

Minutes of NHS Ayrshire and Arran Audit & Risk Committee Meeting

held on Wednesday 20 March at 09:30 hours via Microsoft Teams

Present Jean Ford, Non-Executive Board Member (Chair)
Marie Burns, Non-Executive Board Member
Marc Mazzucco, Non-Executive Board Member
Joyce White, Non-Executive Board Member
Neil McAleese, Non-Executive Board Member
Sukhomoy Das, Non-Executive Board Member

In attendance Claire Burden, Chief Executive. (Except item 6.1)
Derek Lindsay, Director of Finance
Fiona McGinnis, Assistant Director of Finance (Governance and Shared Services)
Shona McCulloch, Head of Corporate Governance
Fraser Bell, Assistant Director (Programmes), Property and Capital Planning
Elizabeth Young, Internal Auditor, Azets
Rachael Weir, Internal Auditor, Azets
David Jamieson, External Auditor, Audit Scotland
Jack Kerr, External Auditor, Audit Scotland
Martin McLaughlin, Audit Scotland
Naomi Ness, Audit Scotland

Shirley Taylor (Minutes)

1. Apologies and declarations of interest

1.1 Apologies

The Chair welcomed everyone to the meeting, apologies were received from Lesley Bowie and Fiona Mitchell-Knight.

1.2 Declarations of interests

None noted.

2. Minutes of the meeting on 24 January 2024

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

3. Matters Arising

3.1 Action Log

Point 6.1 (24/01/2024) Discussion with regard to the tender report has still to take place the routine report has been shared for information.

Point 7.2 (24/01/2024) Committee members were thanked for the approval of the terms of Reference which has now been submitted to the NHS Board.

3.2 Committee Work Plan 2023-24

Members noted the workplan for 2023-24 with any changes noted in red for ease of reference.

4. External Audit

4.1 NHS in Scotland 2023

Martin McLaughlin and Naomi Ness from Audit Scotland attended to present the finding of the recent audit of the NHS in Scotland 2023. Key messages from the audit were that it was high level and strategically focussed with a three part structure introducing financial analysis which had been paused during the pandemic. Recommendations were mainly for Scottish Government. Findings from the report suggest a greater need for direction from Scottish Government to Boards on cultural leadership and support to promote longer term reform. Better alignment is required between financial and activity planning however there are ongoing cost pressures. Within 2022/23 5 out of 14 Boards required financial brokerage and another had a deficit while two-thirds of savings delivered were one-off, non-recurring measures. 2023/24 has seen boards behind trajectory in terms of savings. Plans for 2024/25 are in preparation and are likely to be even more challenging.

With regard to operational challenges there is a mismatch between demand and capacity and it has been very difficult to recover from covid and continue to provide treatment in a timely manner. Most waiting times standards are not being met. Waiting lists for planned care are larger than a few years ago however the rate of growth is now beginning to slow down. Challenges are also being seen in unscheduled care with regard to demand and delayed discharges. This is an issue for the entire health and social care system. Staff turnover and staff sickness has increased which is affecting staff wellbeing, performance and patient safety.

There has been a lack of strategic vision and cohesive direction in terms of reform and redesign since 2016 when the National Clinical Strategy was published. Better alignment can be seen in plans for 2024/25 however the medium term financial framework remains to be produced. There are funding concerns with regard to key capital projects and the impact of this is not clear at present however there is evidence of increased focus towards public health and prevention.

It has been recommended that the revised Blueprint for Good Governance is rolled out within 2024 to focus on better partnership working, collaborative leadership, staff engagement and delivering change. It is also planned that the NHS in Scotland 2023-24 overview be produced by December 2024 if possible.

Discussion also took place on the recent review of Corporate Governance in Forth Valley report which will be shared with members for information.

ACTION – David Jamieson / Shirley Taylor

Outcome: *The Committee received the presentation and thanked the presenters for their attendance.*

4.2 External Audit Plan 2023-24

The External Auditor presented the External Audit Plan for the audit of the 2023-24 annual accounts. The elements of the audit were highlighted which will enable the annual audit opinion inclusive of best value arrangements.

The materiality level for the audit was also examined focussing on the significant risks of material misstatement to the financial statements. Planned audit mitigations were provided for each of the potential risks.

Other areas of audit focus were considered for review such as valuation of land and buildings and income and expenditure on Service Level Agreements. The risk identified in terms of the NSI service auditor assurance in 2022/23 will remain a business risk for the Board and NHS Scotland as a whole however will not impact on the audit approach for the 2023/24 year end accounts.

A great deal of work has been ongoing to discuss and agree the plan. Only one dispute has arisen with regard to the increased audit fee. This is currently being discussed at national level via the Directors of Finance group and a letter will be sent to Audit Scotland following this.

