

**NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 21st June 2022 (11.00 – 13.00)
Microsoft Teams**

Board Meeting 06.10.22 Open Session Item 11.01

Present

Mr Sandy Riddell, Non-Executive Board Member, NHS Grampian (Chair)
Mr Albert Donald, Non-Executive Board Member, NHS Grampian
Ms Rachael Little, Employee Director, NHS Grampian

In Attendance

Ms Sarah Duncan, Board Secretary, NHS Grampian
Mr Neil Gordon, Head of ICT Services, NHS Grampian (Item 5)
Ms Jo Hall, Vaccination Programme Manager, NHS Grampian (Item 7.2)
Mr Garry Kidd, Assistant Director of Finance, NHS Grampian
Mr Gavin Payne, General Manager, Facilities and Estates (Item 7.2)
Mr Alan Sharp, Acting Director of Finance, NHS Grampian
Ms Gillian Woolman, Assistant Director, Audit Scotland
Ms Anne MacDonald, Senior Audit Manager, Audit Scotland
Ms Lyndsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)
Ms Gillian Collin, Director, PricewaterhouseCoopers LLP (PwC)
Mr Robert Barr, Manager, PricewaterhouseCoopers LLP (PwC)
Ms Else Smaaskjaer, Minute

Item	Subject	Action
1	<p>Welcome Mr Riddell thanked everyone for attending. He was pleased to note positive feedback from the Development Session on Counter Fraud Activity held on 19th April 2022.</p> <p>Apologies from Committee Members Dr John Tomlinson, Non-Executive Board Member and Interim Chair, NHS Grampian</p> <p>Apologies from Other Attendees Professor Caroline Hiscox, Chief Executive, NHS Grampian</p> <p>Declaration of Interest None.</p>	
2	<p>Minute of Meeting Held on 22nd March 2022 The minute was approved as an accurate record.</p>	

Item	Subject	Action
3	<p data-bbox="269 226 1385 296">Matters Arising</p> <p data-bbox="269 302 1385 995"> 3.1 <u>Action Log of 22nd March 2022</u> The Committee reviewed the action log from the previous meeting and noted that, with the exception of the two items below, all items were on the agenda for this meeting or highlighted as future agenda items. 5. 22.3.22 Item 4.3 Internal Audit Report on Agency Employed Supplementary Staffing - Mr Kidd informed the Committee that he was still waiting to receive the management response to the recommendations in the report from the Single Staff Bank Project Implementation Group and would request an update for the next meeting of the Committee. 6. 22.3.22 Item 6.3 Compliance Sub-Group Assurance Report – Mr Donald confirmed that he had met with the Adult Public Protection Lead and the Director of AHPs and Public Protection and had been reassured that previous concerns raised had resulted from how items had been recorded in the minute rather than from the issues discussed. </p> <p data-bbox="269 1001 1385 1142"> 3.2 <u>Any other matters arising not on the action log</u> None. </p>	GK
4	<p data-bbox="269 1142 1385 1211">Internal Audit</p> <p data-bbox="269 1218 1385 1873"> 4.1 <u>Internal Audit Plan 2022/23</u> Ms Collin presented the draft 2022/23 Internal Audit Plan which incorporated all comments received from the Chief Executive Team and Board members including a re-alignment of some aspects to ensure an appropriate fit with the recently agreed NHS Grampian Plan For The Future. Ms Collin explained the methodology and approach adopted in developing the plan and highlighted the focus on providing assurance relating to areas of significant risk to the organisation. She outlined the areas where it had been agreed the organisation would benefit from an internal audit review and advised that time had been reserved to continue work with the Chief Internal Auditors of the Integration Joint Boards (IJBs) in progressing a joint assurance agenda across Grampian. Mr Riddell noted the need to agree governance arrangements which would ensure consistency in managing risks across a complex landscape. </p>	

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	<p>The Committee approved the internal audit plan for 2022/23.</p>	
4.2	<p><u>Progress Report and High Priority Recommendations</u></p> <p>Mr Barr presented the report which detailed progress to date on internal audit activity :</p> <ul style="list-style-type: none"> • Since the last meeting of the Committee, three reviews had been finalised; Arrangements in Support of the Governance Statement, Key Financial Controls and Remote Working. • Terms of Reference were now agreed for the remaining planned reviews to complete the 2021/22 Internal Audit Programme ; Tendering/Contract Governance, Sustainability and Service Redesign. The final report on these reviews is expected to be available for consideration at the next meeting of the Committee. • Management had requested the deferral of the review of Clinical Governance into 2022/23 in order to allow time for implementation of the recent re-organisation of the Board's assurance arrangements. • Fieldwork for a joint data sharing review is planned to will start in August, pending final agreement from all partners. This will be reported as a single piece of work progressed jointly by the Internal audit teams from NHS Grampian and all three IJBs. <p>The Committee noted progress to date and agreed to defer the Clinical Governance Review to 2022/23.</p> <p>The Committee were then briefed on the detailed findings from each of the recently finalise internal audit reports.</p> <p><u>Arrangements in Support of the Governance Statement</u></p> <p>Mr Barr reported the review had assessed the arrangements in place to support the preparation of the NHS Grampian Governance Statement. It had concluded that this was generally consistent with previous years. No high or medium risk recommendations were identified. Two low risk recommendations were made relating to timely maintenance of the Board's website and review dates had been exceeded on some key documents due to the emphasis on critical business only during the pandemic.</p>	

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	<p>The Committee noted the report.</p> <p><u>Key Financial Controls</u></p> <p>Mr Barr reported that this review had assessed the design and operating effectiveness of the key financial controls focusing on accounts payable, accounts receivable and payroll processes. No high or medium risk recommendations were identified. Two low risk recommendations were identified relating to the availability of documentation to evidence authorisation of amendments to payroll and to evidence reconciliation between eFinancials and ePayroll.</p> <p>The review had highlighted a number of areas of good practice including the processes around new starters, purchasing, credit notes, calculation of overtime payments and the regularity and improved communications relating to HR and Payroll reconciliations.</p> <p>The Committee noted the report.</p> <p><u>Remote Working</u></p> <p>The review had assessed the design and operating effectiveness of the key controls in the processes to manage remote working. No high risk recommendations were identified. Two medium risk recommendations were made relating to improvements in operational resilience which could be made through the development of a cyber incident management playbook and ensuring the completeness of remote working policies and procedures to include advice around malware and information security when using mobile devices.</p> <p>This review had also highlighted a number of areas of good practice including guidance issued to staff and the range of tools in place to strengthen processes and controls for remote working.</p> <p>The Committee noted the report.</p>	
5	<p>Cyber Security Update – Outcome of Network and Information Systems (NIS) Regulations Audits</p> <p>Mr Gordon presented a briefing regarding the Network and Information Systems (NIS) Regulations which came into effect in 2018 with the purpose to boost the level of security of network and information systems critical for the provision of digital services. In 2020 a programme of audits and reviews to evaluate compliance of health boards with NIS regulations was</p>	

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	<p>commissioned. The initial audit of NHS Grampian in 2020 had concluded 128 recommendations with the follow up review in 2021 noting significant progress in implementing them.</p> <p>The review process in 2021 found that the overall compliance of NHS Grampian had been raised from 30% to 60% which indicated a significant decrease in risk exposure. It also highlighted that governance, innovation and leadership in cyber security, risk management and digital strategy are exceptionally strong in NHS Grampian. A further review in 2022 had covered actions taken and evidenced improvements in the cyber technical landscape.</p> <p>Mr Gordon informed the Committee that the cyber security team had been increased to three members and he noted the system changes and tools implemented to improve cyber security and identify risks across the network. System tools would enable a more secure password policy and prevent downloads from NHS Grampian systems to personal devices. In addition online training and simulation of phishing emails had been augmented to influence and improve staff behaviours.</p> <p>Ms Little asked that if the increase in compliance could be increased from 30% to 60%, would it be possible to increase it further. Mr Gordon advised that the national recommendation is for boards to achieve 60% next year but he was reasonably confident that NHS Grampian could reach 70% - 75% compliance by then.</p> <p>The Committee were pleased to note the progress made, the contribution it would make in reducing the organisation’s exposure to risk and noted the importance of supporting the cyber tech team in maintaining momentum around this work. Ms Patterson noted that work in this domain contributes to low risk findings of internal audit reports in other areas such as working at home.</p> <p>The Audit Committee :</p> <ul style="list-style-type: none"> • Welcomed the significant improvement in compliance rating achieved rising from 30% to 60% and noted the aspiration to improve this further in the next audit planned for later in 2022 ; and • Thanked Mr Gordon for the reassurance provided in his update and asked him to feedback thanks to his team for the work undertaken to reach this position. 	

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6	<p>External Audit – 2021/22 Annual Audit Progress Report</p> <p>Ms MacDonald presented a report to update on progress with the 2021/22 annual audit of NHS Grampian. She reported that work was progressing on schedule and should be completed by the end of July prior to reporting to NHS Grampian Board on 4th August 2022. No significant concerns had been identified from the audit work completed to date.</p> <p>Ms MacDonald advised that an important element of the audit for 2021/22 would focus on the additional funding received to support the Board's response to Covid-19. This would include reviewing the audit trail around the treatment of additional funds to Integration Joint Boards, which flows through the NHS Board, and to confirm end of year balances.</p> <p>Payments to primary care practitioners had been an area of concern in recent years and Audit Scotland were pleased to note that improvements made by NHS National Services Scotland (NSS) had enabled an unqualified opinion for 2021/22 from the service auditor.</p> <p>The Audit Committee noted the progress report.</p>	
7	<p>Governance</p>	
	<p>7.1 <u>Board Assurance Framework and Audit Committee Terms of Reference</u></p> <p>Mr Kidd presented a paper summarising the changes to the Role of the Audit Committee following approval of a revised assurance framework by the NHS Grampian Board on 2nd June 2022. The Audit Committee will assume additional responsibility for agreeing and obtaining assurance on the Board's risk management and will be known as the Audit and Risk Committee. Mr Kidd advised that the revised arrangements will take effect following the Board meeting on 4th August 2022 and a paper covering the future work plan and business arrangements for the Committee would be available for consideration at the next meeting of the Committee on 2 August 2022.</p> <p>Members agreed that the Committee will require to develop a balanced work programme incorporating risk into the agenda for each meeting but also to ensure that there is an appropriate balance and that sufficient time is scheduled for key governance matters such as internal and external audit reporting and consideration of the annual report and accounts.</p> <p>Members also agreed that the Audit and Risk Committee should take</p>	

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	<p>an overview of the strategic risk process and that the reporting and ownership of relevant risks by other Board Committees will continue.</p> <p>Members also noted that although the executive lead for the Committee will be the Director of Finance the Medical Director in his role as the executive lead for risk will also have a key Executive support role to the Committee.</p> <p>The Audit Committee noted the following:</p> <ul style="list-style-type: none"> • the revised Terms of Reference approved by the Board on 2 June 2022; and • the proposal to prepare a forward looking cyclical work plan, including the additional risk management requirements, for consideration and approval at the next Committee meeting on 2 August 2022. 	<p>GK</p>
<p>7.2</p>	<p><u>Losses, Special Payments and Counter Fraud</u></p> <p>Mr Kidd presented a report which included a request for approval from the Audit Committee to submit two requests to write off losses incurred during 2021/22 to the Scottish Government Health and Social Care Directorate (SGHSCD).</p> <p>Stock Loss – Flu Vaccine</p> <p>Appendix 1 to the report detailed the background and reasons why the NHS Grampian Vaccine Holding Centre (VHC) had destroyed expired doses of Fluenz Tetra which a value of £201,908.06. Ms Hall, Vaccination Programme Manager attended to provide further information on the details in the report. She explained that the circumstances around this event had been multi-factorial. Fluenz Tetra is a nasal vaccine, with a short shelf life, administered to children and school pupils. Last year had been the first instance of offering this vaccine to secondary pupils and due to a number of reasons uptake had not been as expected. In addition, the programme had been paused and efforts had been redirected to boost the uptake of Covid vaccine.</p> <p>Ms Hall informed the Committee that there had been similar circumstances in other Boards and there are ongoing national conversations around stock control and the frequency of stock delivery. She confirmed that stock rotation practices are in place in</p>	

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	<p>NHS Grampian VHC.</p> <p>The Audit Committee thanked Ms Hall for her attendance and approved the write off, in principle, the loss of 12,690 expired doses of the influenza vaccine, Fluenze Tetra, totalling £201,908.06. The Committee agreed that this case should be submitted to SGHSCD for final approval.</p> <p>Contractual Obligations</p> <p>Appendix 2 to the report detailed the circumstances which led to the early termination of a maintenance contract and consequent payment of the balance of £77,000 to the contractor for the remaining full term. Mr Gavin Payne, General Manager Facilities and Estates attended to provide further background and context. He informed the Committee that a contractor had been appointed through a national framework agreement to provide maintenance and testing of sterilisation equipment in alignment with the manufacturers procedures and standards.</p> <p>The manufacturer subsequently informed NHS Grampian that the Company did not hold the required level of accreditation to maintain the equipment. Subsequently NHS Grampian entered into dialogue with the contractor to terminate the contact which concluded in dispute. Legal advice received from the Central Legal Office (CLO) advised that the most pragmatic solution would be to negotiate an exit. The legal advice was based on recognition that the service specification in the national framework contract did not adequately specify the training and accreditation required.</p> <p>Mr Payne advised that this experience had been shared with colleagues at National Procurement. A review in NHS Grampian had provided assurance that this situation was not replicated in other contracts and as a result of lessons learned is unlikely to recur in the future.</p> <p>The Audit Committee thanked Mr Payne for his attendance and approved the constructive loss of £77,000 relating to the contractual dispute for decontamination equipment maintenance services. The Audit Committee agreed that this case should be submitted to the SGHSCD with a request for final approval.</p>	<p>GK</p> <p>GK</p>

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	<p data-bbox="378 264 1292 333">Referrals to Counter Fraud Services and Losses and Special Payments during 2021/22</p> <p data-bbox="378 375 1341 625">The report also provided a summary of other losses and special payments during 2021/22, an update on ongoing investigations and an analysis of referrals to Counter Fraud Services (CFS) during the current year. Mr Kidd noted that there had been a slight increase in referrals but this was still lower than in previous years, and although the low level of referrals is of some concern it is generally consistent with other Scottish Boards.</p> <p data-bbox="378 667 1354 1026">Mr Donald asked if the low number of referrals indicated that fraud activity is not highlighted and would prevention measures be more effective than responding to individual events. He also asked if an intelligence led approach had been developed to gather information regarding procurement irregularities. Mr Kidd explained that, as part of the work planned to implement the Counter Fraud Standards across NHS Scotland, NHS Counter Fraud Services are developing an intelligence led approach to Fraud Risk assessment. This will be developed first at NHS Scotland level and then a gradual roll out across individual Boards will commence in 2022/23.</p> <p data-bbox="378 1068 1354 1104">Implementation of Counter Fraud Services Functional Standards</p> <p data-bbox="378 1146 1365 1430">Mr Kidd updated the Committee on preparation for the implementation of the Counter Fraud Standards which came into effect in April 2022. CFS had confirmed support around the risk assessment methodology required to meet the standards. The main areas of work will be in the development of a risk assessed and resourced annual fraud action plan and the requirement to carry out an annual self-assessment of the Board's position against each of the twelve key components of the standard.</p> <p data-bbox="378 1472 1370 1869">Mr Kidd reported that approval had been received to create a new role of Financial Governance Manager within the Finance Directorate. The focus of this post will be to create additional capacity to support the Board's governance and internal control arrangements and a significant aspect of this will be to support the Board's counter fraud activities. It is hoped that recruitment will be complete by the autumn. The Committee welcomed the additional resource but asked that this capacity should be protected and not pulled away to cover other areas of work. Mr Sharp advised that agreement to fund the post for this purpose had been secured through a robust budget setting process and any deviation from the role would be challenged by others whose</p>	

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	<p>bids for funding had not been successful.</p> <p>The Audit Committee noted the report.</p>	
7.3	<p><u>Draft Governance Statement 2021/22</u></p> <p>Mr Kidd presented the paper briefing audit committee members on the sources of assurance that will be used to support the 2021/22 governance statement which is prepared as part of the annual report and accounts. He also noted the requirement to notify the Scottish Government Health and Social Care Assurance Board of any significant issues or fraud which arose during 2021/22. A draft letter, attached as an appendix to the report, confirmed there had been no matters which would be of interest to the Assurance Board.</p> <p>The Audit Committee approved the following recommendations:-</p> <ul style="list-style-type: none"> • Submission of the “Significant Issues” letter as detailed in appendix 1 of the report to the Scottish Government Health and Social Care Assurance Board. • Approve the Audit Committee assurance statement included at appendix 2 to be used as a source of assurance for the 2021/22 Governance statement. • Comments on the draft governance statement to be emailed to Mr Kidd by Friday 1st July 2022. 	GK
7.4	<p><u>National Service Audit Reports</u></p> <p>Mr Kidd asked the Audit Committee to note the reports and unqualified audit opinion of the independent service auditor in 2021/22 for the services hosted by NHS National Services Scotland (NHS NSS) and by NHS Ayrshire and Arran on behalf of NHS Grampian.</p> <p>The Committee welcomed the improvements made by NHS NSS in relation to Payments to Practitioner Services which had resulted in an unqualified audit opinion for 2020/21.</p> <p>The Audit Committee noted the report.</p>	

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8	<p>Single Tender Register</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>No queries were raised.</p> <p>The Committee noted the report.</p>	
9	<p>AOCB</p> <p>None</p>	
10	<p>Report to Grampian NHS Board</p> <p>It was agreed that the following should be included in the report to all Board members.</p> <ul style="list-style-type: none"> • Annual Internal Audit Plan; • NIS Audit of Cyber Security; and • NSS Audit Reports. <p>Mr Kidd to draft the report to the Board for Mr Riddell's review.</p>	<p>GK/SR</p>
	<p>Date of Next Meeting</p> <p>Tuesday 2nd August 2022 11.00 – 13.00</p> <p>Meeting will consider the annual report and accounts for 2021/22 prior to presentation at NHS Grampian Board on 4th August 2022.</p>	