



Minutes of NHS Ayrshire and Arran Audit and Risk Committee
Meeting held on Wednesday 23 September 2020 at 14:00 hours
This meeting took place via Microsoft Teams

Present	Michael Breen Jean Ford Bob Martin Douglas Reid Lisa Tennant	(Chair), Non-Executive Board Member Non-Executive Board Member Non-Executive Board Member Non-Executive Board Member Non-Executive Board Member
Ex Officio	John Burns Derek Lindsay	Chief Executive Director of Finance
In attendance	Bob Brown Judith Aspinwall Gordon Young Joanne Brown Lewis Wilson Karlyn Watt Eilidh McKay Laura Miller Frances Forsyth	Assistant Director of Finance (Governance and Shared Services) Fraud Liaison Officer Head of Counter Fraud Services Internal Auditor Internal Auditor External Auditor East Ayrshire IJB South Ayrshire IJB Committee Secretary (Minutes)

1. Apologies for absence

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2. Declaration of interests

There were none

3. Minutes of the meeting held on 12 June 2020

The minute was approved as an accurate record of the meeting.
Proposed by Jean Ford and seconded by Bob Martin.

4. Matters arising/Action Log

4.1 Internal Audit: Integration Joint Board – arrangements for directions.

The Chief Executive advised the Committee that this work had been delayed due to Covid and would be part of the budget planning cycle for 2021/22.

4.2 All other actions were complete or not due.

Outcome: The status of all actions was noted.

5. Counter Fraud

5.1 Presentation by Gordon Young, Head of Counter Fraud Services

Gordon Young started his presentation by reminding the Committee that the role of the Counter Fraud Service (CFS) was to protect Scotland's Health and Care Services from financial crime. The strategy for doing this was through prevention, detection and investigation. The Committee heard that fraud was like an iceberg; the amount which is actually detected being only the visible part of the total, estimates suggest that there could be significant amounts of fraud below the surface.

Gordon Young discussed the potential for fraud which had arisen as a result of the Covid-19 pandemic, explaining that the UK and Scottish Governments had invested huge sums of money in fighting the pandemic which presented opportunities for fraud. CFS were aware of frauds relating to bogus 'test and trace' callers asking for bank details, and of crime gangs setting up bogus websites selling counterfeit PPE and also of the sale of stolen PPE.

Audit Scotland had identified key risks which had arisen due to the relaxation of control measures to cope with the emergency, of staff under pressure and from inexperienced staff who had been re-deployed to new roles. Public bodies needed to be aware of risk areas, particularly Procurement and IT, and review systems of control and reporting.

CFS faced challenges as a result of Covid-19 but had been proactively scanning online auction sites due to the number of reports of stolen equipment and were sending out rolling intelligence alerts to fraud liaison officers to bring potential risks or scams to the attention of Health Boards. Procurement had been identified as a high risk area as was the theft and fraud around PPE. CFS would be targeting these areas for specific actions, including awareness raising campaigns.

Outcome: Judith Aspinwall commended CFS for their support and advice throughout the year. The Chair asked the Director of Finance to write to Gordon Young thanking him for his input to the Audit and Risk Committee.

Action: Derek Lindsay

5.2 Counter Fraud Services year-end report 2019/20

Gordon Young explained that this report provided a general overview of prevention work which CFS had been doing but noted that some of this would have to be curtailed due to Covid, e.g. workshops which were face to face. However, a member of the team had attended a social media course to maximise use of this in future.

The report provided statistics for the numbers of referrals and investigations which had taken place during the year.

The Committee heard that CFS had hoped to introduce a new process for analysing patient exemptions which they believed would significantly increase recoveries but Covid has prevented this going ahead and it was unlikely that patient exemption recoveries would be as high during 2020/21 as last year as fewer patients are being treated by dentists and opticians.

5.3 CFS flash report 2019/20

Committee members received the 'flash report' which highlighted key aspects of the Counter Fraud Services end of year report 2019/20.

5.4 Audit Scotland Review: The National Fraud Initiative in Scotland

The report detailed the outcomes of the National Fraud Initiative 2018/19.

Gordon Young highlighted areas of risk arising from Covid-19 which were detailed in the report and recommended that the Board be aware of these.

