

NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 1st September 2020 10:30 – 12:00
Meeting held virtually via Microsoft Teams

Board Meeting 3 12 20 Open Session Item 12.1

Present:

Mr Sandy Riddell, Non-Executive Board Member, NHS Grampian (Chair)
 Mrs Rachael Little, Employee Director, NHS Grampian
 Mr John Tomlinson, Non-Executive Board Member, NHS Grampian

In attendance:

Mrs Amy Anderson, Non-Executive, NHS Grampian
 Mrs Rhona Atkinson, Vice-Chair, NHS Grampian
 Mr Alan Gray, Director of Finance, NHS Grampian
 Mr Garry Kidd, Assistant Director of Finance, NHS Grampian
 Ms Anne MacDonald, Senior Audit Manager, Audit Scotland
 Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)
 Mrs Andrea Thomson, Secretary/Administrator, NHS Grampian (minute taker)
 Ms Gillian Woolman, Assistant Director, Audit Scotland
 Ms Gillian Collin, Senior Manager, PricewaterhouseCoopers LLP (PwC)

ITEM	SUBJECT	ACTION
1.	<p>Welcome</p> <p>Mr Riddell welcomed everyone to the meeting.</p> <p>Apologies Professor Lynda Lynch, Chair, NHS Grampian Cllr Douglas Lumsden, Non-Executive Board Member, NHS Grampian</p>	
2.	<p>Minutes of the Meeting held on 21 July 2020</p> <p>Approved as an accurate record.</p>	
3.	<p>Matters Arising</p> <p><u>3.1 Action Log of 21 July 2020</u> The Committee reviewed the action log from the previous meeting. Actions 1-5 and 9 will be taken at future meetings.</p> <p><u>Item 6 Committee Development Session</u></p> <p>Members agreed that the Cyber Security Development session originally planned for March 2020 should be rescheduled as soon as circumstances allow.</p>	<p>SR/GK</p>

<ul style="list-style-type: none"> • The accounting policies under which the accounts have been prepared are consistent with those previously approved by the Audit Committee in March 2020 and have been subject only to minor amendments, agreed with the Board’s auditors, as part of the audit of the financial statements. • Implementation of the new lease accounting standard, IFRS 16, was deferred by HM Treasury until 2021/22, due to the COVID-19 response. The estimated impact of adopting this new standard on the Boards financial statements is explained in note 1 accounting policies on pages 72 and 73. <p>Mr Tomlinson asked to clarify under bullet point 4 on page 16 of the combined papers that the Director of Finance did seek assurance from National Services Scotland (NSS) that an action plan would be put in place for this year. Mr Gray responded that he was in the process of setting up a meeting with the Director of Finance for NSS in order to review the status if the agreed actions and will report back on progress to the next meeting.</p> <p>Mr Tomlinson also raised that on page 32 of the combined papers, in reference to population statistics 2012-2037, that it would be useful in due course and for future planning that a more accurate picture of projections is sought as these may have changed. Projections suggest a substantial increase in the population in Grampian which would have an impact on the number of procedures, infrastructure and funding requirements. Mr Gray agreed to request a review of population projections underpinning the board’s strategic planning assumptions.</p> <p>Mrs Atkinson observed that the performance sections of the annual report clearly demonstrates how well NHS Grampian had been performing in the year 2019/20 prior to the impact of COVID.</p> <p>Mrs Anderson raised a point of accuracy on page 58, regarding a meeting of the sub-committees during the emergency revised Governance arrangements; the Engagement and Participation Committee (EPC) and the Spiritual Care Committee didn’t meet between April – July but there was an opportunity for EPC and spiritual care issues to be raised at Performance Governance Committee at the discretion of the Chair. Mr Kidd agreed that a sentence would be added to the Governance Statement to reflect that these two committees were paused to allow the release of management time. The Audit Committee agreed this amendment which will be added to the final version of the Accounts.</p> <p>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 quality set of accounts under difficult and highly unusual circumstances.</p>	<p>AG/GK</p> <p>AG</p> <p>GK</p>
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4.2 Annual Audit Report

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 as at year end 2019/20. Ms Woolman explained that an emphasis of matter paragraph had been added to the opinion in order to draw attention to the material uncertainty declared by the Board's independent valuation experts on the revaluation of certain land and building assets, in light of the COVID-19 pandemic. Ms Woolman then guided members through the key messages and significant findings included within the report.

Mr Riddell sought more information around the emphasis of matter and whether this level of uncertainty is something which had been experienced in other boards across Scotland. Ms Woolman confirmed that whilst not all boards are affected, it was likely that the majority would be in a similar position to NHS Grampian.

Mr Tomlinson commented that the report highlights the future dilemma around the backlog in the health deficit, waiting time performance and the shift towards community healthcare. The question for the committee will be around what the board can do in response to this challenge. Ms Woolman confirmed that Audit Scotland does provide overview reports of Health & Social Care Partnerships and that given the important pivot point we are at currently, that the trends would likely be closely monitored across NHS Scotland. Mr Gray agreed that going forward there is a need to understand how to deal with some of the health debt and the impact of closing of services but also an opportunity to look at remobilisation and build on the good work developed through COVID.

Mrs Atkinson acknowledged that while this is a good audit report for NHS Grampian for year 2019/20, she concurred with colleagues that the future would be significantly different and the NHS Grampian Board will face some hard decisions going forward which will impact on public expectation of the health system in Grampian. There is a need to connect with the public on a local level in terms of educating around what can or cannot be achieved.

Ms MacDonald reminded members of a report which was brought to the committee late last year around the development of best value and suggested that it would be quite likely that some of the issues and challenges raised by Mr Tomlinson would feature quite heavily when beginning to look at best value.

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 difficult and highly unusual circumstances.

	<p><u>4.3 Recommendation to NHSG Board for approval of the Accounts</u></p> <p>Following discussions under items 4.1 and 4.2, the Audit Committee confirmed adequate confidence and assurance had been reached to recommend approval to the 2019/20 annual report and accounts to the NHS Grampian Board for approval.</p>	SR
5.	<p>Patients Private Funds – Abstract of Receipts and Payments</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. Campbell Dallas are the appointed auditors and have issued an unqualified opinion with no significant issues raised as a consequence of the audit.</p> <p>The Committee agreed to recommend the 2019/20 abstract of receipts and payments for Patients Private Funds to the Board for approval.</p>	SR
6.	<p>Internal Audit</p> <p><u>6.1 Progress Report/High Priority Recommendations</u> Ms Collin presented the report which detailed progress against the internal audit programme and explained the status of the two reviews brought forward from the 2019/20 programme :</p> <p><u>Appointment and monitoring of supplementary staff (Locums)</u> There was some delay to timescales due to COVID-19 but work is well progressed on the original scope of the review.</p> <p><u>User Lifecycle Management</u> This review was deferred, again due to the operational impact of COVID-19 and it is hoped that this will be brought to the December Audit Committee.</p> <p><u>2021/21 Internal Audit plan</u> Ms Collin explained that work was now underway with regard to the 2020/21 programme with a number of scoping meetings completed and field work scheduled.</p> <p><u>Progress against High Risk Recommendations</u> The status of high risk recommendations was the same as that reported to the July Audit Committee as the target dates for the outstanding actions are either not yet due for implementation or were due at end of August.</p> <p>The Committee noted the report</p>	

7.	<p>Short Life Working Group – Renewal</p> <p>Mr Riddell introduced the paper and asked members to consider how the Audit Committee might contribute to the recommendations within the Short Life Working Group – Renewal report agreed by the Board on 6 August 2020.</p> <p>Mr Riddell recognised previous attempts by Mr Kidd to initiate discussions between the four Audit Committees around potential sharing and joint working however these discussions did not gain traction. He then shared an example of a recent report presented to the Moray Integration Joint Board (IJB) Audit Committee that stated, because there are separate financial systems within each of the partner organisations, there is little scope for joint auditing projects and that any progress in this respect is likely to be limited.</p> <p>Mr Riddell shared his own view that where there are complex clinical pathways across the various agencies, there may be potential for gaps and that there could be scope for working together to ensure a more coherent and complete set of assurances. Mr Riddell asked Committee members to consider whether they feel that there would be any scope and value to discussions between representatives of the IJB’s and partner organisations Audit Committees and whether or not this is the right time to be undertaking these discussions.</p> <p>Mr Tomlinson indicated his support for the view that Audit work should consider clinical pathways and that a more joined up cross system approach would be beneficial both for the public and NHS Grampian/IJB colleagues. Mrs Atkinson confirmed that some discussion had taken place at the Chairs and Vice-Chairs meeting and suggested it would be appropriate to reflect on the small but positive progress to date which, although not fully joined up audit planning, does where appropriate allow sharing of audit reports and outcomes across partner organisations.</p> <p>Mrs Little added that she would welcome the opportunity for a more focussed discussion between the all Audit Committees to consider whether or not this should be taken forward and looking at what the potential barriers would be. Ms Paterson referred to past experience of joint partnership working in the Ayrshire area with Auditors of the Joint Boards, showing that this approach is possible with willing participants around the table.</p> <p>Mrs Atkinson suggested that greater clarity is required around what this work would seek to achieve and how to navigate the different governance structures across various organisations. Aberdeen City IJB will be taking the Renewal report to their next meeting, Aberdeenshire are likely to do the same to discuss how they wish to move forward. Discussions are at an early stage and the NHs Grampian Audit</p>	
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	<p>Committee need to be cognisant of the different perspectives and challenges involved.</p> <p>Ms MacDonald expressed the view that this would provide an opportunity to ensure that all organisations have the assurances they require and see where there are gaps and particular areas of risk where joint working could help to provide greater assurances.</p> <p>Mr Kidd suggested that there remains some level of confusion around the assurance frameworks of the respective organisations and where certain responsibilities and accountabilities lie. There would be merit in establishing a joint assurance framework across NHS Grampian, the three IJBs and the Local Authorities with clearly defined lines of accountability and this would help clarify which reports and associated audit activity are provided to which Audit Committee/Board/Council for assurance purposes and which reports are shared for information only. Mrs Atkinson supported Mr Kidd’s observation that the fundamental requirement is for a clear, articulated, agreed and understood system wide governance structure.</p> <p>Mr Riddell thanked the group for their input and will consult further with colleagues to reflect on the discussion and agree how best to progress.</p>	<p>SR</p>
<p>8.</p>	<p>Report of the Board</p> <p>The committee noted that recommendation for approval of the accounts, the annual audit report and patient private funds are on the agenda for the NHS Grampian Board meeting on Thursday 3 September. Feedback from the discussion around Renewal will be taken through the Short-Life Working Group reporting structure.</p>	
<p>9.</p>	<p>AOCB</p> <p>Internal and External Audit colleagues left the call at this point.</p> <p><u>Extraordinary Item – Internal Audit Services</u></p> <p>Following consideration of the paper presented by Mr Kidd outlining the risks from a lack of continuity in the Internal Audit arrangements the Committee agreed to extend the appointment of PricewaterhouseCoopers LLP, on existing terms and conditions, as the Boards Internal Auditors to March 2022.</p> <p>The Committee also agreed that a competitive procurement exercise for the provision of Internal Audit services with effect from April 2022 should commence in March 2021 to allow sufficient time for a robust procurement process.</p>	<p style="text-align: center;">AG/GK</p> <p style="text-align: center;">AG/GK</p>