

**NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 18th December 2018, 10.30-13.30
Conference Room, Summerfield House**

Present

Mrs Rhona Atkinson, Non-Executive Director, NHS Grampian (Chair)
Cllr Isobel Davidson, Non-Executive Director, NHS Grampian
Ms Rachael Little, Employee Director, NHS Grampian

In Attendance

Mr Alan Gray, Director of Finance, NHS Grampian
Prof Nick Fluck, Medical Director, NHS Grampian (Items 4.4 and 5)
Ms Sarah Irvine, Head of Financial Services and Accounting, NHS Grampian
Mr Graeme Legge, Strategic Asset Manager, NHS Grampian (Item 7)
Ms Anne MacDonald, Senior Audit Manager, Audit Scotland
Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)
Mr Andrew Wood, Risk Management Adviser, NHS Grampian (Item 5)
Ms Else Smaaskjaer, Minuting Secretary

Item	Subject	Action
1	<p>Welcome</p> <p>Mrs Atkinson welcomed everyone to the meeting and noted thanks to Professor Logan for his attention, attentiveness and valuable contributions during his attendance at Audit Committee.</p> <p>Apologies</p> <p>Mr George Bell, Manager, PricewaterhouseCoopers LLP (PwC) Prof Steven Heys, Non-Executive Director, NHS Grampian Mr Garry Kidd, Assistant Director of Finance, NHS Grampian Prof Stephen Logan, Chair, NHS Grampian Cllr Douglas Lumsden, Non-Executive Director, NHS Grampian Gillian Woolman, Assistant Director, Audit Scotland</p>	
2	<p>Minute of Meeting Held on 2 October 2018</p> <p>The minute of the previous meeting was approved as an accurate record.</p>	
3	<p>Matters Arising</p>	
	<p>3.1 <u>Action Log of 02 October 2018</u></p>	

Item	Subject	Action
	<p>The Committee reviewed the action log from the previous meeting and noted the following:</p> <p><u>Cyber Security Maturity</u> It was agreed that the follow up of any outstanding recommendations would be deferred until the Audit Committee meeting in March 2019.</p> <p>All other items with a target completion date of December 2018 were included as main agenda items.</p>	
3.2	<p><u>Any other matters arising not on the action log</u></p> <p>There were no other matters arising.</p>	
4	Internal Audit	
4.1	<p><u>Progress Report</u></p> <p>Ms Paterson presented the report which detailed progress against the internal audit programme and informed the Committee that progress had not been made as anticipated and no final internal audit reports had been issued for this meeting.</p> <p>Ms Paterson highlighted the following:</p> <p><u>Electronic Patient Records</u></p> <p>This report currently being finalised with management and will be included in the progress report to the Audit Committee in March 2019.</p> <p><u>Health and Safety Governance and Discharge Process</u></p> <p>Draft reports now complete for review by management and will be included in the progress report in March 2019.</p> <p><u>Purchase to Pay and Warehousing</u></p> <p>The scope of this review had been extended to include Warehousing and Motability and Rehabilitation Services (MARS) and will be reported to the Audit Committee in June 2019.</p> <p><u>Diagnostics (Data Quality and Analytics)</u></p> <p>Progress had been held back by delays in responses and final report deferred to Audit Committee meeting in June 2019.</p>	

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	<p><u>Terms of Reference</u></p> <p>Ms Paterson provided an update on the development of terms of reference for Unscheduled Care Discharge Process, Health and Social Care Integration Governance Structures, Key Financial Controls and a review of the governance arrangements in support of the Governance Statement. Mrs Atkinson noted that cross reporting between NHS Grampian and IJBs will be helpful especially with regard to hosted services when decisions are made which go across Grampian.</p> <p><u>High Priority Recommendations</u></p> <p>Ms Paterson presented progress in relation to the implementation of high priority internal audit recommendations:</p> <p><u>GDPR Readiness</u></p> <p>Ms Paterson reported a high level of activity in this area and the Committee were pleased to note that GDPR training had been uploaded onto the TURAS platform.</p> <p>The Committee noted the position and agreed a further update on progress should be available for the next meeting. A revised target date of March 2019 was agreed.</p> <p><u>Medicines Homecare Services</u></p> <p>Ms Paterson reported that the report for the Grampian Medicines Management Group (CMMG) is the only item outstanding.</p> <p>Mrs Atkinson asked that staff responsible for the report are made aware that this will be an annual reporting requirement.</p> <p>The Committee noted the position and agreed that following confirmation that a report has been submitted to the GMMG this action can be closed.</p> <p><u>Warehousing and Vehicle Disposal</u></p> <p>Ms Paterson reported that progress had been delayed in recruitment of a driver. Mrs Atkinson asked if the revised arrangements for Occupational Health Service screening for new employees will ease blockage in the recruitment process and Ms Little confirmed that it should but this may take a little time to take effect.</p>	<p>PwC</p> <p>GK</p> <p>PwC</p>