Outcome: The Audit Scotland report was noted.

5.5 Counter Fraud and Fraud Liaison update

The Assistant Director of Finance explained that the Fraud Liaison Officer had received an invitation from Counter Fraud Services (CFS) to pilot a new model of best practice which would focus on proactive leadership and preventative actions. CFS would provide some on-site resource to take forward proactive programmes, the purpose of which would be to reduce the Board's potential exposure to fraud. The Fraud Champion, and Director of Finance had both indicated their support for this.

The Committee was advised of cases of suspected fraud which had been reported in Ayrshire & Arran since the previous meeting and noted those cases where investigations were still ongoing.

The Committee received the quarterly report produced by Counter Fraud Services for period to 30 June 2020.

Outcome: Committee supported the Board's participation in the proposed CFS pilot scheme. Updates on fraud investigations were noted.

6. Internal Audit

6.1 Status report on the internal audit programme

The Internal Auditor explained that she was continuing to work with management to agree which reviews in the current plan could practically be carried out and appropriate timing. This included considering whether the reviews in the current plan addressed appropriate areas of risk in view of the changes resulting from Covid-19.

The Chair said that he understood the need for flexibility in the plan and the need to ensure correct emphasis on risk areas and was content that some of the more routine reports may not go ahead.

The Chief Executive agreed that this was a fair and balanced approach but said that it was important not to lose sight of the importance of Internal Audit to business and assurance. The Chief Executive agreed that there would need to be some adjustment to the plan because some reviews would not be able to go ahead due to current pressures on staff, but did not believe that this would be a risk to the organisation as long as sufficient work was done to get Internal Audit assurance for the governance process.

Outcome: The Committee agreed that it would be necessary for the Internal Audit plan for 2020/21 to be flexible but that any changes should not impact on the ability of Internal Audit to provide assurance for the Governance Statement at the end of the year. The internal auditor would keep the Audit and Risk Committee updated about the outcome of discussions with management and any changes to the plan.

6.2 Internal audit review: Covid – procurement controls

Committee members received an overview of the findings in this report which had been designed to review the internal procurement controls and their effectiveness during the Board's response to the Covid-19 pandemic. The audit had identified five areas where there had been minor deviations from policies. These were minor and mitigating actions had been taken at the time. No formal recommendations were made.

Outcome: The Committee took assurance from the positive outcome of this review in spite of the current situation.

6.3 Internal Audit Charter

The Internal Auditor explained that the Internal Audit Charter was provided to the Committee on an annual basis and demonstrated how Grant Thornton was complying with Internal Audit Standards. There were no substantive changes to the content of the Charter from previous years.

Outcome: The Internal Audit Charter was noted.

7. **Audit Scotland Reports**

7.1 Technical Bulletin 2020/2

The Committee received the Health section of the Technical Briefing prepared by Audit Scotland. The Director of Finance noted that this had been issued in June and that the advice and guidance on the approach relating to the annual accounts for 2019/20 had been picked up by the external auditor as part of their audit review.

Outcome: The Technical bulletin was noted.

8. **Integration Joint Boards (IJB)**

8.1 Annual report 2019/20 and Audit Plan 2020/21 for East Ayrshire IJB

The Chief Internal Auditor for the East Ayrshire Integration Joint Board took Committee members through her annual report for 2019/20. The annual audit opinion was of 'reasonable assurance' in line with the previous year. It was noted that although not all of the planned work for 2019/20 had been completed due to Covid-19, it had been sufficient, along with assurances from the rolling programme of work, to provide the annual opinion. The report noted that Covid-19 would create challenges for the East Ayrshire IJB but on the basis of year on year work, she believed it was well placed to overcome these challenges. The East Ayrshire IJB external auditor's report for 2019/20 had reviewed the work of internal audit and no issues were raised with regard to the internal audit function. The auditor had confirmed to external audit that the likelihood of fraud within the IJB was low.

Audit plan for 2020/21

Committee members were advised that this had been drawn up before Covid but remained valid. The plan was agreed by the East Ayrshire IJB Audit and Performance Committee on 9 June 2020. The focus of the plan would be a review of the IJB self-assessment of progress made against the proposals within the Ministerial Strategic Group 'Review of Progress with the Integration of Health and Social Care'.