Outcome: *The committee received the external audit plan*

Item 12 was taken at this point due to close linkage

5. Governance and Risk

5.1 Strategic Risk Register

The Director of Finance presented the Strategic Risk Register which shows all risks for the Board. Each governance committee receives the risks for which they are responsible to oversee. Since the last report one risk has been moved from strategic to operational which will be managed within the directorate. A further risk has been reinstated as strategic.

One risk with regard to non-framework agency has been put forward to members for termination from the register. A new process to manage this was put into place last year and has been working well. The committee agreed for the risk to be terminated.

A further new risk was noted related to the covid enquiry and retention of information. This risk was accepted by the committee.

Discussion took place on length of stay and whether this should be added as a risk in its own right. It was confirmed that this is picked up across a number of different risks however it was agreed that was perhaps not as transparent as it should be.

Chair still feels there is work to be done to improve templates and the content of reporting and it was agreed that further discussion would take place with the Chief Executive with a view to addressing this.

ACTION – Claire Burden / Jean Ford

Outcome: *The committee received the risk register and approved the changes*

- 5.2 NHS Ayrshire and Arran Registers of Gifts, Hospitality and Interests
The Head of Corporate Governance presented a paper on the Registers of Gifts, Hospitality and Interests and advised that this forms part of the Code of Corporate Governance and all staff are required to register anything received. As part of the code the Audit and Risk Committee should receive an annual report of the registers.

It was noted there had been a delay in the paper being presented to the committee to enable a review of data published by the Association of British Pharmaceutical Industry disclosing monies paid to organisations and individuals by pharmaceutical companies. The information is held on a public website and is published in July each year for the previous calendar year. On analysis of the database it was found that monies were noted as paid to NHS Ayrshire & Arran staff members which related to registration fees, event travel and expenses. There was some expectation that these monies might have been declared on staff registers however there was no record. Discussion had taken place with the Director of Finance and Human Resources colleagues and it had been agreed that an education and awareness raising exercise would take place to remind staff of their personal responsibilities in regards to declaration of gifts hospitality and interests. A Chief Executive note had been circulated across the organisation on guidance and process to be followed and work would continue with Directors to ensure this was cascaded within their own staffing groups. Dr Das provided helpful insight in explaining that as a clinician in other health boards, when receiving funding from an external company, for example registration fees, event travel and expenses, this would be recorded as part of the approved Study Leave form and a declaration not required. Mrs McCulloch welcomed this advice. Mrs McCulloch was continuing to review the published data and would consider next steps if there was an indication in future that declarations had not been made when these were required.

It was agreed that a further paper would be produced in around six months' time to ensure that improvements have been made. The committee felt assured that steps were being taken to manage this and were hopeful for improvements in the next report.

Outcome: *The committee received the report*

Item 6.4 was taken at this point to allow the Chief Executive to input prior to leaving for a priority meeting.

6. Internal Audit

6.1 Internal Audit Progress Report

The Internal Auditor presented the Internal Audit Progress report which details progress against the Internal Audit Plan for 2023-24. It was confirmed that all audits for the year should be finalised for the next Audit and Risk Committee in May 2024. There are currently four audits in progress at present. The staff rostering audit has commenced later than expected due to issues in accessing information. Work has been substantially completed on the Performance Monitoring of Allied Health Professionals audit which will be completed soon. The Digital Strategy audit is still at planning stages with the team standing by to get work underway. An update meeting has been scheduled for next week.

Outcome: *The committee received the report*

6.2 Internal Audit Report – Capital Procurement and Contracting of NSAIS

The Internal Auditor presented the report which was put forward by Management to look at areas of unauthorised spend which resulted in increased costs and delays in planned service commencement. Some areas were identified for improvement with regard to the process and additional scrutiny on management of external contractors. It was also highlighted that reporting against the project tracker and identifying overspends required some attention.

It was confirmed that the detail within the report and timescales had been fully agreed with management and processes will be amended to build in the recommendations from the Auditors. All issues with regard to the delays and overspend has been reported fully to Scottish Government.

Outcome: *The committee received the report which will now be submitted to the Performance Governance Committee*

6.3 Internal Audit Follow Up Report

The Internal Auditor provided the committee with an update on the outstanding internal audit actions. Progress was reviewed on the 45 open actions for the quarter. 14 actions were not yet due and 16 were closed/ proposed for closure since last report. 15 actions are overdue, 13 of which are partially completed and 2 incomplete as no updates have been forthcoming.

Discussion took place on the 2 incomplete, historical actions on the Mental health Internal audit which was completed in 2021. There was agreement from members that the actions should be completed prior to the next meeting and if this is not possible then a representative from the service should attend the next meeting in May 2024 to provide an update.

