



**Minutes of NHS Ayrshire and Arran Audit Committee Meeting  
held on Wednesday 18 November 2020 at 14:00 hours via Microsoft Teams**

**Present** Michael Breen, (Chair) Non-Executive Board Member  
Jean Ford, Non-Executive Board Member  
Bob Martin - Non-Executive Board Members  
Douglas Reid, Non-Executive Board Member  
Lisa Tennant, Non-Executive Board Member

**In attendance** Bob Brown, Assistant Director of Finance (Governance and Shared Services)  
John Burns, Chief Executive  
Derek Lindsay, Director of Finance

Joanne Brown, Grant Thornton  
Lewis Wilson, Grant Thornton

Coenraad Balfourt, Deloitte

Frances Forsyth (Minutes)

**1. Apologies and declarations of interest**

1.1 Apologies

Sukhomoy Das, Non-Executive Board Member

1.2 Declarations of interests

There were none

**2. Approval of Minutes**

2.1 Minute of the meeting held on 23 September 2020

The minute was approved as an accurate record of the meeting.

**3. Matters arising/Action Log**

There were no items outstanding

## 4. Internal Audit

### 4.1 Internal audit activity report

The Internal Auditor provided a status report on the work completed from the 2020/21 audit plan. The Committee heard that the plan had been reviewed and discussed with management to ensure that the remainder of the plan focused on the key areas of risk and were achievable while staff were engaged with the response to Covid. Some slight revisions had taken place and the low risk rotational review of patient funds had been removed due to Covid restrictions preventing access to wards. The Auditor confirmed that sufficient audit work would be conducted to provide the annual audit statement.

The Chair asked whether some of the Audit reviews in the plan for the March 2021 Committee could be brought forward to the proposed additional meeting in January 2021. The Auditor confirmed that this was being reviewed with the Director of Finance and that a considerable amount of work was planned before Christmas which should enable some of the reports to be completed in time for a meeting in January 2021.

**Outcome:** The status of the Audit programme was noted

### 4.2 Audit Review: Financial Controls

The Committee received this rotational review which this year, had focused on financial controls in respect of control account reconciliations and the accounts payable process. The auditor noted that one low risk recommendation had been raised around the signing and dating of reconciliations to evidence that they had been appropriately reviewed. The auditor understood that this had probably resulted from staffing pressures caused by Covid and had seen evidence that staff had been reminded of the importance of following the correct process.

**Outcome:** The Committee noted that the report provided a good level of assurance around the financial controls in place.

### 4.3 Audit review: Covid-19 response – Financial Controls

The auditor explained that this review had been added to the original plan in response to recommendations contained in the Audit Scotland report 'Covid-19 guide for audit and risk committees'. The review had looked at the controls in place around the recording and reporting of expenditure on Covid-19. Three low level recommendations were made, one of which had already been addressed prior to submitting the quarter one return to Scottish Government.

**Outcome:** The Committee accepted the report noting that it provided good assurance about the controls in place.

### 4.4 Audit review: Complaint Handling

The auditor explained that the review had considered the Board's Complaints Handling Procedure against the NHS Model Complaints Handling Procedure. Four low risk recommendations had been made around the lessons learnt following a complaint and the improvement plan which needed to be updated in line with the procedure. The auditor noted that a complaints manager had recently been appointed at University Hospital Crosshouse and that a similar post would be appointed to at Ayr.

Two of the Committee members, who also sat on the Healthcare Governance Committee, noted that there had been a lot of work and scrutiny in this area and were reassured that the audit review confirmed that this had been successful.

**Outcome:** The report was noted and would be submitted to the Healthcare Governance Committee.

#### 4.5 Audit review: Follow-Up of previous audit recommendations

The Auditor explained the process for the follow-up of audit recommendations and noted that a total of 114 recommendations had been made in reviews conducted during 2018/19 and 2019/20, of which there were 20 outstanding. The responsible officers for these recommendations had all been contacted recently and had provided an update and revised timescale for completion of the action(s) noted within the report.

After discussions on the progress made to date and the impact on senior staff of planning and responding to Covid-19, the Chief Executive confirmed that the audit report would be taken to the Corporate Management Team meeting for discussion and action. The Chief Executive agreed to discuss the outstanding actions with Directors and if there were any material changes required these would be discussed with the Auditor and a report brought back to the Audit & Risk Committee at its next meeting in January 2020. The update and actions proposed by the Chief Executive was welcomed by Members.

**Action: John Burns**

It was also noted that it was the responsibility of the individual governance committees to ensure that they were following through and scrutinising in detail the audit recommendations which fell under their remit. The Chief Executive suggested that the Chair of the Audit Committee should highlight this to his fellow chairs.

**Action: Michael Breen**

Committee members also noted that a number of the outstanding actions had been given the same revised completion date of 1 February 2021. Members requested that completion dates should always reflect what was realistic and achievable.

**Outcome:** The position regarding the completion of audit recommendations was discussed. The overdue actions would be taken forward to the Corporate Management Team.

#### 4.6 Property Transaction Handbook

The Auditor explained that there is a requirement to review property transactions which had taken place in the previous year and confirmed that there had been no transactions which were required to be reported.

**Outcome:** Audit confirmation that there were no property transactions to report was noted.

### 5. Audit Scotland Reports

#### 5.1 Covid-19 – Guide for audit and risk committees

The Committee received this report which had been prepared by Audit Scotland. The Director of Finance highlighted the areas on which the report directed Audit and Risk Committees to focus and the actions already taken by the Board:

- Internal controls and assurance – an internal audit of Covid – Procurement Controls had been conducted and received by the Committee at its meeting in September 2020.
- Financial management and reporting – the internal audit review ‘Covid-19, Financial controls’ received at this meeting addressed this.
- Governance – fieldwork for an internal audit on this area had been completed with a report anticipated for the January 2021 Committee meeting
- Risk Management – a separate risk register for Covid-19 risks had been developed and was considered by the Committee later on the agenda.

The Chair asked if there were other areas arising from this report which would need to be included in the audit plan for 2021/22. The Auditor confirmed that they would use this report and the Audit Scotland overview report due to be published in January 2021 when drafting the audit plan. The Director of Finance confirmed that some discussion had already taken place and that the additional committee meeting planned for January 2021 would give Committee members the opportunity to consider the draft internal audit plan. It was noted that staff capacity and support for staff were areas which were highlighted in the report and would be taken into consideration when planning the internal audit programme.

One of the committee members asked how the Committee could provide assurance to the Board that the areas highlighted in the report had been addressed. The Chair advised that he would include specific reference to the actions taken in his annual report to the Board.

**Action: Michael Breen**

**Outcome:** The recommendations in the report, and actions being taken to ensure that the Committee could provide assurance to the Board were discussed

#### 5.2 Covid-19 Implications for public finances in Scotland

The Director of Finance explained that this report by Audit Scotland was pan sector and provided useful background information for Committee members. The budgetary revisions for the various public sector bodies to help with their response to the pandemic were noted.

**Outcome:** The report was received for awareness.

## **6. Risk**

### **6.1 Strategic Risk Register**

The Chief Executive explained that the Strategic Risk Register was the 'core' register with which committee members were familiar and was reviewed and scrutinised by the Governance Committees. The management team had felt that there was a need for two companion registers for Covid-19 and EU Brexit which would have a more limited life. These registers had been delegated by the Risk and Resilience Scrutiny and Assurance Group and considered by the Emergency Management Team and would be reviewed by the Integrated Governance Committee before coming to the Audit Committee then going forward to the Board.

One of the Committee members asked why there is an EU Brexit risk included on the Strategic Risk Register but not one for Covid-19. The Chief Executive responded that this had been discussed at the Risk and Resilience Scrutiny and Assurance Group and that it had been agreed that an opening statement referencing both Covid and EU Brexit would be added to the Strategic Risk Register.

### **6.2 Covid-19 Risk Register**

One of the Committee members asked whether the workforce supply and capacity risk which was in development would cover the whole impact of Covid-19 on staff. The Chief Executive explained that it would be specific to the impact of Covid on staff absence.

One of the Committee members asked why risk 731 – 'capacity of healthcare system' was scored as high, as this seemed quite pessimistic. The Chief Executive responded that it reflected caution in the Board, acknowledging that the risks relating to the second wave were greater than the first, but in different ways; it was dependent on what happened in January and Government decisions about the freedom to visit as well as usual winter pressures.

### **6.3 EU Brexit Risks**

The Chief Executive explained that EU Brexit risk had been identified earlier but now had enough information to be able to score this. Committee members heard that assurance had been taken from National Procurement and national work on medicines, including the request for suppliers to stockpile key medicines. In relation to risks associated with the workforce, the Chief Executive confirmed that this had been reviewed and only a small number of EU nationals had been

identified. These staff members had been helped to work through the arrangements for citizenship. It is not anticipated that this will be a significant risk for NHS Ayrshire & Arran.