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	<p>The Committee noted the position and agreed a further update on progress should be available for the next meeting.</p> <p><u>Children’s Services – Reporting and Performance Management</u></p> <p>Ms Paterson reported that a good reporting mechanism to the Transformation Board had been developed and the target date to complete all actions revised to December 2019. The Committee considered whether enough progress had been made to evidence that the actions agreed are now in place and it was agreed that if the update to the Audit Committee in March 2019 confirms sufficient progress then this action will be closed.</p> <p>The Committee noted the position and agreed a further update on progress should be available for the next meeting.</p> <p><u>Use of Agency and Locum Staff</u></p> <p>Ms Paterson confirmed that the only outstanding action relating to the implementation and consistent use of the updated locum request form is now in place and the Committee agreed that this item could be closed.</p> <p>The Committee noted the position and agreed this item is now complete.</p> <p><u>Emergency Patient Flow Management</u></p> <p>Ms Paterson confirmed that all outstanding actions had been completed and procedures for a yearly validation and data-cleanse of all A&E staff with access to TrakCare are now in place. The Committee agreed that this item could be closed.</p> <p>The Committee noted the position and agreed this item is now complete.</p> <p><u>Risk Management – Transforming the Risk Approach – Action Plan</u></p> <p>Ms Paterson reported that significant progress had been made. This item on the main agenda at Item 5.</p> <p>The Committee noted the position.</p> <p>Ms Paterson reported that ideally PwC would have had reports finalised in time for the meeting but remains confident that it will still be</p>	<p>GK</p> <p>PwC</p>

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	<p>in a position to deliver the agreed programme for 2018/19. The Committee acknowledged pressure on staff time and capacity but agreed that there must be respect for the role of the Audit Committee and its contribution to the organisation and delays would only be acceptable for specific reasons.</p>	
4.2	<p><u>Follow Up of Previous Low and Medium Risk Recommendations</u></p> <p>Ms Irvine presented a report summarising the status of agreed actions arising from medium and low priority internal audit recommendations identified during the five year period 2013/14 to 2017/18. She informed the Committee that, out of a total of 187 actions arising during this period, 7 were not yet due (from 2017/18) and that of the 15 recommendations reported as partially complete in December 2017, 8 are now fully implemented leaving 7 still to complete.</p> <p>The Committee considered the outstanding recommendations in the appendix to the report.</p> <p>The Committee considered the partially complete recommendation regarding theatre utilisation and agreed that no further action was required for the following reasons:-</p> <ul style="list-style-type: none"> • Mr Gray advised that this will be covered during the scheduled audit review regarding the governance of waiting times included in the 2018/19 audit plan. Mrs Atkinson agreed and noted that assurance regarding ongoing work is provided to the Board through reports to the Performance Governance Committee. <p>The Committee considered the partially complete recommendation regarding the implementation of TrakCare and agreed that no further action was required for the following reasons:-</p> <ul style="list-style-type: none"> • It was agreed that substantial progress towards paperless patient records had been made and any outstanding actions will be incorporated into the planned review of electronic patient records. Ms Paterson advised there would be no risk attached to closing this item. <p>The Committee considered the partially complete recommendation regarding the Governance Statement and the review of the Risk Management Policy and agreed that no further action was required for the following reasons:-</p>	

