



## **Minutes of NHS Ayrshire and Arran Audit & Risk Committee Meeting**

**held on Wednesday 23rd November at 09:30 hours via Microsoft Teams**

<b>Present</b>	Jean Ford, Non-Executive Board Member (Chair) Marie Burns, Non-Executive Board Member Sukhomoy Das, Non-Executive Board Member Bob Martin, Non-Executive Board Member Marc Mazzucco, Non-Executive Board Member
<b>In attendance</b>	Claire Burden, Chief Executive Derek Lindsay, Director of Finance Fiona McGinnis, Assistant Director of Finance (Governance and Shared Services) Judith Aspinwall, Fraud Liaison Officer Gordon Young, Head of Counter Fraud Service Peter Clark, Internal Auditor, Grant Thornton Jamie Fraser, Internal Auditor, Grant Thornton Paul Davies, Internal Audit Manager, East Ayrshire Council Laura Miller, Chief Internal Auditor, North Ayrshire Council Cecilia McGhee, Chief Internal Auditor, South Ayrshire Council David Jamieson, External Auditor, Audit Scotland Jack Kerr, External Auditor, Audit Scotland Zoe Fance, Head of Procurement Sandy Agnew, Assistant Director – Estates and Support Services Janice Gillan, Head of Clinical Support Services Shirley Taylor (Minutes)

The Chair welcomed everyone to the meeting and introductions were made. It was noted that Audit Scotland will be replacing Deloitte as the new External Auditor so an induction meeting will take place to discuss timescales for audits and final accounts.

### **1. Apologies and declarations of interest**

#### **1.1 Apologies**

Apologies were received from Douglas Reid and Fiona Mitchell-Knight.

#### **1.2 Declarations of interests**

There were none.

## 2. Minutes of the meeting on 23 and 27 June 2022

Both sets of minutes were declared as an accurate record of the meetings.

## 3. Matters Arising

### 3.1 Action Log

All actions were noted as having been completed.

### 3.2 Committee Work plan

The committee received the amended work plan with changes detailed in red for ease of reference.

## 4. Counter Fraud

### 4.1 Presentation from Head of Counter Fraud Services and annual report

Gordon Young, Head of Counter Fraud Services attended the meeting to provide an update on the counter fraud standards, future plans and cases undertaken by Counter Fraud to date. NHS Ayrshire and Arran along with NSS were chosen as pilot boards for the new counter fraud standards and the outcome of the pilot was found to be extremely successful. Going forward evidence for the self-assessment will be gathered throughout the year to complete the overall assessment at the end of the year. Clarification was sought on whether the evidence was checked for all boards. The self-assessment nature was confirmed and guidance will be provided where required in completion of the self-assessment tool. It was noted that Audit Scotland also undertake the self-assessment process.

Moving forward the plan is to introduce a larger scale strategic assessment, this has been updated to ascertain what the biggest risks are to the NHS across Scotland and is conducted using the MoRiLE Methodology. Staff Fraud, Procurement & Commissioning and Primary Care are the biggest areas identified for targeted work to take place in. An action plan will be updated every year to capture progress within these areas. There has been a significant increase in sickness absence fraud, and the theft of both IT equipment and PPE were particularly high during the covid period.

New and emerging threats to the NHS were highlighted with both hybrid and home working being emphasised as a particular risk area. Thanks were passed to the Counter Fraud Team at NHS Ayrshire and Arran and the Counter Fraud Service for their hard work and support.

The CFS Annual Report was received for information. No questions were raised regarding this.

**Outcome:** *The Committee received and thanked the Head of Counter Fraud Service for the presentation.*

## 4.2 Counter Fraud Liaison Report

The Assistant Director of Finance provided the routine quarterly highlight report and advised that new deputy Fraud Liaison Officers have been appointed. Helen Shaw and Robin Wales are currently shadowing some meetings and will undertake training with the Counter Fraud Service in the coming weeks.

Staff absences and controlled medicines were identified as the main themes within the report with most actions being resolved.

Discussion took place around Operation Ariston which involved many health boards including NHS Ayrshire and Arran at a junior level and falls under the category of Procurement and Bribery.

**Outcome:** *The committee received the report.*

## 5. Governance

### 5.1 Assurance and Governance Arrangements for Internal Audit Reports

The Director of Finance highlighted a paper which has been presented to the Integrated Governance Committee on the responsibilities of committees for internal audit reporting and listing the internal audit reports expected throughout the year. The overall internal audit plan is founded upon the strategic risk register and links the reports to current risks we are addressing. A lead governance committee is attached to each strategic risk and reports will also be aligned to these governance committees to allow for monitoring of actions and recommendations. It was noted that all completed internal audits will be circulated to Audit and Risk Committee with some going forward to other governance committees where they own the risk, for more detailed scrutiny of the actions and timeframes for completion.

Set out within the paper is also the expectations of all governance committees regarding whether follow up of a report is required. Regular follow up of actions is also undertaken by the Director of Finance, the Committee Secretary and the internal auditors. A quarterly highlight report is provided to the CMT with regard to actions which remain outstanding and twice yearly reporting on follow up actions is provided by the Internal Auditor.

An issue was highlighted with regard to one report which came through the Audit and Risk Committee in March 2022 however has not as yet been reported to the respective Governance Committee. It was noted that the actions of this audit are now overdue.

The committee agreed that audits to be reported to another governance committee would be sent on to the relevant governance secretary along with the responsible director following Audit and Risk Committee for scheduling to next governance committee.

**ACTION:** Shirley Taylor

**Outcome:** *The committee received the report and were content with the proposals made.*

## 5.2 Appointment of Internal Auditor

The Assistant Director of Finance shared the report which will be presented to the NHS Board on 28<sup>th</sup> November for approval of a derogation of the Board's standing orders, delegating authority to the Audit and Risk Committee for the appointment of the internal auditor. A joint tendering exercise is currently underway alongside NHS Greater Glasgow and Clyde, NHS 24 and the National Waiting Times Centre Board to appoint the new internal auditor. Stage one of the process is presently being reviewed with the stage two interviews scheduled to take place on 9<sup>th</sup> December 2022. Once scoring has been completed, the Audit and Risk Committee will be asked to virtually approve the preferred choice.

It was noted that a consensus will require to be reached by all parties before a decision can be made with the process expecting to be concluded around mid-January 2023.

**Outcome:** *The committee received the proposal being put forward to the Board for delegated responsibility of the ARC appointing the new Internal Auditor.*

## 6. Internal Audit

### 6.1 Internal Audit Progress Update Report

The Internal Auditor provided the progress update report. Since the last paper in June 2022, a final review from 2021/22 and 4 of the 13 due in 2022/23 have concluded with reports presented to the committee. The remaining 9 reviews are at various stages of progress.

**Outcome:** *The committee received the report.*

### 6.2 Internal Audit Follow Up Report

The Internal Auditor provided the follow up report. 17 recommendations have been brought forward from the previous report in March 2022. A further 22 have been added giving a total of 39 recommendations being tracked within the period. 21 actions have been implemented/ closed with nine not yet due and nine overdue, none of which are of a high rating. All actions from 2018/19 and 2019/20 have now been closed off. Two of the overdue actions related to Mental Health from the 2020/21 audit plan with all others being from 2021/22.

Discussion took place around rescheduling of due dates and it was agreed that more focus should be put on ensuring realistic dates are set at the outset and that activity starts early enough to deliver by the due date as it should not become normal practice to roll dates forward.

### 6.3 Internal Audit Report – Property Transaction Monitoring

The Internal Auditor presented the audit report which considered whether NHS Ayrshire and Arran complied with the relevant provisions set out within the NHS Scotland Property transactions Handbook. Four properties were bought during the 2021/22 financial year. The audit found that all acquisition transactions were conducted satisfactorily with no issues identified.

**Outcome:** *The committee received the report*

#### 6.4 Internal Audit Report – Financial Controls – Endowment Funds

The internal auditor advised that each year an audit is undertaken in relation to financial controls, the focus of this particular audit was the adequacy of the internal control measures in place around Endowment Funds. The review received a reasonable level of assurance with one low rated recommendation being made in relation to some funds not having a fund holder assigned or not having a second or third signatory. It was noted this is currently being actioned however agreement was made that there is no need for a third signatory to be identified and a second signatory would be added to each fund as a backup to the fund holder/first signatory. It was noted this will be reviewed on an ongoing basis.

**Outcome:** *The committee received the report*

#### 6.5 Internal Audit Report – PMO (Part 1)

The internal auditor presented the report and advised that the audit was undertaken to consider the controls (design and operation) in place within the Programme Management Office (PMO) office, in line with risk 703 from the Strategic Risk Register. The review has been split into two parts with part two taking place in quarter four.

Part one of the audit evaluated the adequacy of the internal controls in place around monitoring of priority programmes. The review received partial assurance with some improvement required around completion of documentation such as EQIA and Programme Workbook with two medium, one low and one improvement rated findings. It was noted that recommendations have been split across each priority programme area in order to give an opportunity for easier follow up by the responsible lead.

The committee agreed that the review would go forward to the Performance Governance Committee for monitoring of recommendations.

Action: Shirley Taylor

**Outcome:** *The committee received the report which will be taken forward to the Performance Governance Committee for monitoring of actions*

#### 6.6 Internal Audit Report – Caring for Ayrshire Preparations

The committee heard that an Advisory review has been undertaken into the preparation for the Caring For Ayrshire Programme in line with risk 669 from the Strategic Risk register. Due to the nature of the advisory review it was not considered appropriate to provide a level of assurance or rating for the recommendations. A review of the work provided to date was undertaken with a summary of good practice for management to take forward.