The committee approved closure of 3 actions from the Delayed Discharges - Performance Indicators Audit in 2022/23 which will not be addressed as proposed due to the position having changed since the audit.

Outcome: *The committee received the report*

6.4 Internal Audit Plan 2024-25

The Internal Auditor presented the Internal Audit Plan for 2024-25 and advised that as part of the process the draft plan had been received by Audit and risk Committee members in January 2024. The plan was then circulated through the Corporate Management Team and Integrated Governance Committee for comment with a few changes noted. As previously discussed GP Enhanced Service Provision would be replaced with a review on GP Sustainability Payments. There has also been wording changes with staff absences becoming Promoting Attendance. Discussions are ongoing with regard to appropriate governance and allocation of days for the Health and Social Care Partnership areas. This will be done in consultation with the Corporate Management Team due to the audit being instructed by NHS Ayrshire and Arran.

Discussion took place on previous suggestions made by committee members for potential audits. It was noted that recruitment and retention has been audited in recent years so this is not due again for review as yet. Promoting Attendance will be audited and will incorporate elements of this within the audit.

There will be some refocussing of the planned Business Continuity and IT Systems as an NIS audit is underway. Instead there will be a wider audit of business continuity and disaster recovery.

It was requested that agency spend be considered as part of 2025/26 audit plan and it was agreed that consideration would be given to this when the plan is produced. It was also agreed that an audit trail and narrative would be more clearly reflected for members in the future.

ACTION – Elizabeth Young / Rachael Weir

Members confirmed approval of the Internal Audit Plan for submission to the NHS Board noting the comments which have been made.

Outcome: *The committee recommended the plan for onward submission to the NHS Board for approval*

7. Fraud

7.1 Counter Fraud Update Report

The Assistant Director of Finance presented the routine report and advised that the annual action plan has a focus on raising the profile of Counter Fraud Services and staff engagement. Progress on this will be reported at a future meeting. It was noted that no feedback has been received from Counter Fraud Services on the streamlining of the report.

All cases noted within the appendix are currently under review at present. Updates will be provided on these when available.

Outcome: *The committee received the report*

8. Tender Waivers and Procurement

8.1 Tender/Quick Quote Waiver Report

The Assistant Director of Finance presented the routine report on waivers received within the last quarter. It was noted that the total value of the tender waivers equates to around 2% of the total supply spend each year and is mainly due to annual contracts each year with sole suppliers.

Some queries were noted as to what constitutes a sole supplier and it was felt that it may be helpful if the waiver categories were reviewed and additional information provided as to the reasons for the waiver being required whilst adhering to Procurement regulations.

Outcome: *The committee received the report*

9. Any other competent business

9.1 ARC Annual Report

The draft Annual Report was shared with members detailing how the committee has discharged its remit over the course of the year. No comments were received and the report was agreed for submission to the NHS Board.

Outcome: *The committee approved the report for onward submission to the NHS Board*

9.2 Lloyds Pharmacy Liquidation

The Assistant Director of Finance advised members that notification has been received from NSS that Lloyds Pharmacy has gone into liquidation and removed themselves from the UK market. As payments to Pharmacists are made on an estimated basis then corrected it is anticipated that there is an approximate loss of £8.3m nationally. The share of this for NHS Ayrshire and Arran is £390k and it is likely this will not be recovered. Discussions are ongoing with Scottish Government regarding this at present.

Outcome: *The committee received the update*

10. Key issues to report to the NHS Board

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

- External Audit Plan 2023-24
- Internal Audit Progress Report
- Internal Audit Plan 2024-25

- Internal Audit Report – Capital Procurement and Contracting of NSAIS
- Internal Audit Follow Up Report
- ARC Annual Report 2023-24
- NHS Ayrshire and Arran Registers of Gifts, Hospitality and Interests

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

None noted at present.

12. For information:

Audit Scotland Fees 2023-24 – The Director of Finance advised that all boards have auditors which have been assigned by Audit Scotland, there is a tendering exercise every five years and the fees charged by private firms has gone up, resulting in a 25% increase in our external audit fees in 2022/23. The increase has varied by Board area. A notification has been received that there will be a proposed 6% increase in fees for the 2023/24 audit and correspondence has been prepared to push back on this by Directors of Finance. A meeting is taking place between Directors of Finance and Audit Scotland to come to an agreement on the increase.

The External Auditor confirmed that as a result of the tendering exercise and regulatory requirement this has led to an increase in audit fees which are set centrally and match the increased staffing cost.

13. Date of next meeting

Thursday 16th May 2024 at 9.30am via Microsoft Teams

Approved by Chair of the Committee:

..... Date: