

**NHS Grampian (NHSG)  
 Minute of the Audit Committee Meeting  
 Tuesday 24<sup>h</sup> August 2021 (11.00 – 12.30)  
 Microsoft Teams**

Board Meeting 02.12.2021 Open Session Item 11.1
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**Present**

Mr Sandy Riddell, Non-Executive Board Member, NHS Grampian (Chair)  
 Councillor Isobel Davidson, Non-Executive Board Member, NHS Grampian  
 Mr Albert Donald, Non-Executive Board Member, NHS Grampian  
 Ms Rachael Little, Employee Director, NHS Grampian  
 Dr John Tomlinson, Non-Executive Board Member, NHS Grampian

**In Attendance**

Ms Sarah Duncan, Board Secretary, NHS Grampian  
 Mr Alan Gray, Director of Finance, NHS Grampian  
 Mr Garry Kidd, Assistant Director of Finance, NHS Grampian  
 Ms Osa Udoh, Head of Financial Services and Accounting, NHS Grampian  
 Mr David Walker, Senior Management Accountant, NHS Grampian  
 Ms Anne MacDonald, Senior Audit Manager, Audit Scotland  
 Ms Gillian Woolman, Assistant Director, Audit Scotland  
 Ms Gillian Collin, Senior Manager, PricewaterhouseCoopers LLP (PwC)  
 Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)  
 Mr Paul Allen, Director of Facilities and eHealth, NHS Grampian (Item7)  
 Ms Gerry Lawrie, Head of Workforce and Development, NHS Grampian (Item 8)  
 Ms Else Smaaskjaer, Minute

Item	Subject	Action
1	<p><b>Welcome</b>            Mr Riddell thanked everyone for attending and welcomed those attending to observe this meeting in the annual cycle when the Committee will consider approval of the annual accounts.</p> <p><b>Apologies from Committee Members</b>            There were no apologies from committee members.</p> <p><b>Declaration of Interest</b>            None.</p>	
2	<p><b>Minute of Meeting Held on 15<sup>th</sup> June 2021</b></p> <p>The minute was approved as an accurate record.</p>	

Item	Subject	Action
3	<p data-bbox="272 233 505 268"><b>Matters Arising</b></p> <p data-bbox="272 306 776 342">3.1 <u>Action Log of 15<sup>th</sup> June 2021</u></p> <p data-bbox="370 380 1308 415">The Committee reviewed the action log from the previous meeting.</p> <p data-bbox="370 453 1377 594">Mr Kidd reported that he had not had the opportunity to discuss counter fraud and whistleblowing reporting with Ms Duncan but he would arrange to do this and report back at the next Audit Committee meeting in October.</p> <p data-bbox="370 632 1377 741">It was confirmed that Mr Riddell, Dr Tomlinson and Ms Duncan had met to review risk management reporting to the Board and risk would be the central topic at the Board Seminar on 13<sup>th</sup> October.</p> <p data-bbox="370 779 1349 888">Ms Paterson confirmed that she will make arrangements to meet with the Deputy Chief Executive to discuss future internal audit plans for Test and Protect and the Vaccination Programme.</p> <p data-bbox="272 926 1019 961">3.2 <u>Any other matters arising not on the action log</u></p> <p data-bbox="370 999 451 1035">None.</p>	<p data-bbox="1409 485 1458 520"><b>GK</b></p> <p data-bbox="1409 810 1482 846"><b>PwC</b></p>
4	<p data-bbox="272 1073 483 1108"><b>Internal Audit</b></p> <p data-bbox="272 1146 764 1182">4.1 <u>Annual Report and Opinion</u></p> <p data-bbox="375 1220 1365 1514">Ms Paterson presented the Internal Audit Annual Report for 2020/21 and informed the Committee that during a challenging year the review of governance, risk management and control in relation to business critical areas in NHS Grampian had resulted in an overall opinion on the overall adequacy and effectiveness of the Board’s systems of internal control as “generally satisfactory with some improvement required”. She noted this was a positive outcome which aligned with the audit opinion given in previous years.</p> <p data-bbox="375 1551 1385 1873">The opinion was based on all of the audit activity undertaken during 2020/21 and considering follow up actions from previous years. The scope of the internal audit plan for 2020/21 was amended early in the year to accommodate three areas of emerging risk (COVID-19 governance and decision making, PPE supply chain and cross system ways of working). In total 10 reviews were completed during the year, with two reviews (Theatre Utilisation and Appointment &amp; Monitoring of Agency employed Supplementary Staff) rated as high risk. The review on COVID-19 governance and decision making was rated as medium</p>	

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	<p>risk and the other seven reviews were rated as low risk.</p> <p>Ms Paterson highlighted that management had demonstrated a commitment to addressing risks and improving processes and controls and in identifying areas of specific challenge to the audit team in order to provide areas of focus for the audit work.</p> <p><b>The Committee welcomed Ms Paterson's comments, recognising the challenges for auditors and staff throughout the year and agreed that the report represented a fair summary of the internal audit activity throughout the year.</b></p>	
4.2	<p><u>Progress Report and High Priority Recommendations</u></p> <p>Ms Collin presented the report which detailed internal audit activity since the last meeting of the Audit Committee. Following the recent audit of compliance with the Network and Information Systems (NIS) regulations commissioned by the Scottish Government and reported to the June 2021 meeting, the Committee had agreed to defer the planned review of Vulnerability Management to 2021/22 in order to avoid duplication of effort.</p> <p>Ms Collin informed the Committee that the one remaining report included in the 2020/21 plan, Appointment and Monitoring of Agency Employed Supplementary Staffing, had been issued meantime in draft form to allow management time to develop an appropriate action plan recognising the complexities involved.</p> <p><u>Appointment and Monitoring of Agency Employed Supplementary Staffing</u></p> <p>Ms Collin reported that the scope of the review had considered the design and operating effectiveness of controls in relation to the appointment and monitoring of agency employed supplementary staff. One high risk recommendation was identified relating to the evidence to support reference checks and the quality of reference documents. Five medium risk recommendations were identified relating to the arrangements for performance management and assurances of agency level controls.</p> <p>The review noted areas of good practice around the engagement of nursing locums.</p> <p>The Committee discussed the recommendations and noted the following :-</p>	



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	<p>funding from the Scottish Government during the year to cover Covid-19 related costs.</p> <ul style="list-style-type: none"> <li>• The Board's external auditors, Audit Scotland, are proposing an unqualified audit opinion (presented under item 5.2 below).</li> <li>• Azets, the appointed auditors for the NHS Grampian Endowment Funds charity, have also issued an unqualified audit opinion. The annual accounts for the Endowment Funds were approved at the Annual General Meeting of Endowment Fund Trustees on Friday 23 July 2021.</li> <li>• The performance report focuses on the impact COVID-19 has had on the organisation and the corresponding position in relation to our operational activity and performance</li> <li>• The Chief Executive has confirmed her approval of the Governance Statement. The Statement sets out her review of the adequacy and effectiveness of the Board's system of internal control and covers the adapted and enhanced governance arrangements that were in place to reflect the emergency powers under which the NHS were operating during the global COVID-19 pandemic.</li> <li>• The annual report and accounts cannot be published until they are formally laid before the Scottish Parliament later in the year but moving forward it is hoped to develop the format, structure and content of the annual report section, involving contributions from the NHS Grampian Board and its Committees during its development in a way that the final product can be used more widely as a tool to publicise the work of the organisation.</li> </ul> <p>Mr Kidd highlighted the following additional points of note :-</p> <ul style="list-style-type: none"> <li>• The Boards property valuation experts confirmed that the valuation at 31 March 2021 is <u>not</u> reported as being subject to 'material valuation uncertainty' on the basis that some property markets are fully functional. In the valuation report at 31 March 2020 used to inform the prior year accounts, a material uncertainty (<i>where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted</i>) was declared by the valuer due to market uncertainties caused by COVID-19.</li> <li>• The Governance Statement includes reference to the 2020/21 service audit report for Practitioner Services prepared by independent auditors for NHS National Services Scotland (NSS)</li> </ul>	

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	<p>which again resulted in a qualified opinion. The Audit Committee have previously noted the additional sources of assurance covering the expenditure on primary care services in the 2020/21 accounts and that the management action plan intended to address the findings, agreed by the NSS Audit Committee, will be tested by the NSS service auditors in the first quarter of 2021/22.</p> <ul style="list-style-type: none"> <li>• Implementation of the new lease accounting standard, IFRS 16, was deferred again by HM Treasury until 2022/23, due to the COVID-19 response. The estimated impact of adopting this new standard on the Boards financial statements is explained in the accounting policies note to the accounts.</li> </ul> <p>The Committee considered the annual report and accounts and made the following observations :-</p> <ul style="list-style-type: none"> <li>• The annual report and accounts was of a high standard and was presented in a readable and understandable format.</li> <li>• NHS Grampian is a large complex organisation which provides critical services and often there is a tendency to focus on problems. Publishing the annual report would present an opportunity to provide assurance to the public by presenting a balanced view.</li> </ul> <p>The Committee also noted that the evolving leadership model, still in a transitional phase, will be included in more detail in the annual report for 2021/22 and that Audit Scotland, as part of the annual audit for 2021/22, will review the portfolio leadership corporate governance and accountability arrangements.</p> <p><b>The Committee thanked Mr Gray, the finance team and all colleagues involved in the preparation and audit of the annual report and accounts, for their efforts in producing a high quality set of accounts under challenging conditions.</b></p> <p><b>Mr Riddell also noted that the report and the recent technical briefing to the Board had been very helpful in providing a clear understanding of the content of the annual report and accounts.</b></p>	
5.2	<p><u>Annual Audit Report</u></p> <p>Ms Woolman presented the Annual Audit Report and informed the Committee that Audit Scotland are proposing an unqualified audit opinion which provides assurance that financial statements are considered to give a true and fair representation of the state of affairs</p>	

Item	Subject	Action
	<p>as at year end 2020/21. The annual audit had included an additional focus on the additional expenditure of £102M during the year related to Covid-19, which had been fully covered by the Scottish Government. Ms Woolman then guided members through the key messages and significant findings included within the report.</p> <p>The Committee noted the importance of a rigorous and challenging audit process, and welcomed the assurance provided to the Board, and the wider public, that there are appropriate and effective financial management arrangements in place to administer the financial resources available to NHS Grampian.</p> <p><b>The Committee noted the report and thanked Ms Woolman and the Audit Scotland team for their hard work, professionalism and for their productive relationship with the Board finance team to successfully deliver the audit in another challenging year.</b></p>	
5.3	<p><u>Recommendation to NHSG Board for Approval of the Accounts</u></p> <p><b>Following discussions under items 5.1 and 5.2, the Audit Committee confirmed adequate confidence and assurance had been reached to recommend approval to the 2020/21 annual report and accounts to the NHS Grampian Board for approval.</b></p>	SR
6	<p><b>Patient Private Funds – Abstract of Receipts and Payments</b></p> <p>Mr Kidd presented the Abstract of Receipts and Payment and explained that NHS Grampian acts as custodian of personal funds held on behalf of patients. These balances do not form part of NHS Grampian’s statutory accounts and are subject to separate independent audit arrangements. Azets are the appointed auditors and have issued an unqualified opinion with no significant issues raised as a consequence of the audit.</p> <p><b>The Committee agreed to recommend the 2020/21 abstract of receipts and payments for Patients Private Funds to the Board for approval.</b></p>	SR
7	<p><b>Compliance Group Report to August 2021</b></p> <p>Mr Allen, Director of Facilities and eHealth, attended to present the report on progress made by the Compliance Group. He highlighted the following key points:</p> <ul style="list-style-type: none"> <li>• The group has continued to meet and improvements in attendance had been noted.</li> <li>• The group had gained a better understanding of the complexities around the</li> </ul>	

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	<p>range of topic areas which should be covered.</p> <ul style="list-style-type: none"> <li>• The group had reviewed and updated the Regulatory Body Compliance Summary register.</li> <li>• Terms of Reference and reporting templates had been reviewed, as had the membership of the group to ensure that the appropriate expertise would be in place around the compliance agenda.</li> <li>• Work is ongoing to improve compliance across all areas and there had also been progress on the management of risk and in adopting the 'bow tie' model.</li> </ul> <p>The Committee considered the report and made the following observations :</p> <ul style="list-style-type: none"> <li>• The steady progress made by the group was welcomed.</li> <li>• It would be useful to understand the reporting mechanism for items noted in the minutes of the group. Members would welcome assurance that any items of concern raised by the group were being fed back and addressed by the appropriate part of the system.</li> <li>• It was noted that the group reports to the Audit Committee which could seek further assurance on any items of concern by requesting an update directly from the appropriate part of the service. The Committee could also commission a review by the Internal Auditors where appropriate.</li> </ul> <p><b>The Committee noted the report and agreed it helped to broaden understanding of compliance issues. The Committee requested that further information around the process for recording and escalating areas of concern highlighted by the compliance group, should be provided as part of the next scheduled update report .</b></p>	<p>PA/GK</p>
8	<p><b>eESS Implementation Progress Report</b></p> <p>Ms Lawrie, Head of Workforce and Development, attended to report progress on the implementation of the Electronic Employee Support System.</p> <p>NHS Grampian is programmed as the last NHS Scotland Board to implement the system which will provide a single, national NHS Scotland approach to Human Resource systems enabling a high quality, standardised HR function through reduced use of paper based processes, improved connectivity and direct access to employee data. The original 'go live' date of July 2020 was deferred due to the COVID pandemic and is now scheduled for the end of September 2021. Training will initially focus on Manager Self Service. Employee Self Service (ESS) will be adopted at a later stage once Manager Self Service is fully embedded across the organisation.</p>	

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	<p><b>Members noted that project is running to plan and welcomed the assurance that effective project management arrangements are in place with regular review of progress against critical activities and risks.</b></p>	
<p><b>9</b></p>	<p><b>Report to Grampian NHS Board</b></p> <p>It was agreed that the following will be reported to all Board members at the meeting in October.</p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report;</li> <li>• Progress Update eESS implementation; and</li> <li>• Compliance PAIR Sub-Group Update (incl evolving nature of assurance arrangements).</li> </ul> <p><b>Mr Kidd to draft the report to the Board for Mr Riddell’s review.</b></p>	<p><b>GK/SR</b></p>
	<p><b>Date of Next Meeting</b></p> <p>Tuesday 19<sup>th</sup> October 2021 11.00 – 13.00</p>	