The Chair noted that the Health Board internal audit plan included a pan-Ayrshire review of patient and public engagement. The Chief Auditor for East Ayrshire IJB said that the work carried out by the Internal Auditor for

the Health Board was at their discretion, however, the auditor for the Board would discuss the priorities within the IJBs to ensure there was no duplication.

Outcome: The Audit report for 2019/20 and plan for 2020/21 were received.

8.2 Annual report 2019/20 for South Ayrshire IJB

The Chief Internal Auditor for the South IJB reported that 'reasonable assurance' had been provided over the framework of governance, risk management and control and that adequate controls were in place and operating in the IJB. Committee members heard that the audit assignment for 2019/20 was to review governance arrangements, including a review of actions against the Ministerial Strategic Group's action plan. Although not all actions had been completed, this was not material to the audit opinion and any ongoing work would inform the future audit plan. Assurance had also been taken from internal audit work within the Health Board and South Ayrshire Council.

8.2.1 Audit plan 2020/21 for South Ayrshire IJB

The audit plan for 2020/21 was part of a three year plan. The purpose of the audit in 2020/21 will be to review the IJB directions for compliance with the revised statutory guidance issues by the Scottish Government in January 2020.

Outcome: The annual audit report for 2019/20 and audit plan for 2020/21 were received.

9. Governance

9.1 Tender exception report

The Assistant Director of Finance explained that there had been three requests for waivers of the tender process, two of these were for maintenance repair which had to be carried out by the manufacturer or designated contractor. The third was an emergency measure to increase testing capacity within the laboratories. The Chair asked whether there had been appropriate checks to ensure that the cost of this work was in keeping with current market rates. The Assistant Director of Finance confirmed that appropriate checks had been carried out by the Estates Department. There were two 'open' tender exceptions, one relating to the provision of medical services in HMP Kilmarnock. The Chair asked whether a tender process would be carried out now that the VAT position had been resolved. The Assistant Director confirmed that a review of the tender documentation was in progress and that the tender would be going out as soon as possible.

The Chair asked if there was a time limit for waiver exceptions. The Assistant Director of Finance responded that there was no formal limit but that both he and the Director of Finance kept these under review and discussion with the relevant management team.

One of the Committee members requested an overview of the process. The Assistant Director of Finance agreed to meet to discuss any queries.

Action: Bob Brown

Outcome: Tender waivers received in the period 2 June to 15 September 2020 were noted.

10 Any other competent business

There was none

11. Key issues to report to the NHS Board

- The Head of Counter Fraud Services attended the meeting and provided the Committee with an overview of the work carried out by the service during 2019/20 and plans for 2020/21. The Committee were appraised of the areas where an increase in fraudulent activity had been observed by CFS arising out of Covid-19.
- The Fraud Liaison Officer had received an invitation from Counter Fraud Services (CFS) to pilot a new model of best practice which would focus on proactive leadership and preventative actions. CFS would provide some on-site resource to take forward proactive programmes, the principle of which would be to reduce the Board's potential exposure to fraud. The Head of Counter Fraud Services noted that Ayrshire and Arran had been selected due to its commitment and positive engagement with the service in the past.
- It was agreed that it would be necessary for the Internal Audit plan for 2020/21 to be flexible and that the Internal Auditor should discuss with management which of the audit reviews could be carried out given Covid restrictions as well as any additional /alternative areas which needed to be covered. Any changes should not impact on the ability of Internal Audit to provide assurance for the Governance Statement at the end of the year.
- The annual audit reports for 2019/20 and audit plans for 2020/21 were received from East and South Ayrshire Integration Joint Boards.

Outcome: A report will be submitted to the next Board meeting.

Action: M Breen

12. Risk issues to report to the Risk and Resilience Scrutiny and Assurance Group

There were none.

13. Date of next meeting

Wednesday 18 November 2020 at 14:00

Approved by Chair of the Committee:

Date: 18 November 2020

A handwritten signature in black ink, appearing to be 'MJD', with a long horizontal stroke extending to the right.