



Minute of NHS Ayrshire and Arran Audit & Risk Committee Meeting held on Thursday 17th March 2022 at 14:00 hours via Microsoft Teams

Present Michael Breen, (Chair) Non-Executive Board Member
Sukhomoy Das, Non-Executive Board Member
Bob Martin, Non-Executive Board Member
Marc Mazzucco, Non-Executive Board Member

In attendance Lesley Bowie, Board Chair
Claire Burden, Chief Executive
Derek Lindsay, Director of Finance
Hugh Currie, Assistant Director for Occupational Health, Safety and Risk Management
Bob Brown, Assistant Director of Finance (Governance and Shared Services)
Peter Clark, Grant Thornton
Susan Brook, Grant Thornton
Pat Kenny, Deloitte

Shirley Taylor (Minutes)

1. Apologies and declarations of interest

1.1 The chair welcomed everyone to the meeting. Apologies were noted from Councillor Douglas Reid and Jean Ford.

1.2 Declarations of interests

There were none.

2. Approval of Minutes

2.1 Minute of the meeting held on 18th November 2021

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

3. Matters Arising

3.1 Action Log

The action regarding IJB Delayed Discharges will be picked up as part of the Internal Audit Follow Up report.

Outcome: *The action log was received.*

3.1 Committee workplan

The committee workplan for 2021/22 was considered. It was identified that Catering was included as part of the workplan however not reported on. The Internal Auditor conveyed that work is underway for this and details are incorporated as part of the Internal Audit Progress paper and will be reported by May 2022.

4. Internal Audit

4.1 Internal Audit Progress Paper

The Internal Auditor reported that three reviews have been completed since the last committee meeting with reports being presented as part of the agenda. Work is now underway on both the Catering and Pharmacy reviews. There are five other reviews currently being scoped for completion by the next Audit Committee meeting in May 2022.

The compliance with Key Performance Indicators was examined and it was identified that three had not been met.

The Internal Auditor was comfortable with the reasons given for this and there would be no impact on the overall audit assurance as a result of the three reviews deferred to next year however should any of the five reviews, still to be undertaken, be delayed this may affect the overall audit opinion.

Outcome: *The committee received the Internal Audit Progress paper and were comfortable with the reasons for delayed audits.*

4.2 Internal Audit Follow Up Report

The Internal Audit Follow Up report was presented by the Internal Auditor. No high rated recommendations were identified as being delayed and a total of 17 recommendations are overdue.

A committee member noted concern regarding the outstanding Cyber Security action given the current climate. The Director of Finance assured there is a back-up in place however the action was around the testing of this which has been delayed.

The Director of Finance also advised that the follow-up report had been tabled at the last Corporate Management Team meeting and all Directors were sighted on the report and were aware of the overdue actions.

Follow up reports are presented to the committee on a six monthly basis by the Internal Auditor however it was felt that it would be helpful to have an update on a

more regular basis in line with the quarterly reporting to the Corporate Management Team therefore the next update to the Committee will take place in June 2022.

Outcome: *The Internal Audit Follow Up report was received and a revised timetable for the reporting of outstanding recommendations to the Audit and Risk Committee was identified.*

4.3 Command Structures

The Internal Auditor advised that the Command Structures review was undertaken to ascertain the controls in place when decisions were made during the pandemic. Overall the report gave reasonable assurance with two low rated recommendations which were discussed by the committee. Both recommendations are due for implementation by 31st October 2022.

Outcome: *The committee received the Internal Audit Report and were content with the recommendations identified.*

4.4 IT Controls

The Internal Auditor presented the review which was undertaken to ensure that end to end controls were in place between HR and IT and that staff have access to the correct data and systems, especially when changing roles or leaving the organisation. It was noted that partial assurance with improvement required was given in line with three medium and one low rated recommendations being identified. The committee felt that due to the number of different systems in place within the organisation there would always be an opportunity for error.

One committee member queried why action 2.1 could not be implemented before 30th June 2022, it was felt it would take time to put the process into place and for the process to be implemented across all areas.

The committee queried the wording contained in action 2.2 which the Internal Auditor agreed to rectify. The Director of Finance advised that appropriate wording of management responses would be raised as part of the next Corporate Management Team meeting.

