 To provide assurance to NHS Board on corporate governance and financial probity.

3 Committee Membership

- 3.1 The Committee shall be established by the full NHS Board and be composed of six Non-Executive Board Members. The Chair, and Committee members will be proposed by the Chair of the NHS Board and approved by the Board. A Vice Chair will be proposed by the Audit Committee Chair and agreed by the Board.
- 3.2 Committee membership will be reviewed at least annually.
- 3.3 All Audit Committee members will be Non-Executive Board members and none will be a Health Board employee.

4 Quorum

- 4.1 Three Non-Executive members will constitute a quorum.

5 Attendance

- 5.1 The Executive Director of Finance and Chief Executive will attend meetings in an *ex-officio* capacity to provide information and advice.
- 5.2 The Committee can require the attendance of any officer of the Board.
- 5.3 The internal auditor should normally attend meetings and the external auditor will attend at least two meetings per annum.
- 5.4 Committee may co-opt additional advisors as required.

6 Frequency of Meetings

- 6.1 The Audit and Risk Committee will normally meet bi-monthly but will meet at least four times per annum.
- 6.2 The Chair of the Committee may at any time convene additional meetings of the Committee.

7 Authority

- 7.1 Committee is authorised to investigate any matters which fall within its Terms of Reference and obtain external professional advice.
- 7.2 The Committee may establish Sub-committees to support its functions.
- 7.3 Committee is authorised to seek and obtain any information it requires from any employee whilst taking account of policy and legal rights and responsibilities.
- 7.4 The Audit and Risk Committee will have the authority to require the attendance of any employee of NHS Ayrshire and Arran as may be required.

8 Duties

- 8.1 Committee will review the overall Internal Control arrangements of the Board and make recommendations to the Board regarding signing of the Governance Statement, having received assurance from the Clinical Governance, Staff Governance, Information Governance and other relevant Committees. Specifically it will:
 - 8.2 Receive a regular review of the operational effectiveness of the internal audit function.
 - 8.3 Monitor the internal and external audit programme, receiving reports, overseeing and reviewing action taken by the Chief Executive on audit recommendations and reporting to the Board.
 - 8.4 Receive reports from the Chief Executive and/or Executive Director of Finance in relation to formal audit reports and proactive as well as reactive counter fraud work.
 - 8.5 Receive regular external audit reports, in particular any annual report or management letters relating to certification of the Board's statutory annual accounts.
 - 8.6 Hold meetings with the external and internal auditors, if necessary, to discuss their annual report, the scope of their audit examination and any matters which the External Auditor wishes to discuss, without Executive Board Directors present.
 - 8.7 Receive assurance from other governance committees on actions by management to remedy weaknesses or other criticisms of the Board's systems made by the internal or external Audit.

- 8.8 Review risk management arrangements, receive corporate risks related to the Audit and Risk Committee at least twice a year and receive the Risk Management Annual Report.
- 8.9 Oversee the financial reporting process to ensure balance, transparency and integrity of published financial information.
- 8.10 Receive annual reports and quarterly updates from the sub-committees established by the NHS Audit and Risk Committee in order to provide assurance and accountability.
- 8.11 Review any proposed changes to the Standing Orders, Scheme of Delegation and Standing Financial Instructions.

9 Conduct of business

- 9.1 Meetings of the Committee will be called by the Committee Chair.
- 9.2 The agenda and supporting papers will be sent to members at least five working days before the date of the meeting.
- 9.3 Minutes will be kept of the proceedings of the Committee. These will be circulated, in draft form normally within five working days to the Chair of the Committee for approval and within five working days thereafter to members, prior to consideration at a subsequent meeting of the Committee.
- 9.4 The Chair of Committee shall provide assurance on the work of the Committee at each Board meeting and the approved minutes will be submitted to the NHS Board meeting for information.
- 9.5 Committee will provide the Board with an Annual Report and Statement of Assurance to allow the approval of the Statutory Annual Accounts.
- 9.6 Items requiring urgent attention by the Audit Committee can be raised at any time at Audit Committee, subject to the approval of the Chair.

Version:	Date:	Summary of Changes:	Approved by
01.0	May 2019	No changes – approved as part of Annual report	Audit Ctee
01.1	Jan 2020	Change of Committee name	Audit Ctee
01.2	Mar 2020	3.3 - All Committee members to be Non-Executive Board members, none will be Health Board Employee 8.3 – ‘Monitor’, not agree the internal and external audit programme	Audit Ctee

		<p>9.4 – Chair of Committee to provide assurance on work of Committee to each Board meeting and approved minutes to be submitted to Board.</p> <p>8.7 - Receipt of assurance from other governance committees relating to audit recommendations.</p>	
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