**Outcome:** The Committee were able to give assurance to the Board with regard to the risk registers.

## **7. Governance**

### **7.1 Tender exception report**

The Assistant Director of Finance noted the exceptions to the tender process reported to this meeting. It was confirmed that the tender process for the provision of care within HMP Kilmarnock was moving forward with a view to being able to award a new contract from 1 April 2021. The Committee were pleased to hear that this open exception was being addressed, particularly in view of the recent media scrutiny of emergency procurement activity arising from Covid. The Director of Finance explained that the reason for this contract not having been awarded was that it had been necessary to wait for a decision regarding the VAT position before re-tendering; the current provider, Arcus had originally won a tender for a defined period. Committee members asked for visibility of the tender waivers which had been notified throughout the year on a cumulative 6 monthly rolling basis.

**Action: Bob Brown**

**Outcome:** The Committee was satisfied that the exceptions presented were appropriate. Future reports would include details of all tender waivers on a rolling 6 monthly basis.

## **8 Fraud**

### **8.1 Counter Fraud and Fraud Liaison update**

The Assistant Director of Finance noted that NHS Ayrshire & Arran would begin preparatory work on the pilot for the new model of best practice with Counter Fraud Services early in 2021 and for this to commence in April 2021.

It was noted that the bi-annual National Fraud Initiative exercise had commenced. Data had been provided by the Board and matches for investigation were anticipated in January/February. The Committee would be updated on progress.

Committee members welcomed this report and the strong partnership working between the Board and Counter Fraud Services.

**Outcome:** The update on counter fraud measures was noted.

## 8.2 Payment Verification Protocols

The Committee received a letter from Scottish Government detailing revisions to the Payment Verification Protocol arrangements commencing with payment verification for 2020/21. The Assistant Director of Finance reminded Committee members that Counter Fraud Services conduct a statistical review of patient exemptions in general dental and ophthalmic services. A report on their analysis of this is received by the Audit and Risk Committee usually at its meeting in May and that the figures contained in the report are included in the Board's annual accounts.

One of the Committee members noted that a summary paper providing information on the impact on the Board and any actions required would have been helpful. The Chief Executive noted that all Governance Committee's should be using national templates for papers and will ask the Corporate Business Manager to remind Directors.

**Action: John Burns**

**Outcome:** The Scottish Government letter dated 1 October 2020 to Chief Executives detailing the revised payment verification protocols was noted.

## 9. Any other competent business

### 9.1 Extension of contract for external auditor

The Director of Finance explained that the tender process for the appointment of external auditors which was due to be conducted by Audit Scotland in 2020/21 had been postponed due to Covid. Existing contracts were being extended for a further year. Therefore, Deloitte would continue as external auditor for NHS Ayrshire & Arran for both the 2020/21 and 2021/22 accounts.

**Outcome:** The extension of the contract was noted.

## 10. Key issues to report to the NHS Board

- Internal Audit reports were received on:
  - Financial Controls
  - Financial Controls around Covid-19 and reporting to Scottish Government
  - Complaint Handling
- A follow up review of previous audit recommendations noted that a number had not been completed in line with the original target dates. The Chief Executive agreed to review the report and completion dates with the Corporate Management Team and report back to the next Committee.
- The Strategic Risk Register and companion Covid-19 and EU Brexit risk registers provided the Committee with assurance about the significant work being done around risk by the Board.

- Assurance about points raised in the Audit Scotland report 'Covid-19 Guide for audit and risk committees' would be provided by the Chair as part of his annual report to the Board.
- The Committee agreed to hold an additional meeting in January 2021 to provide an opportunity to review the draft internal audit plan before input from the Integrated Governance Committee and Corporate Management Team.

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

**Action: M Breen**

**11. Risk issues to report to the Risk and Resilience Scrutiny and Assurance Group.**

Nothing further to highlight.

**Outcome:** No update required.

**12. Date of next meeting**

12.1 It was agreed that an additional meeting would take place on Wednesday 20 January at 14:30. The draft internal audit plan for 2021/22 will be a key component of the agenda for this meeting. It was hoped that the External Audit plan would also be available and that a number of internal audit reports can be brought forward.

12.2 Meetings:

Wednesday 20th January 2021 at 14:30

Wednesday 17<sup>th</sup> March 2021 at 14:15

Approved by Chair of the Committee:



Date:

20 January 2021