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	<ul style="list-style-type: none"> • Following the progress report regarding Transforming the Risk Approach provided by Professor Fluck at item 5 on the agenda it was agreed that this item could be closed. <p>The Committee considered the partially complete recommendation regarding the Risk Management – Transforming the Risk Approach and agreed that no further action was required for the following reasons:-</p> <ul style="list-style-type: none"> • Following the progress report regarding Transforming the Risk Approach provided by Professor Fluck at item 5 on the agenda it was agreed that this item could be closed. <p>The Committee considered the partially complete recommendation regarding Use of Agency and Locum Staff and agreed that no further action was required for the following reasons:-</p> <ul style="list-style-type: none"> • It was agreed that all outstanding items are included in the revised agency and locum protocol and there would be no risk attached to closing this item. <p>The Committee considered the partially complete recommendation regarding Emergency Patient Flow Management and agreed that no further action was required for the following reasons:-</p> <ul style="list-style-type: none"> • It was agreed that all outstanding items had been completed there would be no risk attached to closing this item. <p>The Committee considered the recommendations regarding Theatre Utilisation – Unvalidated Sessions and Granular Detail for Existing KPIs and agreed that an update should be requested and formally noted. Following this the recommendations will be covered during the scheduled audit review regarding the governance of waiting times included in the 2018/19 audit plan.</p> <p>The Committee noted the report and agreed that the status of those recommendations reported as partially complete, except where agreed that no further action was required, should be reported back in December 2019.</p>	<p>GK</p> <p>GK</p>
4.3	<p><u>Energy Management – Action Plan</u></p> <p>Ms Irvine presented a report which noted the underpayment of Climate Change Levy, disclosure to HMRC and progress against the agreed action plan to ensure future compliance. Mr Gray confirmed that internal processes had led to discovery of the underpayment.</p>	

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	<p>Voluntary disclosure was then made to HMRC and no financial penalties had been imposed on NHS Grampian. Mr Gray noted the complexities of the tax legislation associated with climate change legislation and confirmed that responsibility for reporting remains with NHS Grampian and not the IJBs. Mrs Atkinson observed that this demonstrated a good example of where openness and transparency in communication with HMRC had resulted in no financial penalties being applied.</p> <p>The Committee noted the content of the paper.</p>	
4.4	<p><u>GDPR Readiness – Progress Report</u></p> <p>Professor Fluck attended to provide a progress report regarding actions agreed following the review of General Data Protection Regulations (GDPR) Readiness. He explained that GDPR is now included in the core business of the NHS Grampian Information Governance Team. He reported that significant progress had been made against the backlog of work highlighted in the internal audit review. Recruitment is ongoing to implement a structured team to take this work forward. He noted that there are still a number of outstanding tasks and a workplan is under development and will be reported back to the Audit Committee. Professor Fluck advised the Committee that the Information Governance Team will also be responsible for provision of Data Protection Officer (DPO) services to GP Practices in Grampian.</p> <p>Ms Paterson advised the Committee that although having plans in place will be acknowledged there is an expectation that GDPR will be incorporated into the core business of the organisation.</p> <p>The Committee recognised the scale and complexity of the work required, noted and position and agreed a further update on progress relating to the high risk recommendations should be available for the next meeting.</p>	PwC
5	<p>Transforming the Risk Approach – Progress Report</p> <p>Professor Fluck and Mr Wood attended to provide the Committee with an update regarding ongoing work in transforming the organisation's approach to risk. Professor Fluck reported that there are currently eight high level risks on the corporate risk register and each of them had been assigned to the Executive Director with lead responsibility for the area of risk. Sub groups of the Senior Leadership Team act as risk owners for each risk.</p>	

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	<p>Clinical Risk Meetings (CRM) where all new risks across the organisation are reported have been established on a weekly basis and the note from that meeting is reported to Senior Leadership Team each week. Professor Fluck noted that this represented a significant step forward in how risks are reviewed and managed. Professor Fluck advised that work is progressing but there is still some variability across the organisation in risk identification, classification and reporting. He Informed the Committee that guidance and process would be clarified as part of the ongoing work.</p> <p>Members agreed that risk ownership by Executive Lead Directors along with the reporting by CRM to SLT each week indicate meaningful progress in taking this forward. Mrs Atkinson asked if the recommendations in the internal audit review had been actioned. Ms Paterson suggested that the audit plan for 2019/20 includes a review of the new process and Professor Fluck welcomed that approach as it would provide assurance to SLT that they are progressing this effectively.</p> <p>The Committee agreed that this should now be considered in a review of the Revised Approach to Risk Management in the audit plan for 2019/20.</p>	<p>PwC</p>
<p>6</p>	<p>External Audit</p>	
	<p>6.1 <u>2018/2019 Audit Plan</u></p> <p>Ms MacDonald introduced the 2018/19 external audit plan and briefed members on the key risks, planned activities and timescales to be achieved in order to complete the process by June 2019. Mr Gray confirmed that finance colleagues have had the opportunity to comment on the draft plan and are in agreement with the planned scope and timeframe for the audit.</p> <p>The audit will include consideration of how NHS Grampian is responding to and addressing emerging risks faced by all NHS Boards in areas such as performance, leadership, workforce supply issues and recruitment. Ms MacDonald also highlighted areas of significant risks to public bodies including preparedness for EU withdrawal, the impact of the Scottish Government’s Medium Term Financial Strategy, dependency on key suppliers and how the Board is reviewing its approach to openness and transparency.</p> <p>An area of concern remains the tight timeframe for confirming balances with the three associated Integration Joint Boards (IJB’s) in order to have completed the audit of NHS Grampian’s group accounts by the deadline of 30th June 2019. Mr Gray confirmed that NHS Grampian senior finance staff are proactively engaging with IJB colleagues</p>	

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	<p>regarding timescales in an effort to manage this risk.</p> <p>Mrs Atkinson thanked Ms MacDonald for the audit plan.</p> <p>The Committee approved the External Audit Plan for 2017/18.</p>	
6.2	<p><u>Audit Scotland: NHS in Scotland 2017/18</u></p> <p>Mr Gray presented a paper outlining the key messages set out in Audit Scotland's annual overview report, NHS in Scotland 2017/18, and NHS Grampian's response to each of the recommendations relevant to NHS Boards.</p> <p>Mrs Atkinson welcomed the hard hitting messages in the report and the recommendation that the healthcare system should be more open to allow public participation in open and informed debates regarding the future direction of the NHS.</p> <p>Members discussed the recommendations, noting the challenges in delivering high quality sustainable services with limited resources, in the face of rising demand.</p> <p>The Committee noted the report and the specific actions taken by management to address the key recommendations relevant to NHS Grampian.</p>	
6.3	<p><u>Audit Scotland: National Performance Audit Reports Update</u></p> <p>Ms Irvine brought to the Committee's attention recent reports issued by Audit Scotland, relevant to NHS Grampian, including any agreed management action.</p> <p>The Committee noted the report.</p>	
6.4	<p><u>NHS Grampian Endowment Funds – Report on Retrospective Awards</u></p> <p>Mr Gray presented a paper asking the Committee to note the findings from the review, carried out by Deloitte LLP, of expenditure from NHS Grampian Endowment Funds. Endowment Trustees had asked for the review following the request for assurance from the Director General Health regarding retrospective awards. The Scottish Government definition "<i>relates specifically to any situation where a decision has been taken to charge expenditure to exchequer funds and that decision is later reversed by deciding to retrospectively apply for endowment funding</i>". This had been built into the audit of the annual report and</p>	

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	<p>accounts for 2017/18 where no findings were reported. At the AGM in June 2018 Trustees had asked for additional assurance regarding use of endowment funds in previous years. Deloitte LLP, the funds previous auditors, were asked to carry out a review and from tracing a sample of expenditure from the four preceding years concluded that expenditure had been directly charged to endowment funding with no prior charge to exchequer funds.</p> <p>Members were asked to note that recent amendments agreed to the Operating Instructions for NHS Grampian Endowment Funds ensures robust pre-approval processes are in place and if not followed then applications for funding will be invalidated. Mrs Atkinson noted that the independent review had been worth doing and the Board could be assured that Endowment Funds are used correctly with an appropriate balance between accessibility to funds and scrutiny of applications.</p> <p>The Committee noted the report.</p>	
7	<p>Backlog Maintenance Programme Update</p> <p>Mr Legge presented progress against the backlog maintenance investment plan agreed by the NHS Grampian Board. He outlined statistics relating to the NHS Grampian property portfolio, works completed during 2017/18 and works in progress. Mr Legge noted that although there had been a significant reduction in the amount of backlog maintenance in recent years, NHS Grampian still records the 2nd highest level in Scotland. However, there is some doubt whether other areas are under-reporting and clarity around reporting requirements would help to put the NHS Grampian position in context. Mr Legge highlighted the ambitious programme to reduce backlog maintenance in clinical areas by 2020 and confirmed that while funding is a challenge work is on target to achieve the plan approved by NHS Grampian Board in 2014.</p> <p>Mr Legge also demonstrated the scale of capital investment across Grampian by providing an overview of completed works during 2017/18 and projects currently being delivered.</p> <p>Mr Gray informed members that the National Infrastructure Board will advise the Cabinet Secretary of the investment required for infrastructure programmes across Scotland. He noted that NHS Grampian is in a strong position, as through development of a robust Asset Management Plan preparations and planning are completed for readiness when funding becomes available.</p>	

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	<p>The Committee thanked Mr Legge for an informative presentation and requested a further update on progress at the September 2019 meeting. The Committee also requested that Mr Legge pass on their thanks to colleagues in Property and Asset Development, Estates, Facilities Management and Finance for their hard work and professionalism in overseeing the scale and variety of projects in Grampian and delivering a very ambitious infrastructure programme.</p>	
8	<p>Counter Fraud Progress Report</p> <p>Ms Irvine introduced a report prepared by Mr Kidd detailing progress on counter fraud matters. The report also provided an update on the work of the NHS Scotland Short Life Working Group reviewing the Register of Interests, Hospitality and Gifts. Mr Kidd had expressed concern at a recent meeting of the group that the proposal to have a single register of interests incorporated in a standardised national system for the whole of Scotland would be over complicated, administratively burdensome and would not result in any improvements to the current system of internal controls. He had also highlighted potential data protection issues. The group had agreed that members should reflect on the discussion and explore these issues further at the next meeting.</p> <p>Ms Little noted surprise as during attendance at a meeting prior to the National Short Life Working Group the concerns raised by Mr Kidd had been shared by others. She had been disappointed to learn that those views had not been given due consideration at the national meeting.</p> <p>The Committee noted the report and confirmed the previous agreement that Mr Kidd should continue to report back to the national working group, the Committee's concerns, in particular the view that future arrangements for disclosure of interests should focus on consistent national guidance and a consistent national approach but should be implemented and maintained in local systems and that disclosure should be limited to situations where a conflict or potential conflict exists.</p>	GK
9	<p>Single Tender Register</p> <p>Ms Irvine presented the paper detailing single tender actions authorised taken since the last meeting, together with a summary of the justification.</p> <p>Mrs Atkinson noted that it had been helpful to have the inclusion of reasoning for each single tender actions in the report as this provided assurance to the Committee that there is careful scrutiny of each request.</p>	

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	The Committee noted the paper.	
10	AOCB	
10.1	<u>Committee Meeting Dates 2019</u> The Committee agreed the proposed meeting dates for 2019.	
10.2	<u>NHS Scotland – A Blueprint for Good Governance</u> Mr Gray asked the Committee to note the recently published NHS Scotland document ‘A Blueprint for Good Governance’. He informed the Committee that this would provide a useful framework for the review of NHS Grampian Committee remits and also links into the planned Audit Committee Development Session in March.	
10.3	<u>Committee Development Session</u> The Committee agreed that the annual development session should focus on a review of the Board’s assurance framework and that the session should be open to all Board Members and to members of the Senior Leadership Team. The Committee agreed that Mrs Atkinson will liaise with Ms Paterson and Mr Kidd to agree the format and content of the session.	RA/ PwC/ GK
11	Report to NHSG Board The Committee agreed that the following items would be of interest to all Board members: <ul style="list-style-type: none"> • Transforming the Risk Approach • GDPR Readiness - Update • External Audit Plan; and • Backlog Maintenance - Update. Ms Irvine to draft the report to the Board for Mrs Atkinson’s review.	SI
12	Date of Next Meeting The next meeting will be held on Tuesday 19 th March 2019 at 10.30-13.30 followed by a Development Session 14.00-16.00 Conference Room, Summerfield House.	