Action: Shirley Taylor

**Outcome:** *The committee received the report which has to go forward to the Integrated Governance Committee for information/ consideration*

#### 6.7 Internal Audit Report – Catering Review

The internal auditor provided an overview of the catering review (which was the last review from the 2021/22 audit programme) the objective of which was to evaluate the design and operating effectiveness of the controls in place around catering and the recovery of costs and income, including how prices and income targets are set. The review received partial assurance with improvement required and contained one high, two medium and one low rated recommendation.

The Assistant Director of Estates and Support Services was in attendance at the meeting to provide an update on the status of the actions agreed. It was noted that the high rated recommendation has been implemented following approval by CMT. With regard to the medium and low recommendations documentation is in place for all of these and plans will be approved at the new Catering Services Review Board, at its first meeting in December 2022. It was agreed that the report would be circulated to the Integrated Governance Committee for monitoring of completion of actions.

Action: Shirley Taylor

**Outcome:** *The committee received the report which has to go forward to the Integrated Governance Committee for information.*

#### 6.8 Internal Audit Update – Procurement

The Assistant Director of Estates and Support Services along with the Head of Procurement attended the meeting to provide a further update on the progress of the actions from the Procurement internal audit review. The last update was provided on 11<sup>th</sup> May 2022 and since then all actions have been closed with the exception of one.

Discussion took place around how assurance could be provided that the outstanding action was being implemented. A draft list of suppliers where no purchase order is required has been developed and will be published on Athena and updated on a regular basis. It was agreed that the action could be closed off once the exception list has been published and no further updates to this committee would be required.

**Outcome:** *The committee received the interim update on the actions from the audit report and thanks were given for attendance.*

## **7. Governance and Risk**

### **7.1 Strategic Risk Register**

The Director of Finance presented the strategic risk register, showing all risks for each governance committee, before being reported to the NHS Board. Attention was drawn to appendix one which details when risk reports have gone through the relevant governance committee. The Risk and Resilience Scrutiny and Assurance group meet on a regular basis to ensure that risks are still relevant and should not be taken off the register. The distribution of risks across the different governance committees was noted. It was noted that the date the risk was last reviewed as well as the next review date is noted within the table for ease of reference.

**Outcome:** *The committee received the risk register and noted the content.*

### **7.2 Integration Joint Board Internal Audit report and Plan North Ayrshire, South Ayrshire and East Ayrshire**

The Chief Internal Auditors for the three Integrated Joint Board's (IJB's) attended the meeting to provide the annual report on the work of internal audit during 2021/22 and an opinion on the governance, risk and internal control environment for each of the IJB's. An annual audit opinion of reasonable assurance was provided on the adequacy and effectiveness of each of the IJB's systems of governance, risk and control. The internal audit plans for 2022/23 were also included for information purposes.

**Outcome:** *The committee received the reports*

## **8. Tender Waivers and Procurement**

### **8.1 Tender Waivers/Tender Exception Report**

The Assistant Director of Finance provided the routine report on all tenders approved since the previous meeting in line with Standing Financial Instructions. It was noted the majority of waivers are due to standardising processes or single supplier.

A query was raised with regard to the waiver for Penumbra. The Director of Finance explained that this is specialist work which is provided for the CAMHS service and several meetings took place in order to agree this.

**Outcome:** *The committee received the report.*

## **9. Any other business**

### **9.1 Meeting dates for 2023/24**

The dates circulated for 2023/24 were accepted as the dates for the following year.

**Outcome:** *The committee agreed the proposed future meeting dates*

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

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

- Internal audit reports including assurance ratings and progress of actions
- Counter Fraud Services presentation
- Internal audit tender
- IJB reports

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

None noted.

**12. For Information**

Various Audit Scotland reports were shared with committee members for information purposes only

The Director of Finance highlighted a section within the Audit Scotland – Scotland’s Financial Report to Covid-19 report for interest. Of the £15.5 billion allocated by the Scottish Government to the covid-19 response in 2020/21 and 2021/22, health received approximately one third of this.

Of particular note is a recommendation for the Scottish Government, councils, NHS boards and integration authorities regarding “reporting through their accounts and management information how Covid-19 funding held in reserves has been spent, and the extent to which Covid-19 funded spending commitments will exist in future years.” This is something which NHS Ayrshire and Arran are currently working on with IJB’s and will be reflected within this year’s annual accounts as it is seen as good practice to hold money in reserves for future need.

**11. Date of next meeting**

Wednesday 18<sup>th</sup> January 2023 at 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: .....