

**NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 2nd November 2020, 14.00-15.30
Microsoft Teams**

Board Meeting 04.02.21 Open Session Item 11.1
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Present

Mr Sandy Riddell, Non-Executive Board Member, NHS Grampian (Chair)
Cllr Douglas Lumsden, Non-Executive Board Member, NHS Grampian
Mr John Tomlinson, Non-Executive Board Member, NHS Grampian

In Attendance

Mr Alan Gray, Director of Finance, NHS Grampian
Mr Garry Kidd, Assistant Director of Finance, NHS Grampian
Professor Lynda Lynch, Chair, NHS Grampian
Ms Amy Anderson, Non-Executive Board Member, NHS Grampian
Ms Gillian Woolman, Assistant Director, Audit Scotland
Ms Anne MacDonald, Senior Audit Manager, Audit Scotland
Ms Lindsey Paterson, Partner, PricewaterhouseCoopers LLP (PwC)
Ms Gillian Collin, Senior Manager, PricewaterhouseCoopers LLP (PwC)
Mr Mike Sevenoaks, Risk Management Advisor, NHS Grampian (Item 4.2)
Mr Graeme Legge, Strategic Asset Manager, NHS Grampian (Item 7)
Dr Robert Hobkirk, Head of Sustainability, Compliance and Risk, NHS Grampian (Item 8)
Ms Else Smaaskjaer, Minute

Item	Subject	Action
1	<p>Welcome</p> <p>Mr Riddell welcomed everyone to the meeting.</p> <p>Apologies</p> <p>Councillor Isobel Davidson, Non-Executive Board Member, NHS Grampian Ms Rachael Little, Employee Director, NHS Grampian</p> <p>Declaration of Interest</p> <p>During the meeting Councillor Lumsden advised that as an Aberdeen City Councillor he had a non-pecuniary interest in the property transactions reported at Item 4.1.</p>	

Item	Subject	Action
2	<p>Minute of Meeting Held on 1st September 2020</p> <p>The minute was approved as an accurate record.</p>	
3	<p>Matters Arising</p>	
3.1	<p><u>Action Log of 1st September 2020</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>	
3.2	<p><u>Any other matters arising not on the action log</u></p> <p><u>Annual Report and Accounts – population projections</u> Mr Gray advised that an update on population projections will be included as part of the discussion on re-mobilisation planning at the Board Seminar on 5th November.</p> <p><u>Short Life Working Group - Renewal</u> Mr Riddell informed the Committee that the Chairs of Board Committees had met on two occasions with the Vice Chair of the Board and planned to meet again on the 23rd November. The group had been supportive of the coordination of internal audit activity across NHS Grampian and the three Integration Joint Boards (IJB's) and had recognised that collaborative working would contribute to improved governance arrangements across the system. Mr Riddell suggested it would be helpful to take forward targeted developments over a period of time.</p> <p>Ms Collin added that a joint meeting had been arranged between PwC and the Chief Internal Auditors of the three IJB's following some initial constructive and positive conversations and advised that sharing annual internal audit plans and creating regular touch-points throughout the year will help to take forward this approach.</p> <p>Professor Lynch agreed that a joined up approach would contribute to assurance across the system and fit in with both the Blueprint for Good Governance and the Board Active Governance agendas and as collaborative working is developed it would be useful to carry out some governance mapping and identify any gaps.</p> <p>Mr Riddell thanked members for their comments which he will share with other Committee Chairs when they meet, and provide an update on progress at the next meeting of the Committee.</p>	<p>AG</p> <p>SR</p>

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4	Internal Audit	
	<p data-bbox="269 348 1130 384">4.1 <u>Progress Report and High Priority Recommendations</u></p> <p data-bbox="375 415 1360 636">Ms Collin presented the report which detailed progress against the 2020/21 internal audit programme. Terms of reference were complete and fieldwork underway for the Budgeting and Financial Monitoring and COVID – Governance and Decision Making reviews and scoping meetings were scheduled for a number of other reviews including the planned review of “cross system ways of working”.</p> <p data-bbox="375 667 833 703"><u>Property Transaction Monitoring</u></p> <p data-bbox="375 741 1360 961">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). The two property transactions completed for NHS Grampian during 2019/20 were reviewed for compliance and all transactions had been handled in line with the mandatory requirements of PTHB. No findings were raised.</p> <p data-bbox="375 999 1360 1073">The status of progress against High Risk Recommendations will be reported at the next meeting of the Audit Committee on 8th December.</p> <p data-bbox="375 1108 870 1144">The Committee noted the report.</p>	
	<p data-bbox="269 1184 764 1220">4.2 <u>Risk Management Protocol</u></p> <p data-bbox="375 1255 1360 1440">Mr Sevenoaks attended to present a report outlining progress against the recommendations agreed in the 2019/20 Internal Audit Review relating to Risk Management. He also stressed the importance of ongoing leadership and management in relation to risk management across the organisation.</p> <p data-bbox="375 1476 1325 1619">The agreed actions included further development of the DATIX risk management system, development of a revised risk management protocol and production and roll out of an associated training programme.</p> <p data-bbox="375 1654 1360 1873">The required changes to DATIX will include a three part description of cause, event and consequence and this should be ready for implementation by December 2020. There will be a requirement for staff to enter clear statements regarding what actions have been taken and what actions are planned. An associated training package, covering the risk management cycle, had been delivered to groups of</p>	

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	<p>staff and had been well received. Mr Sevenoaks also presented the revised risk management protocol and associate guidance and requested comments from members.</p> <p>Mr Tomlinson asked if the Committee could take assurance from the update that the necessary improvements will be made moving forward. Mr Sevenoaks confirmed that with assertive management this will be achieved and there will be a proactive approach to contacting risk owners to ensure that information held in DATIX remains current. It is also intended that risk champions will be identified in service areas across the organisation. Mr Tomlinson noted that this should be done within a culture which balanced support and accountability.</p> <p>Mr Tomlinson also noted that the definition of risk in the protocol also covered opportunities that may arise due to uncertainty but the DATIX system only records risks with potentially adverse consequences. Mr Sevenoaks agreed to revisit the wording to provide clarification of this point in the final version of the protocol.</p> <p>Mr Riddell thanked Mr Sevenoaks for the helpful and clear presentation and noted the assurance that the new approach to risk management should reach all parts of the organisation.</p> <p>The Committee thanked Mr Sevenoaks for the update and welcomed the actions completed to date.</p> <p>The Committee agreed that the Risk Management Protocol should be amended as discussed and issued to the service following agreement by the System Leadership Team. Mr Sevenoaks to provide a report on progress to a future meeting of the Audit Committee.</p>	<p>MS</p> <p>MS</p>
5	Governance	
5.1	<p><u>Audit Committee – Review of Role and Remit</u></p> <p>Mr Kidd presented the report and reminded the Committee that at a previous meeting there had been an agreement that if national guidance on the role of Audit Committees had not been circulated he would prepare a local update to the Audit Committee Constitution last reviewed in 2015. He reported that the constitution had been reviewed with reference to the most recent Scottish Government Audit and Assurance Committee Handbook and the requirements of the Board’s revised Assurance Framework and recommended several minor</p>	

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	<p>amendments :.</p> <ul style="list-style-type: none"> • Reference to “the Board” amended to “the Board and Accountable Officer”. • Adding in a statement regarding providing advice on the Board’s Assurance Framework including strategic processes for risk, control and governance. • Deleting the reference to provide an annual summary to NHS Counter Fraud Services as this is reported as part of the annual financial returns submitted to the Scottish Government accompanying the annual accounts. <p>Members considered whether the constitution should include reference to collaborative working with IJB Audit Committees but it was agreed that this would represent an ambition of the Committee rather than an item for the constitution.</p> <p>The Committee also reviewed a proposed annual work plan. Ms Woolman noted that Audit Scotland welcomed the flexible approach and it was acknowledged that there are still uncertainties regarding whether normal working patterns will be re-established during 2021. Mr Kidd confirmed that the work plan was intended only as a guide to agenda setting for future meetings and could be varied as appropriate to meet the requirements and obligations of the Committee.</p> <p>The Committee approved the changes to the Constitution of the NHS Grampian Audit Committee with immediate effect and agreed the proposed annual work plan.</p>	
5.2	<p><u>Brexit – Progress Report from Short Life Working Group</u></p> <p>Mr Gray presented the report outlining the current position regarding preparedness for the withdrawal of the UK from the European Union. He reported that given the challenges in differentiating between COVID risks, Brexit risks and other associated risks NHS Grampian are taking an integrated approach in considering all factors which could impact on business continuity and will make use of existing resilience planning. Mr Gray confirmed that one of the main areas of risk relates to procurement and informed the Committee that supply chains are subject to continuous review by colleagues across NHS Scotland. He noted that there are some complex and challenging issues but the level of preparedness is very good, both locally and nationally.</p> <p>Mr Tomlinson asked if there would be an impact on workforce supply especially in relation to social care and Mr Riddell asked if that would</p>	

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	<p>impact on the ability to deliver care and support. Mr Gray reported that increased interest in careers in the care sector had been noted in recent months and efforts continue to encourage recruitment locally. He also noted that as there are limited opportunity for recent graduates to travel abroad many of them are taking up posts in the health care system locally.</p> <p>Mr Lumsden asked if there were key differences between risks associated with a Brexit Deal or a No Deal Brexit. Mr Gray advised that the differences are not always apparent but confirmed that professional leads, including Pharmacy and Procurement, are linking into national conversations and preparing for any eventualities which may arise.</p> <p>The Committee noted the report.</p>	
6	<p>Independent Primary Care Contractors Progress Update</p> <p>Mr Kidd presented a paper relating to the assurance arrangements relating to the management of payments to independent primary care contractors.</p> <p>The payment verification process</p> <p>Mr Kidd explained that, due to restrictions on services delivered by independent contractors during the pandemic, the payment verification system had mainly been placed on hold. As services begin to re-mobilise the system will be gradually reintroduced. Similarly, monitoring of SDAI conditions had been temporarily suspended as service arrangements during this period would have made it difficult for practices to meet their obligations and achieve the required number of NHS sessions.</p> <p>Service audit reports</p> <p>Mr Kidd updated members on progress with the action plan agreed by National Services Scotland (NSS) to address the qualification on the 2019/20 service audit reports covering the Payments to Practitioners service and the National IT service. NSS had submitted a written update to Mr Gray. This had been followed up by a progress review meeting attended by Practitioner Services Division and finance colleagues at NSS and Mr Gray and Mr Kidd of NHS Grampian. Mr Kidd reported the meeting had been positive and NSS had confirmed that a number of constructive actions had been agreed with their auditors to refresh the approach including re-visiting the controls design, use of screen shots of live data to evidence the effectiveness of controls and a changeover in audit team personnel. An interim report is expected by Christmas and progress is being closely monitored by the NSS Audit and Risk</p>	

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	<p>Committee. NSS agreed to share their detailed action plan to provide assurance that issues which would be of concern to client boards were addressed. It was also agreed that it would be appropriate for Mr Gray and Mr Kidd plan to attend the annual partnership review meeting to review the level of service received from the Practitioner Services Division.</p> <p>Mr Tomlinson asked if NHS Grampian were the only client board to request a meeting. Mr Gray confirmed that this was the case but the outcome will be of interest to all Boards.</p> <p>Ms MacDonald was pleased to note that testing of evidence for 2020/21 was underway and an interim report from KPMG, which will be made available to client boards, is expected in December,</p> <p>The Committee noted the report and welcomed the progress to date.</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 highlighted the scale and challenge of the programme and confirmed that while funding has been a challenge, work is on target to achieve the plan previously approved by the NHS Grampian Board, with the number of buildings in an unsatisfactory condition dropping from 59% of the estate in 2012 to 34% in 2020. However, 26% of buildings remain functionally unsuitable and do not meet the recognised modern requirements for delivery of patient care.</p> <p>The residual backlog relating to physical condition and statutory compliance is costed at £182m, before fees, VAT and other project related costs necessary for construction, with £13.5m considered as high risk and £33.8m considered as significant risk. These figures do not include functional suitability or other more recent regulatory obligations such as climate change commitments. Mr Legge informed the Committee that the Estates department had appointed a Technical Compliance Officer to support risk assessment, prioritisation and planning of the necessary work programmes under the oversight of a recently established Physical Infrastructure Programme Board.</p> <p>Mr Gray highlighted the challenge represented to the Board by outstanding backlog maintenance and informed the Committee that the National Infrastructure Board are reviewing needs across Scotland.</p> <p>The Committee thanked Mr Legge for an informative presentation and requested a further update on progress at the September 2021 meeting.</p>	

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8	<p>Impact of Carbon Emissions Regulations and Sustainability</p> <p>Dr Hobkirk attended to provide an update on carbon emission regulations and the impact of climate change on global health. He reported that the target for zero emissions is 2045, to be reached incrementally, reducing to 75% by 2030 and 90% by 2040. NHS Grampian are also working towards the recycling target of 75% by 2025 having already reached the general waste reduction target.</p> <p>Dr Hobkirk informed the Committee of the NHS climate change commitments, including the health impact relating to climate change, and the positive and negative climate impact of COVID-19. He highlighted the challenges in regulating energy use in aging buildings and reported that current emissions exceed the free allowances and will result in a charge under the EU-ETS scheme. Dr Hobkirk also outlined developments to further conservation and biodiversity, which is a duty placed on all public bodies. Initiatives in NHS Grampian include staff and community gardens and working with conservation partners to involve staff in outdoor activities.</p> <p>Mr Kidd informed the Committee that this annual update had traditionally been presented to the Audit Committee due to the associated tax and penalty implications and in previous years had a narrower focus. The sustainability agenda now has a much wider focus and it may be more appropriate for progress to be monitored through the Performance Governance Committee.</p> <p>The Committee thanked Dr Hobkirk for his presentation and agreed that Mr Kidd and Mr Gray should review future reporting for this item.</p>	AG/GK
9	<p>Counter Fraud Progress Report</p> <p>Mr Kidd presented the report noting progress on counter fraud matters within NHS Grampian. He reported that formal approval had been received from the Scottish Government to process the write off of the outstanding debts which had previously been agreed in principle by the Committee. Mr Kidd advised the Committee that a briefing on lessons learned relating to salary under/over payments will be made available at the next meeting of the Committee in December.</p> <p>The Committee noted the report.</p>	
10	<p>Single Tender Actions – 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. There were no</p>	

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	<p>questions arising from the reported single tender actions.</p> <p>The Committee noted the report.</p>	
11	AOCB	
	<p>11.1 <u>Committee Meeting Dates 2021</u></p> <p>The Committee agreed to move to bi-monthly 90 minute meetings using MS teams during 2021.</p>	
12	<p>Report to Grampian NHS Board</p> <p>It was agreed that the following will be reported to all Board members at the meeting in December.</p> <ul style="list-style-type: none"> • System Wide Working Across Audit Committees; • Risk Management Protocol; • Brexit Preparedness; • Backlog Maintenance; and • Carbon Emission Regulations and Sustainability. <p>Mr Kidd to draft the report to the Board for Mr Riddell's review.</p>	GK/SR
	<p>Date of Next Meeting</p> <p>Tuesday 8th December 2020 - 10.00 – 11.30 Microsoft Teams</p>	