Action: Susan Brook / Derek Lindsay

Outcome: *The Internal Audit report was noted and will be shared with the Information Governance Committee.*

4.5 Financial Controls - Payroll

The Internal Audit report was presented to the committee with the focus being on the financial controls around the processing of payroll and establishing effective controls in the payroll process to ensure there is minimal/no errors in payments. Partial assurance was given with four medium recommendations identified. It was noted that similarly to the IT Controls audit there are delays in HR processing of leavers and contract amendments which contribute to the overpayment of staff. As well as this it was noted that certain SOP's required to be updated and verification checks adhered to.

One action was acted on immediately with communication going out to managers for contract changes to be processed in advance of people leaving. Two actions have a due date of 31st March 2022 for completion and the latter is due to be implemented by September 2022 due to year end processes being followed. One committee member queried the timescales for completion of point 2.4. It is hoped this can be implemented at an earlier date.

Outcome: *The committee received the report and were content with the recommendations identified.*

4.6 Internal Audit Plan

Discussion took place around the Internal Audit Plan for 2022/23. This was circulated to both the Integrated Governance Committee and the Corporate Management Team before being considered at an Audit and Risk Committee workshop on 25th February 2022. All committee members felt this was very helpful and would be welcome in the future. The plan contains 12 reviews planned for the next year, seven of which are for assurance and five are advisory.

The committee queried some of the dates planned for reviews to be undertaken and it was agreed the plan would be subject to change as advised by the Corporate Management team in consideration of the pressures in place at that time. It was also felt that cognisance should be given to getting to financial sustainability which could be included as part of the PMO and Caring for Ayrshire reviews as well as quality and cost improvement.

Outcome: *The committee approved the Internal Audit plan for onward submission to the NHS Board.*

5. Governance and Risk

5.1 Committee Self-Assessment Checklist and Annual Report

The Audit and Risk Committee annual report and checklist was reflected on by the committee. It was agreed that comments around the three delayed Internal Audit reports would be included within the Chairman's section. The committee were happy to approve the report on this basis.

Action: Michael Breen

Outcome: *The committee approved the Annual Report and Self-Assessment Checklist for onward submission to the NHS Board subject to the amendment noted above.*

5.2 Committee Workplan 2022/23

The draft committee workplan was shared with the committee for 2022/23 which sets out what will be presented at each committee meeting for the year ahead. It was agreed that the workplan would be presented at each committee taking account of the changes in timing of audit reviews as necessary.

Outcome: *The committee workplan for 2022/23 was received.*

5.3 Review of Committee Terms of Reference

The committee reviewed the Terms of Reference which required to be approved before being shared with the NHS Board. Discussion took place around whether it would be possible for the Internal Audit Plan to be presented to the Integrated Governance Committee first before being approved at the Audit and Risk Committee ahead of going forward to the NHS Board, as happened this year. It was agreed this may be possible if the calendar of meetings allowed but should be discussed with the Head of Corporate Governance in the first instance.

Action: Lesley Bowie

Outcome: *The Terms of Reference were approved for onward submission to the NHS Board.*

5.4 Strategic Risk Register

The Assistant Director for Occupational Health, Safety and Risk Management provided the regular update on the Strategic Risk Register. All risks were noted to have been through their own governance committees for scrutiny before coming to the Audit and Risk Committee for awareness. The risk register is also reported to the Risk and Resilience Scrutiny and Assurance Group whereby Directors take ownership of the risks and provide an update on the progress of these. More focus is being placed on the risk process and ongoing economic factors such as inflation, cost of living and restrictions on utilities which will be included as part of the overall Business Continuity aspect of risk. The committee were assured that overall risk management process is in place and is working effectively.

Outcome: *The committee received the Strategic Risk Register.*

5.5 2021-22 Annual Accounts – Letter to Directors of Finance

The letter from the Scottish Government to Directors of Finance regarding the 2021-22 annual accounts timescales was shared with the committee for information and interest.

Outcome: *The committee received the letter from the Scottish Government.*

6. External Audit / Audit Scotland Reports

6.1 Planning Report to the Audit Committee on the 2021/22 Audit

The external auditor presented the external audit planning report to the committee. The auditor advised that he was comfortable that the risks included are the same as those from last year's report. The key focus of the plan for this year is the wider scope elements such as focussing on financial sustainability within the short, medium and longer term as well as medium and longer term financial planning and how this links to the workforce plan, transformation plan and the Caring for Ayrshire plan. The committee were satisfied with the plan as presented.

Outcome: *The committee received the Planning Report on the 2021/22 Audit.*

6.2 Audit Scotland Report – Social Care

The Director of Finance shared the Audit Scotland report and noted challenges around both recruitment and retention of social care staff. The Scottish Government in partnership with COSLA introduced Self-directed Support to give recipients and carers flexibility in the service delivered. The Scottish Government has committed to increase Social Care funding by 25% in order to secure staff in caring roles and there has been a 10% pay increase for the lowest paid social care staff over the last year. A timescale to implement the National Care Service (NCS) over the next five years was noted within the paper and includes a national programme management objective which will be set up by PWC and the NCS is expected to be operational by May 2026.

Outcome: *The committee received the report.*

6.3 Audit Scotland Report – NHS in Scotland 2021

The Director of Finance presented the Audit Scotland report for NHS in Scotland which is a collection of issues raised in external auditor reports from across different health boards. The key message from the beginning of the report notes that the NHS in Scotland is operating on an emergency footing and remains under severe pressure with sustainable financial solutions and workforce planning being a priority. Due to the response of NHS Boards to Covid-19 this has affected their ability to achieve efficiency savings. In recognition of this the Scottish Government has pledged to help each board achieve financial balance on a non-recurring basis in 20/21 and 22/22. Six boards in particular are identified as being in a challenging financial position with NHS Ayrshire and Arran being one of these boards. Additional support will be provided by Scottish Government with the aim of improving the positions. The committee took cognisance of the fact that NHS Ayrshire and Arran were mentioned as part of the report and felt the report should be shared with board members.

Action: Derek Lindsay

Outcome: *The committee received the report and were made aware of the financial challenges.*

6.4 Audit Scotland Report – Addressing Climate Change

The Director of Finance drew attention to the recommendations within the report which could be considered as an organisation in order to reduce greenhouse gas emissions and become part of the Climate Change strategy. The committee felt it would be useful for the report to be shared with the Integrated Governance Committee to assist in their review of existing documents related to this, which should be discussed with the Head of Corporate Governance.

Action: Shirley Taylor

Outcome: *The report was noted and agreement made for the report to be shared with the Integrated Governance Committee for Information and noting of recommendations.*

6.5 Audit Scotland Report – Drug and Alcohol Services

The committee heard about the national crisis with regard to drug related deaths in 2020. There has been a £250 million investment into this taking place over the

next five years with £100 million of this being allocated to rehabilitation. The committee felt it would be beneficial for this to go through Healthcare Governance for information and also be shared with wider Board Members for interest. It was agreed it would be raised with the Head of Corporate Governance to take this forward.

Action: Shirley Taylor

Outcome: *The committee received the report and recommended onward distribution to wider Board members and the Healthcare Governance Committee.*

7. Counter Fraud

- 7.1 The Assistant Director of Finance provided the regular report on Counter Fraud activity. It was noted that a recent investigation was made into a national fraud initiative whereby no instances of fraud were identified.

A Pilot project is underway with Counter Fraud Services and two pilot Boards; NHS Ayrshire and Arran and National Services Scotland. Counter Fraud Services have recently redesigned their fraud standards and are working with the two boards in the implementation of these. Progress updates will be provided to the committee when these are available and an evaluation will be conducted at the end of the Pilot.

The Counter Fraud Services quarterly report was presented to the committee for information and it was noted that Cyber Scotland Week had taken place between 28th February and 6th March 2022. During the week there was a series of promoted events for staff in relation to cyber attacks within all aspects of life.

Outcome: *The committee received the Counter Fraud update report*

8. Tender Waivers & Procurement

- 8.1 Tender Waivers/Tender Exception Report
The regular report on tender waivers approved since the last meeting on 18th November 2021 was presented to the committee. A previous audit was conducted and good assurance was given on the tender process and procurement in general.

Outcome: *The committee received the report on tender waivers approved.*

9. Any other competent business

None discussed.

10. Key issues to report to the NHS Board

The following items were agreed to be reported to the Board:

- Internal audit reports
- Internal Audit Follow up Report

- Internal Audit Plan 2022/23
- External audit Planning Report and Audit Scotland updates
- Strategic Risk Register

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

Nothing further identified.

14. Date of next meeting

Wednesday 11th May 2022 @ 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: