

NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 2nd October 2018, 10.30-13.30
Conference Room, Summerfield House 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
 Cllr Douglas Lumsden, Non-Executive Director, NHS Grampian

In Attendance

Mr Alan Gray, Director of Finance, NHS Grampian
 Prof Stephen Logan, Chair, NHS Grampian
 Ms Anne MacDonald, Senior Audit Manager, Audit Scotland
 Mr George Bell, Manager, PricewaterhouseCoopers LLP (PwC)
 Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)
 Prof Nick Fluck, Medical Director, NHS Grampian
 Dr Robert Hobkirk, Head of Sustainability, Compliance and Risk, NHS Grampian
 Mr Garry Kidd, Assistant Director of Finance, NHS Grampian
 Mr Andrew Wood, Risk Management Adviser, NHS Grampian
 Ms Else Smaaskjaer, Minuting Secretary

Item	Subject	Action
1	<p>Welcome</p> <p>Mrs Atkinson thanked everyone for attending and welcomed Ms Little to her first meeting of the Audit Committee.</p> <p>Apologies</p> <p>Prof Steven Heys, Non-Executive Director, NHS Grampian Gillian Woolman, Assistant Director, Audit Scotland</p>	
2	<p>Minute of Meeting Held on 26th June 2018</p> <p>Mrs Atkinson requested that the minute should record thanks to Mrs Duncan for her contribution during her time as a Committee member. Her contribution to the work of the Committee and her valuable insights had been very much appreciated.</p> <p>The minute of the previous meeting was approved as an accurate record.</p>	

Item	Subject	Action
3	<p data-bbox="272 226 1385 296">Matters Arising</p> <p data-bbox="272 306 1385 342">3.1 <u>Action Log of 26th June 2018</u></p> <p data-bbox="370 373 1369 447">The Committee reviewed the action log from the previous meeting and noted the following points not covered elsewhere on the agenda:</p> <p data-bbox="370 485 1344 632"><u>Backlog Maintenance Programme Update</u> - Mrs Atkinson noted that Mr Legge, Strategic Asset Manager, is currently on annual leave and the item previously scheduled for this meeting had been deferred to the next meeting on 18th December.</p> <p data-bbox="370 667 1369 1066"><u>Patients Private Funds (Abstract of Receipts and Payments)</u> – In response to a query raised at the last meeting Mr Kidd reported that, where large value balances, in excess of £10,000, were held on behalf of individual patients, these were individuals with complex needs who had been in hospital for long periods of time and where no other guardianship arrangements were possible. The amounts held were derived from various sources such as accrued pension benefit and gifts/bequests from family and friends. The number of patients in this category had decreased over recent years and will reduce further as services actively seek to discharge patients to community based settings.</p> <p data-bbox="370 1104 1360 1178">The Committee agreed that this item should be removed from the action log.</p> <p data-bbox="272 1220 1385 1255">3.2 <u>Any other matters arising not on the action log</u></p> <p data-bbox="370 1287 881 1325">There were no other matters arising.</p>	
4	<p data-bbox="272 1360 1385 1434">Internal Audit</p> <p data-bbox="272 1444 1385 1480">4.1 <u>Progress Report</u></p> <p data-bbox="370 1512 1344 1766">Mr Bell presented the report which detailed progress against the internal audit programme and informed the Committee that since the last update the review of Equipment Repair and Maintenance had been finalised which completed delivery of the 2017/18 plan. Mr Bell also reported that two reviews from the 2018/19 plan had been completed – Property Transaction Monitoring and Energy Management.</p> <p data-bbox="370 1801 1369 1875">Mr Bell informed the Committee that two additional activities had been requested and undertaken since the last update.</p>	

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	<p>As a source of additional assurance the Deputy Director of Finance had requested an audit of the European Union (FP7) Grant Claim costs related to the Senator Study. PwC had reviewed the claim and issued an Auditor’s Certificate. The cost of this assignment will be met by the research budget.</p> <p>The Director of Pharmacy had asked for a review of the arrangements relating to payments claimed by pharmacies for dispensing/supervising drug substitute treatments. Mr Bell reported that there are ongoing discussions to introduce a technical solution through a ‘proof of concept’ trial on an agreed sample of prescriptions. This will provide a comparison between PwC Forensics/Data Analytics results and those of NHS Grampian Pharmacy prior to analysing all prescriptions issued over the past two years. The cost of this assignment will be covered by the Pharmacy Directorate.</p> <p>The Committee commended the proactive and positive actions taken by managers in requesting input from the Internal Auditors.</p> <p>Mr Bell highlighted the following progress against the agreed plan:</p> <p><u>Equipment Repairs and Maintenance</u></p> <p>The review assessed the design and effectiveness of the key controls within the process for identifying and managing repairs and maintenance to equipment. Two medium and one low risk recommendations were identified. The medium risk recommendations related to the asset management system in place to record maintenance and replacement needs for medical equipment, and to the lack of a formal documented process for carrying out a cost vs benefit analysis when replacing equipment. Management had confirmed that the asset management system e-Quip had been implemented and Mr Bell noted that this should be regularly maintained to ensure effectiveness and accuracy. Mr Kidd highlighted the complexity of tracking all items of equipment but commented that the new system will improve the information held and be of benefit in increasing active asset verification.</p> <p>Mr Bell informed the Committee that the review had noted needs assessment forms were often submitted before the approvals section of the form had been completed, although it was recognised that this is later picked up during the procurement process. Mr Kidd advised that the agreed protocol in place for the purchase of major items of</p>	

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	<p>equipment should be extended to include minor equipment purchases. Mr Kidd reported that the Director of Facilities and Estates along with staff from medical physics are developing protocols which will adopt a risk assessment approach. This will be taken forward by the Equipment Management and Medical Devices Group, chaired by the Director of Facilities and Estates.</p> <p>Mrs Atkinson welcomed the helpful management response to the review report but noted concern at the comments within the report regarding the stretching of resources. Mr Kidd informed the Committee that all staff engaged in this area are aware of the risks and challenges and work hard to manage these. He also noted that the NHS Grampian Infrastructure Investment Programme places emphasis on the prioritisation of resources to support replacement of essential equipment.</p> <p>The Committee noted the report.</p> <p><u>Property Transaction Monitoring</u></p> <p>Property transaction monitoring is performed by Internal Audit on an annual basis in line with the NHS Scotland Property Transaction Handbook (PTHB) and NHS circular CEL08 (2011). NHS Grampian completed three property transactions during the period April 2017 to March 2018. All were reviewed for compliance and all transactions had been handled in line with the mandatory requirements of PTHB. No findings were raised.</p> <p>The Committee were pleased to note the report.</p> <p><u>Energy Management</u></p> <p>The review assessed key controls within the energy management process focusing on energy consumption monitoring, compliance with energy management legislation and third party supplier governance and oversight. One medium risk and one low risk recommendation were identified and the review concluded that the current arrangements were well designed and operating effectively. The medium risk recommendations related to policies which are overdue for review and renewal. Management had agreed that a formal policy review will be progressed and the potential to combine the Energy Policy and the Environmental Policy into one document will be evaluated.</p> <p>The review outlined a range of statutory requirements to comply with various EU and UK energy management and tax schemes, and a</p>	

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	<p>number of regulatory obligations in relation to monitoring energy usage. The low risk recommendation related to the assurance monitoring process and communication with one of the key third party contractors. Mr Kidd explained that, following a recently identified underpayment of Climate Change Levy, which had now been resolved with HMRC, he had asked for this review to provide assurance regarding the internal control processes governing compliance monitoring and reporting of energy performance. The outcome from the review, together with outcome from the recent process undertaken with HMRC, will be used to inform an agreed action plan which will include a learning plan for the Energy Team.</p> <p>Mrs Atkinson asked if the policy review will be complete by 31st October. Mr Kidd clarified that the 31st October deadline was to revalidate the current Energy Policy and draft Environmental Policy documents as suitable operational standards for the ongoing management of these issues. A formal Policy review and approval date will be reset within 2019 for both documents and this will also involve the potential of combining the two documents.</p> <p>The Committee noted the report.</p> <p><u>High Priority Recommendations</u></p> <p>Mr Bell presented progress in relation to the implementation of high priority internal audit recommendations:</p> <p><u>General Data Protection Regulations</u></p> <p>No tangible changes or progress had been reported. Mr Gray suggested that a new target date should be set to provide something to measure progress against. Ms Paterson reported that this still presents a high risk to the organisation as, although full compliance may not be required, there is a need to evidence an agreed plan to demonstrate that work towards compliance is being progressed.</p> <p>The Committee noted the position and agreed that the Medical Director should provide a progress update at the next meeting.</p> <p><u>Mental Health Patient Management</u></p> <p>Mr Bell reported that he had revisited the review findings with the service and had concluded that it had done all that can be expected. Mr Gray noted that there had been positive engagement with the Mental Health Action Improvement Support Team (MHAIST) who had</p>	<p>NF</p>

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	<p>confirmed they are content with the approach taken by NHS Grampian.</p> <p>The Committee noted the position and agreed this action should be closed.</p> <p><u>Homecare Medicines Management</u></p> <p>Most of the actions agreed earlier in 2017 had been completed and the only outstanding action was the presentation of a formal annual report on Homecare Medicines arrangements to the Grampian Medicines Management Group (GMMG).</p> <p>The Committee noted the position and agreed that the Director of Pharmacy should be asked to clarify the status of this action to be reported to the next meeting.</p> <p><u>Warehousing</u></p> <p>A dedicated van had been procured and recruitment of a driver is being progressed. A Short Life Working Group, with representation from the GP Sub-Committee and non-medical prescribers, have agreed an implementation date of 1st December and this will shortly be communicated to all prescribers. The Director of Pharmacy has agreed to become the senior manager with responsibility for appropriate oversight of the process moving forward.</p> <p>The Committee noted the position and requested an update on progress at the next meeting.</p> <p><u>Children's Services Reporting and Performance Management</u></p> <p>Mr Bell reported that until performance measures are agreed this work remains ongoing.</p> <p>The Committee noted the position and Ms Paterson agreed to update the report with revised target dates and report back to the next Committee on progress.</p> <p><u>Use of Agency and Locum Staff</u></p> <p>Mr Bell reported that many of the agreed actions had been completed. The remaining action is that management undertake a review of the process by end of the calendar year.</p>	<p>PwC/ DP</p> <p>PwC</p>

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	<p>Members noted the position and agreed that evidence of a management review of the new protocols will be reported to the Audit Committee in March 2019.</p> <p><u>Emergency Patient Flow Management</u></p> <p>Mr Bell informed the Committee that most of the actions had been completed. There is still further discussions required within the acute sector regarding user access rights and privileges for A&E TrakCare and the validation of users to ensure access rights are appropriate for each member of staff's role.</p> <p>The Committee noted the position and requested a further update at the next meeting.</p> <p><u>Risk Management – Transforming the Risk Approach</u></p> <p>Mr Gray reported that Senior Leadership Team had assigned a risk owner to each of the seven key risk areas. Ms Paterson observed that the management of this approach appears to be working well and suggested that rather than keep this as an open item the Committee could consider including this within established reporting requirements.</p> <p>The Committee noted the position and agreed to review at the next meeting in December.</p> <p><u>Terms of Reference – Health and Safety Governance</u></p> <p>Mr Bell provided an update on the development of terms of reference for the review of Health and Safety Governance. He explained that the review will examine governance and oversight structures established by NHS Grampian and the associated Health and Social Care Partnerships to ensure that any issued identified by HSE Improvement Notices are being effectively managed. Professor Logan welcomed the review which was consistent with direction from the Cabinet Secretary for Health and Sport that Boards should place high priority on ensuring robust and effective governance structures in this area.</p>	<p>CH</p> <p>FF</p> <p>AG</p>

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5	Risk Management	
	<p data-bbox="267 304 349 336">5.1</p> <p data-bbox="365 304 844 336"><u>Annual Risk Management Report</u></p> <p data-bbox="365 378 1364 598">Professor Fluck attended to present a report providing an evaluation of the effectiveness of the Board’s risk management arrangements. He explained that the report sets out the new risk management framework and supports the Board’s Governance Statement. Risks are now allocated across five domains which are linked to the key risk areas assigned to members of the Senior Leadership Team.</p> <p data-bbox="365 630 1364 1249">Mr Bell asked to what extent the use of the risk register is an embedded process at service level. Mr Wood reported that this is more widespread in the Acute Sector where risk management is embedded into performance management processes. Across some services areas this is a developing field but work is progressing and the number of services with a risk register is growing. Mr Wood informed members that when new services such as the Major Trauma Centre are established, development of a risk register is included in their start up plan. Professor Fluck confirmed that risks are being clearly identified at different levels but there is still work to progress in establishing the ongoing review of risk registers as an active part of management systems. Mr Wood advised that discussions are taking place across the organisation to encourage the use of risk registers as a management tool. Professor Logan highlighted the complexities in merging risk registers across the integrated environment and the challenges in persuading the benefits rather than introducing a new process as an imposition on service managers.</p> <p data-bbox="365 1291 1339 1543">Mr Bell asked whether the risk associated with larger projects will be incorporated into the new framework. Professor Logan agreed that some projects, such as Electronic Patient Records, are critical and should be reflected in the overall risk to the organisation. Mr Gray confirmed that there is some work required in linking strategic aims with risk management and this will be considered by Senior Leadership Team.</p> <p data-bbox="365 1585 1364 1732">Mrs Atkinson thanked Professor Fluck and Mr Wood for the substantial amount of work undertaken during 2017/18 and suggested that the report for 2018/19 places less emphasis on the process and provides evidence to demonstrate that the process is working.</p> <p data-bbox="365 1764 1250 1837">The Committee thanked Professor Fluck and Mr Wood for attending and noted the report.</p>	

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	<p data-bbox="272 233 1166 268">5.2 <u>Brexit – Progress Report from Short Life Working Group</u></p> <p data-bbox="370 302 1344 632">Mr Gray presented a report asking the Committee to note the summary submitted to the Scottish Government Health and Social Care Directorate outlining NHS Grampian’s operational readiness for EU withdrawal on 29th March 2019. He informed members that there is still work to be progressed in gathering information and data regarding workforce issues, and possible impact on the supply chain. One of the key risks identified is the regulation of medicines and clinical trials. Mr Gray noted that underlining the ongoing work is the uncertainty regarding the terms of withdrawal.</p> <p data-bbox="370 665 1352 884">Members agreed that it would be important to communicate with staff and inform them of the advice available to them when reaching decisions. Professor Logan asked that staff be made aware that advice is available at no cost. Councillor Davidson also highlighted the importance of providing information to the wider public regarding access to healthcare and medicines.</p> <p data-bbox="370 917 1365 1360">Professor Logan asked if there is any current evidence to suggest that staff are returning to their home countries. Professor Fluck noted that a few staff members had indicated concern and the General Medical Council database had recorded fewer registrants than for some recent years; but he advised this should be considered in the light of the improving financial situation in some countries. Ms Paterson also informed members that discussions around public sector organisations indicate different responses from different nationalities. In response to a query regarding access to NHS services for overseas visitors Mr Kidd noted that the current regulations governing entitlement to free NHS care are clear in confirming that status will be decided on residency and not nationality.</p> <p data-bbox="370 1394 1369 1654">Mr Gray informed the Committee that a national approach had been discussed at meetings of the National Board Chief Executive’s Committee and it will continue to provide advice on matters to be dealt with locally or nationally. Mr Gray advised that each Board should be as prepared as they can be and the NHS Grampian short life working group will continue to review Brexit readiness and update the Committee and the Board.</p> <p data-bbox="370 1688 867 1724">The Committee noted the report.</p>	

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6	Infrastructure Management	
6.1	<p data-bbox="371 306 1273 373"><u>Impact of Carbon Emission Regulations and Associated Carbon Management Plans</u></p> <p data-bbox="371 415 1377 884">Dr Hobkirk presented a paper detailing the impact of compliance with carbon emissions regulations and summarising the various carbon reduction initiatives planned to help mitigate the impact of climate change. Dr Hobkirk highlighted the targets which the UK is trying to achieve and the responsibilities on NHS Grampian as a public body. The Climate Change Act had previously proposed 42% reduction in carbon emissions and this had been recently been increased to 56% (compared to 1990 levels). Further legislative changes are anticipated and Dr Hobkirk confirmed that NHS Grampian are in discussions regarding national implementation measures. There will also be a financial impact when the Carbon Reduction Commitment scheme ends in 2019 and increased taxes become payable through the Climate Change Levy.</p> <p data-bbox="371 926 1377 1136">Dr Hobkirk noted that reductions do not just refer to reducing emissions but also to how organisations are contributing to decarbonising the grid by using alternative sources of energy. He welcomed the interest in clean energy initiatives when capital projects are under consideration but also advised that there is much work to do in encouraging behavioural change for staff and patients.</p> <p data-bbox="371 1178 1357 1356">Councillor Lumsden asked if there would be scope for Aberdeen City Council and NHS Grampian to work more closely in maximising benefits from the waste to energy plant. Dr Hobkirk confirmed that NHS Grampian send waste to the plant as one of the measures taken in trying to reduce its landfill levy.</p> <p data-bbox="371 1398 1377 1724">Professor Logan highlighted the range of new buildings planned for the Foresterhill Campus and asked if the Foresterhill Energy Centre has sufficient capacity for this level of additional demand and whether all opportunities for renewable incentives are being explored. Dr Hobkirk confirmed that there is enough capacity for the Baird and ANCHOR project but further investment will be needed to incorporate additional build. Mr Kidd noted that future capacity and planning around elective care will involve additional investment in energy plan on the Foresterhill Site.</p> <p data-bbox="371 1766 1365 1864">Professor Logan asked if partners on site, such as the University of Aberdeen, equally share the cost of any levies imposed and Mr Gray confirmed that reimbursement is based on the allocation of actual cost.</p>	

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	<p>Ms Little asked about the Scottish Environmental Protection Agency (SEPA) requirements for CCTV cameras and Mr Hobkirk advised that these are to evidence to SEPA that any water leaks are repaired as soon as possible.</p> <p>The Committee thanked Dr Hobkirk for an informative presentation and requested a further update on progress at the September 2019 meeting.</p>	
7	External Audit	
7.1	<p><u>Audit Scotland National Studies</u></p> <p>Mr Kidd brought to the Committee's attention several reports issued by Audit Scotland during the year, relevant to NHSG, including any agreed management action.</p> <p>The Committee noted the report.</p>	
8	<p>Single Tender Register – Review of Recent Approvals</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>The Committee noted the paper.</p>	
9	<p>Counter Fraud – Progress Report</p> <p>Mr Kidd presented the report detailing progress on counter fraud matters within NHS Grampian during the 2017/18 year to date and briefed the Committee on progress with ongoing investigations.</p> <p>Mr Kidd also informed the Committee that there had been some discussion regarding the Register of Interests, Hospitality and Gifts at a NHS Scotland Short Life Working Group in August. This group will continue to meet until late summer 2019 and will report on recommendations for the arrangements to apply across NHS Scotland. He informed members that the working group will report through both the Chief Medical Officer and the Director of Health Finance and asked members to consider a suggestion put forward at the last meeting that there should be a single register of interests incorporated in a standardised national systems for the whole of Scotland. It was also suggested that staff should be asked to make a full disclosure of all interest rather than just where a conflict or perceived conflict exists.</p>	

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	<p>Ms Little advised that a single national system could diminish ownership and responsibility at individual Board level and queried whether there is capacity within Boards to check, maintain and monitor the information provided if all interests are declared. Professor Logan agreed that staff should be treated as responsible colleagues with the capacity to determine when a conflict of interest should be recorded. Mrs Atkinson agreed that that one national register would become unworkable, could not be adequately monitored and would serve no purpose. Ms Paterson also suggested that this should be considered within the context of GDPR and could result in staff being asked for information which they are not required to provide.</p> <p>Mr Kidd reported that within NHS Grampian there had been a few issues regarding suspected absence fraud and this prompted development of a bespoke development session for managers which had been very well attended. Further sessions are planned. Mrs Atkinson welcomed this positive step in engaging with managers and widening awareness of the support available.</p> <p>The Committee noted the report and agreed that Mr Kidd should 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>	
10	AOCB	
10.1	<p><u>Audit Committee Handbook</u> – Mr Kidd reported that a revised handbook had been prepared. The main change concerns guidance related to assurance mapping. The Committee agreed that it would be helpful to include this, and review the Board’s assurance framework, at the development session scheduled for March 2019. PwC agreed to facilitate the development session, inviting all non-executive members to attend to provide an opportunity to consider what their role and responsibilities are in relation to assurance.</p> <p>The Committee agreed that Mr Kidd and PwC should make arrangements for a development session on 19th March 2019.</p>	GK/ PwC
11	<p>Report to NHSG Board</p> <p>The Committee agreed that the following items would be of interest to all Board members:</p>	

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	<ul style="list-style-type: none"> • Readiness for Brexit; • Carbon emissions and carbon management plans update; and • Annual Risk Management Report. <p>Mr Kidd to draft the report to the Board for Mrs Atkinson’s review.</p>	<p>GK/RA</p>
<p>12</p>	<p>Date of Next Meeting</p> <p>Tuesday 18th December 2018 10.30-13.30 Seminar Room, Summerfield House.</p>	