



Minutes of NHS Ayrshire and Arran Audit & Risk Committee Meeting

held on Wednesday 16 May 2024 at 0930 hours via Microsoft Teams

Present Jean Ford, Non-Executive Board Member (Chair)
Marie Burns, Non-Executive Board Member
Sukhomoy Das, Non-Executive Board Member (joined from 1010 hours)
Marc Mazzucco, Non-Executive Board Member
Joyce White, Non-Executive Board Member

In attendance Claire Burden, Chief Executive
Derek Lindsay, Director of Finance
Fiona McGinnis, Assistant Director of Finance (Governance and Shared Services)
Rachael Weir, Internal Auditor, Azets
David Jamieson, External Auditor, Audit Scotland
Karen Houston (Minutes)

1. Apologies and declarations of interest

1.1 Apologies

The Chair welcomed everyone to the meeting,

Apologies were received from Lesley Bowie and Neil McAleese

1.2 Declarations of interests

Jean Ford declared a connection to item 5.1 as a Non-Executive Director with NHS Education for Scotland (NES), who are a customer of the national finance system, but not required to leave the room.

2. Minutes of the meeting on 20 March 2024

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

3. Matters Arising/Action Log

3.1 Matters arising

External audit fees - Audit Scotland. Derek Lindsay advised that following on from discussion at a national Directors of Finance meeting the 6% increase in fees to Audit Scotland had been reluctantly accepted.

3.2 Action Log

There were 9 actions on log, 2 complete and 4 not yet due. Updates were provided on the 3 outstanding.

10 May 2023, item 6.2, Risk Management Strategy 2023-2026 – control measures and action details would now be detailed on the summary sheet to provide greater transparency. As a result of the change, timescale for implementation to be amended to Dec 2024...

20 March 2024, item 5.2, Follow up for Registers of Gifts, Hospitality and interests has now been added to the workplan so can be marked complete.

20 March 2024, item 6.3, Mental Health Internal Audit actions – incorrect email addresses had been used when chasing for responses. This has now been corrected. The right people are progressing and will update.

3.3 Committee Work plan 2024-2025

Due to sequencing the Strategic Risk Register would come to the June Audit and Risk Committee. The committee received the amended work plan

4. Internal Audit

4.1 Internal Audit Progress Report

The Internal Auditor introduced the progress report which summarises the audit plan for 2023/2024. Three of the reports are on the agenda for this meeting. Two reports are delayed with auditors concluding fieldwork for Staff Rostering and Digital Strategy. This means that these reports will now be submitted for the June Audit and Risk Committee and the Annual Audit opinion.

Chair sought confirmation from Azets that the outstanding reports were far enough advanced to enable the annual audit opinion to be provided and this was confirmed.

Outcome: *Members received the report and noted the new timeline for two reports.*

4.2 Internal Audit Report – Performance Monitoring

The report was introduced by the Internal Auditor. The report was rated Yellow – Minor Improvement Required and specifically looked at annual delivery planning. It found that there was clear alignment between the NHS Ayrshire & Arran Delivery Plan and the national recovery priorities set out by Scottish Government and overall a very positive report. Two areas were identified which would strengthen the overall control framework. The Internal Auditor advised that engagement throughout the audit was excellent and expressed thanks to the team involved. Committee conveyed their thanks to all involved in achieving an excellent outcome.

Outcome: *The report was received by committee and will now be forwarded to Performance Governance Committee for monitoring of actions...*

- 4.3 Internal Audit Report – Performance Monitoring (Integrated Joint Boards, Allied Health Professionals AHPs)
The report in relation to AHP services was rated Amber – Substantial Improvement Required. A deep dive into musculoskeletal services, managed by East Health and Social Care Partnership showed that the service improvement plan included a number of performance measures, however, to be consistent the performance monitoring requires to be on a pan-Ayrshire basis as this would allow comparison to identify any performance issues.

Members were concerned that some areas were not hitting the targets and better data needs to be provided. It would also be useful to benchmark against similar areas across Scotland.

Outcome: *Committee noted the report for onward circulation to the Performance Governance Committee for review and monitoring of implementation.*

- 4.4 Internal Audit Report – Financial Management and Reporting
The audit was rated Amber – Substantial Improvement Required. The Internal Auditor advised that in terms of good practice around budget setting across the organisation there was a clear and prudent approach taken to allow cost pressures and regular governance takes place. There is an urgent need to resolve the unfunded bed position and reducing length of stay is a key driver for 2024 CRES achievement. Some discussion took place to clarify that the rating had not been driven by the financial sustainability of the Board rather than financial management and reporting.

With regard to the actions, the Director of Finance updated that the CRES monitoring report would be submitted to monthly Financial Improvement and Scrutiny Group meetings as well as CMT meetings. Also progress had been made in relation to training of new budget holders with an offer to our training centre as well as a basic accounting principles document which was considered at a recent Financial Improvement and Scrutiny Group. The Director of Finance agreed that he was comfortable with the deadlines for the actions and noted that the financial processes were given a clean bill of health but the £50 million deficit was clearly a high risk.

Members acknowledged the key areas of importance (eg unfunded beds connected to average length of stay) and noted that with the work ongoing on the financial management report these should be more transparent.

In relation to the CRES audit work, the Internal Auditor committed to share the draft scope for the review with members of this group and will be advised by the Chair whether this would be an agenda item, or circulated separately.

Action: Jean Ford/Rachael Weir

Outcome: *Report was noted.*

- 4.5 Internal Audit Report – Follow Up Report Quarter 1
The Internal Auditor updated on the status of actions as at May 2024. Total open actions are 33 with 10 not yet due, 8 closed and 2 proposed for closure. Thirteen

actions are partially complete and of those 13, six relate to cyber security advisory review however these were not classed as a high risk to the organisation.

The 2 actions proposed for closure were approved by the Committee.

The Chair noted progress and that the next follow-up due to the September 2024 meeting.

Outcome: *Report was discussed and members noted the progress being made.*

5. Assurance

5.1 National Finance System Assurance Report ISAE3402

The Assistant Director of Finance advised that NHS Ayrshire & Arran host the national finance system on behalf of all Boards in Scotland and every year a service audit is carried out. The report this year was a clean audit report with no exceptions and approval was sought from members to submit this to other Boards.

The Director of Finance updated that last year Audit Scotland highlighted that there was a gap in that the IT service audit report issued from National Services Scotland (NSS) did not cover the Atos IT infrastructure supporting the software. We tried to expand the scope of the service audit by BDO to include IT infrastructure, however no agreement could be reached between ATOS and BDO around a non-disclosure agreement therefore unable to expand. We continue to liaise with NSS as they carry out audit of infrastructure.

The External Auditor updated that a lot of reliance is put on the service auditor report produced by NSS and a lot of time was spent last year looking at the wording of the report where the issue was identified.

The chair concluded that it was good to see the clean audit certificate and members expressed well done to those involved.

Outcome: *The committee approved the report for circulation to NHS Scotland Boards*

6. Governance and Risk

6.1 Tender/Quick Quote Waiver Report

In line with the open action, there is still work to be done around the tender reporting process and this will be carried out over the summer therefore the routine report was available for this meeting. A few tender waivers which should have been included earlier were included within this report. Members discussed the level of detail offered to committee and felt it would be useful to also have some context behind the decision making. It was agreed that the Chair would work with the Assistant Director of Finance and bring back a proposal to the September meeting.

Outcome: *The committee received the report.*

7. External Audit

7.1 Draft narrative for the Annual Report and Accounts

The draft was submitted to allow members scope to input into the document as requested. Auditors received the document a week ago and were reviewing in terms of accuracy. The Director of Finance highlighted that the content is particularly dictated by the Financial Reporting Manual (FReM) for the performance report including the Chief Executive's summary then non-financial information followed by environmental and sustainability section. The draft document was therefore a combination of information from various areas including, Finance, Chief Executive, Transformation & Sustainability, and Information & Support Services Directorates. At this early stage, the staff and remuneration report and governance statement were still to be added to the draft report.

Discussion took place around the requirements in the FReM and how the current information could be reframed and more readable for the audience. The Chair agreed to feedback with suggested changes to the Director of Finance for consideration.

Action: Jean Ford

The External Auditor agreed that the narrative was similar in other Boards and driven by the FReM and accounting manual.

Outcome: *The committee considered the document and feedback awaited.*

8. Fraud

8.1 Counter Fraud Update Report

There had been three referrals to Counter Fraud Service (CFS) since the last meeting with details in the report. A court case for a long running case had been deferred once again but will hopefully be rescheduled soon. The quarterly report from CFS on wider fraud activity was available to members.

Outcome: *The committee received the report.*

9. Any other competent business

No other competent business was raised. However, the Chair took the opportunity to ask the External Auditor for any comments on the audit process thus far and he advised that everything was on course for June Audit and Risk Committee.

10. Key issues to report to the NHS Board

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

- Internal Audit Plan in terms of progress,
- Three Internal Audit reports received,
- The national finance systems report.

11. For Information

- Patient Exemption Checking Q4 stats – noted
- Counter Fraud Services Quarterly Report - noted

11. Date of next meeting

Thursday 20th June 2023 at 1.00pm via Microsoft Teams

Approved by Chair of the Committee:

..... Date: