

**NHS Grampian (NHSG)  
Minute of the Audit Committee Meeting  
Tuesday 25<sup>th</sup> June 2019, 10.30-13.00  
Conference Room, Summerfield House**

**Present**

Mrs Rhona Atkinson, Non-Executive Member, NHS Grampian (Chair)  
Ms Rachael Little, Employee Director, NHS Grampian  
Cllr Douglas Lumsden, Non-Executive Member, NHS Grampian  
Mr John Tomlinson, Non-Executive Member, NHS Grampian

**In Attendance**

Dr Lynda Lynch, Chair, NHS Grampian  
Professor Amanda Croft, Chief Executive, NHS Grampian  
Ms Anne MacDonald, Senior Audit Manager, Audit Scotland  
Ms Gillian Woolman, Assistant Director, Audit Scotland  
Mr George Bell, Manager, PricewaterhouseCoopers LLP (PwC)  
Mr Garry Kidd, Assistant Director of Finance, NHS Grampian  
Dr Malcolm Metcalfe, Deputy Medical Director, NHS Grampian (Item 5)  
Mr Andrew Wood, Risk Management Advisor, NHS Grampian (Item 5)  
Ms Else Smaaskjaer, Minuting Secretary

Item	Subject	Action
1	<p><b>Welcome</b></p> <p>Mrs Atkinson welcomed everyone to the meeting.</p> <p><b>Apologies</b></p> <p>Councillor Isobel Davidson, Non-Executive Director, NHS Grampian. Mr Sandy Riddell, Non-Executive Member, NHS Grampian Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC) Mr Alan Gray, Director of Finance, NHS Grampian</p>	
2	<p><b>Minute of Meeting Held on 19<sup>th</sup> March 2019</b></p> <p>Dr Lynch to be included as an attendee at the meeting.</p> <p>The minute was then approved as an accurate record.</p>	

Item	Subject	Action
3	<p><b>Matters Arising</b></p> <p>3.1 <u>Action Log of 19<sup>th</sup> March 2019</u></p> <p>The Committee reviewed the action log from the previous meeting and noted that all items were included on the agenda or scheduled for a future meeting.</p> <p>3.2 <u>Any other matters arising not on the action log</u></p> <p>There were no other matters arising.</p>	
4	<p><b>Annual Report for Year Ending March 2019</b></p> <p>Mr Bell explained that the purpose of the report was to present PwC's opinion, as internal auditors, on the adequacy and effectiveness of governance, risk management and control in NHS Grampian.</p> <p>All identified findings arising from the 11 internal audit reviews conducted throughout the year were rated as low, medium or high and actions for improvement were identified in these areas. During the course of the work one high risk recommendation was identified relating to a review of the Electronic Patient Records project. In response management had established a Digital Strategy Group which will report up to the NHS Grampian System Leadership Team (SLT) and the findings will be used to improve governance and oversight of future projects.</p> <p>Appendix 2 to the report set out the four types of audit opinion available and an indication of the types of findings that may determine the opinion given. For NHS Grampian, the opinion for the year ended 31<sup>st</sup> March 2019 was "generally satisfactory with some improvements required". Members agreed that the annual report represented a fair summary of internal audit activity during 2018/19. Mr Bell added that the overall audit opinion took account of the positive attitude of management to the various reviews completed during the year and the prompt responses developing and agreeing action plans to address the risks identified.</p> <p>Mr Bell also highlighted several areas of improvement to the internal audit process identified in the report as follows:</p> <ul style="list-style-type: none"> <li>To widen the level of engagement in the planning of the internal audit programme, PwC plan to attend two SLT meetings each year to discuss lessons learned and any key themes identified during the audit process.</li> </ul>	

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	<ul style="list-style-type: none"> <li>• Focused development sessions for Board members facilitated by PwC will continue; and</li> <li>• A condensed 'lessons learned' feedback will now be included at the end of each audit review.</li> </ul> <p>Mrs Atkinson thanked Mr Bell and asked that he pass on thanks from the Committee to the internal audit team for their hard work and support throughout the year.</p> <p><b>The Committee noted the report.</b></p>	
5	<p><b>Blueprint for Good Governance – Action Plan Progress Update</b></p> <p>Mr Kidd presented the report providing an update on the implementation of actions identified by NHS Grampian Board when completing its self-assessment in March 2019, and later approved at the Board meeting on 4<sup>th</sup> April 2019. He reported that progress on each of the actions was on track and highlighted that the Board's Assurance Framework will be presented to the System Leadership Team for consideration in July and presented for approval at the Board Seminar on 5<sup>th</sup> September. The Head of Organisational Development will take forward the refresh of the Board Development Plan.</p> <p>Mr Tomlinson asked if Non-Executive Members should be provided with more background information prior to scrutiny of reports at Board meetings. Mr Kidd confirmed that this will be considered and guidance provided regarding what is required. Professor Croft noted that this had been raised by Non-Executive Members during recent individual meetings with the Deputy Chief Executive. She advised that SLT had agreed to review how Board papers are prepared to ensure a consistent approach in providing the right level and amount of information to support appropriate questions and provide assurance to Board members when making decisions. Dr Lynch suggested that this should also take into account objective setting for the organisation, how organisational and clinical risks are addressed, and how the new Performance, Assurance, Improvement and Risk (PAIR) process aligns to the risk management policy.</p> <p><b>The Committee noted the progress to date.</b></p>	
6	<p><b>Counter Fraud, Losses and Special Payments and Letter of Notification</b></p> <p>Mr Kidd presented the report and explained that NHS Grampian are required to submit an annual return to the Scottish Government Health and Social Care Directorates (SGHSCD) summarising all losses and special payments and the purpose of the paper was to ensure that the Committee were aware of the content of the return prior to submission.</p>	



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7	<b>2018/19 Annual Accounts</b>	
	<p data-bbox="272 306 354 342">7.1</p> <p data-bbox="370 306 613 342"><u>Annual Accounts</u></p> <p data-bbox="370 380 1344 558">Mr Kidd presented the 2018/19 annual report and accounts for consideration and confirmed that all comments from Board members arising from the detailed review session held on 6<sup>th</sup> June had been incorporated in this final version at today’s meeting. He highlighted the following key matters:</p> <ul data-bbox="370 600 1377 1440" style="list-style-type: none"> <li data-bbox="370 600 1295 667">• The Board’s external auditors, Audit Scotland, have issued an unqualified audit opinion (presented under 7.2 below).</li> <li data-bbox="370 709 1360 888">• Scott Moncrieff as the appointed auditors for the NHS Grampian Endowment Funds had also issued an unqualified audit opinion on the Endowment Funds accounts and had confirmed that awards were approved in accordance with the Endowment Funds procedures.</li> <li data-bbox="370 930 1333 1073">• The Board has achieved the three financial targets set by the Scottish Government Health and Social Care Directorates (SGHSCD). The results of each of the IJBs and the Endowment Fund do not form part of these statutory financial targets.</li> <li data-bbox="370 1115 1349 1260">• The accounting policies under which the accounts were prepared were previously approved by the Audit Committee in March 2019 and had been subject only to minor amendments, agreed with the Board’s auditors, as part of the audit of the financial statements.</li> <li data-bbox="370 1302 1365 1440">• The Chief Executive had confirmed her approval of the Governance Statement on pages 32 to 46 which set out her review of the adequacy and effectiveness of the Board’s system of internal control.</li> </ul> <p data-bbox="370 1482 1357 1627">Mr Kidd provided a synopsis of the annual report and accounts and asked members to note the content of the Governance Report which provides an overview, and highlights the improvements made through the work of Board Committees, including the Audit Committee.</p> <p data-bbox="370 1669 1341 1879">Dr Lynch thanked Mr Kidd for the detailed presentation of the accounts to the Board at its meeting on 6<sup>th</sup> June as this had been useful in allowing members the opportunity to provide feedback prior to being asked to approve the final version. Mrs Atkinson also highlighted the finance report circulated to Board members each month which kept them informed throughout the year.</p>	

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	<p><b>The Committee noted the report.</b></p>	
7.2	<p><u>Annual Audit Report</u></p> <p>Ms Woolman introduced the report from the Board’s external auditors, Audit Scotland, and presented the key points arising from the audit of the annual report and accounts and also from consideration of the wider dimensions, set out in the Code of Audit Practice, namely financial management, financial sustainability, governance and transparency and value for money. She highlighted the key messages in the report and confirmed that there were no items to report by exception to the Board, the Auditor General for Scotland and the Scottish Parliament.</p> <p>Ms Woolman asked members to note the five recommendations contained in the report and pointed out some observations made during the course of the audit. The recommendations included, identifying options to include in savings plans for future years, working collaboratively with partners in developing solutions to workforce challenges, ensuring leadership capacity to maintain good governance, utilising social media to engage with stakeholders regarding public performance reporting and prioritising outstanding actions around IT and GDPR. Ms Woolman also highlighted that Audit Scotland were satisfied with the resolutions to significant findings identified during the audit process and were pleased to note that the systems of internal controls relating to key financial systems were appropriate and effective. She also noted that although some significant challenges had been identified regarding performance against key Local Delivery Plan standards the audit team were content that these were being addressed and an improved position compared with 2017/18 was reported.</p> <p>The Committee noted the point concerning identification of savings and agreed that reducing reliance on non-recurring savings measures should be a continued focus in future years. Dr Lynch highlighted the need to ensure ongoing scrutiny of savings achievement and Mrs Atkinson noted that it was important to ensure that the process was carefully managed.</p> <p>Mrs Atkinson also highlighted the role of the Audit Committee in assuring the effectiveness of the new risk management arrangements and in monitoring progress against the action plan arising from this annual audit report.</p>	

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	<p>Ms Woolman informed the Committee that she was content to sign an unqualified audit opinion and thanked the Board's finance team for their co-operation throughout the audit process which had been much appreciated. Mr Kidd noted the input of a wide range of staff from across the organisation into the end of year process and expressed his thanks to the Audit team.</p> <p>Mrs Atkinson thanked Ms Woolman and commented that it was a very useful report which had presented the key messages and provided context and background regarding the delivery of services in Grampian.</p> <p><b>The Committee noted the report and thanked Ms Woolman and the Audit Scotland team for their hard work and professionalism and for their productive relationship with the Board finance team during the audit of the financial statements in 2018/19.</b></p>	
7.3	<p><u>Recommendation to NHSG Board for Approval of the Accounts</u></p> <p><b>The Committee agreed to recommend the 2018/19 annual accounts to the NHSG Board for approval.</b></p> <p><b>The Committee thanked Mr Kidd, the finance team and others involved, for their hard work in finalising the annual accounts within tight timescales and asked that Mr Kidd ensure that all involved were made aware that their work is valued and appreciated.</b></p>	<p>RA</p> <p>GK</p>
8	<p><b>Internal Audit</b></p>	
8.1	<p><u>Progress Report and High Priority Recommendations</u></p> <p>Mr Bell presented the report which detailed progress against the internal audit programme and informed the Audit Committee that a review of Diagnostics – Data Quality and Analysis had been completed since the last update in March. A final draft report for Purchase to Pay and Warehousing and Distribution had been discussed with management and a follow-up workshop is being arranged to review the findings. Internal audit had also continued to work with Pharmaceutical Services in reviewing payments claimed by pharmacies in relation to the dispensing and supervising of drug substitute treatments and had completed a lease classification review for Laboratory Services. Final terms of reference for the review of Cyber Security of Medical Devices had been issued and a report is scheduled to be complete for the Audit Committee meeting in September 2019.</p>	

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	<p><u>Diagnostics – Data Quality and Analysis</u></p> <p>The review assessed the governance of waiting times and in particular the use of data and management information to support decision making. Two low and one medium risk recommendation were identified. The medium risk recommendation related to segregation to ensure that management who can approve changes to data cannot also approve the monthly waiting times reporting. The low risk recommendations related to the Local Access Policy and the lack of functionality in the TURAS training platform. The Local Access Policy had not been reviewed since 2015 and there was a lack of auditable evidence to demonstrate it had been influenced by patient and public engagement. The TURAS training platform does not have the functionality to produce management information on training completion and as manual training was discontinued when TURAS was introduced in 2018 there is no record that staff involved in the administration of waiting times had completed the mandatory training required. Mr Bell reported that management had accepted the findings of the review and had confirmed they will implement the actions proposed within the agreed timescales.</p> <p><b>The Committee noted the report.</b></p> <p><u>High Priority Recommendations</u></p> <p>Progress in relation to the implementation of high priority internal audit recommendations were reported to the Committee:</p> <p><u>General Data Protection Regulations (GDPR) Readiness</u></p> <p>Mr Bell noted that although some progress had been made this had not advanced as quickly as expected. He advised that it would be important to maintain momentum behind this work. Mrs Atkinson suggested that a further update on progress should be provided at the next meeting of the Audit Committee.</p> <p><b>The Committee noted the report and agreed that the Medical Director should attend to provide a further update on progress at the next meeting.</b></p> <p><u>Warehousing and Vehicle Disposal</u></p> <p>Mr Bell confirmed that the prescription delivery service is now in place and the service had produced satisfactory Standard Operating Procedures for the delivery of primary care store items.</p>	<p>NF</p>



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	<p><b>The Committee noted the report and agreed that the actions are complete.</b></p> <p><u>Children’s Services Reporting</u></p> <p>Mr Bell reported that quantitative and qualitative measures for performance reporting is evolving and a good reporting structure to the Transformation Board is now in place. Professor Croft confirmed that the Transformation Board subsequently reports to the NHSG Performance Governance Committee. It was agreed that the service had made sufficient progress against the original agreed actions.</p> <p><b>The Committee noted the report and agreed that the actions can be considered as complete.</b></p> <p><u>Risk Management</u></p> <p>Mrs Atkinson noted that this review had been carried out before the new arrangements for risk management had been established and it had been agreed at the Audit Committee in March 2019 that any outstanding actions would be reassessed in the Risk Management Follow Up review included in the Audit Plan for 2019/20.</p> <p><b>The Committee noted the report and agreed that the actions should be removed from the progress report for the time being and replaced by any new actions arising from the follow up review when complete.</b></p> <p><u>Electronic Patient Records (EPR)</u></p> <p>It was reported that draft terms of reference for an EPR Programme Board will be completed and submitted to the Digital Strategy Group for sign off. The Digital Strategy Group will determine the next priorities for patient systems and oversee the governance arrangements and scheme of delegation for the Programme Board.</p> <p><b>The Committee noted the report and agreed that the Director of eHealth and Facilities should attend to provide a further update on progress at the next meeting.</b></p>	<p>PA</p>
8.2	<p><u>Internal Audit Plan 2019/20</u></p> <p>Mr Bell presented the plan which had been considered and agreed at the previous Audit Committee meeting in March 2019. Management</p>	

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	<p>had subsequently requested an additional review relating to the appointment of locums. This will be a joint review with Counter Fraud Services and the internal audit element of the review will be to assess screening of locums, including qualifications, experience and right to work in the UK.</p> <p><b>The Committee approved the internal audit plan for 2019/20.</b></p>	
8.3	<p><u>Internal Audit Charter</u></p> <p>Mr Bell presented the Internal Audit Charter which provides the framework for the conduct of the Internal Audit function in NHS Grampian. He confirmed that there had been no material change to the Charter to that previously approved by the Committee.</p> <p><b>The Committee approved the Charter.</b></p>	
9	<p><b>Annual Risk Management Report</b></p> <p>Mr Wood presented the Risk Management Annual Report which evaluates the effectiveness of the Board's risk management arrangement. Mr Wood explained that the report confirmed that risk management arrangements are in place at Strategic, Directorate and Operational levels. He also noted the revised approach to risk management which is incorporated in the Performance, Assurance, Improvement and Risk (PAIR) Framework adopted by the System Leadership Team (SLT). Weekly Clinical Risk Meetings (CRM) had been introduced where all new risks are reviewed and reported directly to SLT.</p> <p>Mr Wood informed the Committee that all strategic risks had been reviewed and aligned to SLT Sub-Groups and where appropriate sector level risks assigned to service managers.</p> <p>Mrs Atkinson noted that the report clarified how the different elements will be brought together and observed that it would be interesting to see how the new framework develops.</p> <p><b>The Committee noted the report.</b></p>	
10	<p><b>Patients 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. Williamson and</p>	

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	<p>Dunn 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 2018/19 abstract of receipts and payments for Patients Private Funds to the Board for approval.</b></p>	<p><b>RA</b></p>
<p><b>11</b></p>	<p><b>Single Tender Actions – Review of Recent Approvals</b></p> <p>Mr Kidd presented the paper detailing single tender actions authorised since the last meeting, together with a summary of the justification.</p> <p><b>The Committee noted the report.</b></p>	
<p><b>12</b></p>	<p><b>Report to Grampian NHS Board</b></p> <p>The Committee agreed that, other than the annual report and accounts and the report from the Board’s external auditors to be considered at the Board meeting later that day.</p> <p>It was agreed that the following will be reported to all Board members at the meeting in August.</p> <ul style="list-style-type: none"> <li>• Internal Audit Annual Report;</li> <li>• Progress on the Blueprint for Good Governance Action Plan; and</li> <li>• Risk Management Annual Report.</li> </ul>	<p><b>RA</b></p>
<p><b>13</b></p>	<p><b>AOCB</b></p>	
	<p>13.1 Mrs Atkinson reflected that this would be her last meeting as the Chair of the Audit Committee. She wished to note that it had been a pleasure to chair the committee and thanked staff for the level of participation in attending the committee and the respect shown to the intentions of the internal audit process. She thanked Audit Scotland for their positive and progressive approach to the annual audit and PwC for supporting staff to view internal audit in a positive light but also holding NHS Grampian to account when required and supporting the development of improvement activities.</p> <p>Mrs Atkinson also thanked Mr Gray for his tolerance and sound guidance which he had supplied with patience and clarity. She noted that she had particularly benefited from the support of Mr Kidd and his team in ensuring that the committee had been guided to a very high standard. Mr Kidd’s attention to detail and linking current and past discussions had been key to effective decision making and the smooth running of the Committee.</p>	

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	<p>Mrs Atkinson concluded by offering her best wishes to Mr Riddell in taking the Committee forward.</p> <p>On behalf of the Board, Dr Lynch thanked Mrs Atkinson for her diligence and rigour in chairing the Audit Committee and ensuring that the Board had been provided with the right level of assurance regarding items considered by the Committee.</p>	
	<p><b>Date of Next Meeting</b></p> <p>Tuesday 10<sup>th</sup> September 2019            10.30 – 13.30            Conference Room, Summerfield House</p>	