

**NHS Grampian (NHSG)
Minute of the Audit Committee Meeting
Tuesday 2nd August 2022 (11.00 – 13.00)
Microsoft Teams**

Board Meeting 01.12.22 Open Session Item 12.01

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
 Dr John Tomlinson, Non-Executive Board Member and Interim Chair, NHS Grampian

In Attendance

Ms Amy Anderson, Non-Executive Board Member, NHS Grampian
 Cllr Tracy Colyer, Non-Executive Board Member, NHS Grampian
 Ms Sarah Duncan, Board Secretary, NHS Grampian
 Mr Steven Lindsay, Full-Time Partnership Representative, NHS Grampian
 Professor Nick Fluck, Medical Director (Executive Lead for Risk), NHS Grampian (Item 7)
 Mr Mike Sevenoaks, Risk Advisor, NHS Grampian (Item 7)
 Mr Garry Kidd, Assistant Director of Finance, NHS Grampian
 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 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 welcomed Ms Anderson who will take up position as Chair of the newly formed Audit and Risk Committee.</p> <p>Apologies from Committee Members None.</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 21st June 2022</p> <p>The minute was approved as an accurate record.</p>	

Item	Subject	Action
3	Matters Arising	
3.1	<p data-bbox="367 306 802 342"><u>Action Log of 22nd March 2022</u></p> <p data-bbox="367 380 1360 520">The Committee reviewed the action log from the previous meeting and noted that all items were on the agenda for this meeting or highlighted as future agenda items with the exception of the following items for which Mr Kidd provided a verbal update :</p> <p data-bbox="367 558 1360 884">3. 22.3.22 Item 4.3 and 21.6.22 Item 3.1 Internal Audit Report on Agency Employed Supplementary Staffing – The Single Staff Bank Project Implementation Group had met and considered a draft management response to the audit report. Unfortunately, no medical staff were available to attend the meeting and final approval was deferred to the next meeting of the group. In the meantime a draft action plan is in place which had been enacted. A further report will come to the meeting of the Audit and Risk Committee on 18th October 2022.</p> <p data-bbox="367 926 1360 1031">5. 21.6.22 Item 7.3 Losses and Special Payments – Mr Kidd confirmed that the letter regarding write offs agreed by the Committee had been submitted to SGHSCD for final approval.</p> <p data-bbox="367 1073 1360 1178">6. 21.6.22 Item 7.3 Governance Statement – Mr Kidd confirmed that the ‘Significant Issues’ letter had been agreed and submitted to the Scottish Government Health and Social Care Assurance Board.</p>	GK
3.2	<p data-bbox="367 1224 1019 1255"><u>Any other matters arising not on the action log</u></p> <p data-bbox="367 1293 451 1325">None.</p>	
4	Internal Audit	
4.1	<p data-bbox="367 1440 764 1472"><u>Annual Report and Opinion</u></p> <p data-bbox="367 1514 1360 1801">Ms Collin presented the Internal Audit Annual Report for 2021/22. She informed the Committee that the review of governance, risk management and control in relation to business critical areas in NHS Grampian had resulted in an overall opinion on the adequacy and effectiveness of the Board’s systems of internal control as “generally satisfactory with some improvement required”. She noted this was a positive outcome which aligned with the opinion given in previous years.</p> <p data-bbox="367 1843 1328 1875">The opinion was based on all of the audit activity undertaken during</p>	

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	<p>2021/22 and consideration of follow up actions from previous years. Ms Collin outlined the risk-based plan of work and the methodology adopted by PwC in undertaking audit work, which conforms with the Public Sector Internal Audit Standards. The agreed internal audit plan had included 14 reviews, of which 12 have been completed. The two remaining reports (Clinical Governance and Data Sharing) were deferred to 2022/23. No reviews were rated as high risk and three were rated as medium risk. Two high risk findings from previous years are ongoing and PwC are content with the actions undertaken to date and anticipate both are close to being finalised.</p> <p>Ms Collin highlighted that management had demonstrated a commitment to addressing risks and improving processes and controls and in identifying areas of specific challenge to the audit team in order to provide areas of focus for the audit work.</p> <p>Dr Tomlinson queried the status of reviews if no risk rated recommendations were recorded. Ms Collin advised there are occasions when the purpose of a review requires a different approach and reporting framework.</p> <p>Dr Tomlinson asked if the management response to the review of Appointment and Monitoring of Agency Employed Supplementary Staff indicated an alternative view to that presented in the audit report. Mr Kidd noted that when the scope of a review is system wide it is important to agree a practical and coordinated approach in taking recommendations forward and this will be reflected in the final management response to the recommendations raised.</p> <p>The Committee welcomed Ms Collin’s comments, recognised the challenges for auditors and staff throughout the year and agreed that the report represented a fair summary of the internal audit activity throughout the year.</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, four reviews had been finalised; Tendering/Contract Governance, ESG – Sustainability, Service Redesign and Dr Gray’s Hospital PPE Management. Reports had been approved by review sponsors and management action plans and timescales agreed to address the findings raised. 	

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	<p>Ms Anderson asked if a timeframe for the Partnership Working review had been agreed. Ms Collin confirmed that work on data sharing would be a key element to providing joint assurance across the system and some positive progress had been made. Since starting work on the review it had emerged that an inspection by the Information Commissioners Office (ICO) was planned and it had been agreed there would be a risk of placing a significant burden of work on the Information Governance Team at NHS Grampian if the internal audit review was progressed at this time. Mr Kidd suggested it would be useful to know the scope of the ICO inspection as that could help to minimise duplication. Dr Tomlinson noted the importance of maintaining momentum around this review and coordinating the work with the IJBs and Ms Collin confirmed she would continue to discuss with internal audit colleagues across Grampian.</p> <p>The Committee noted completion of the agreed Internal Audit programme of work for 2021/22.</p> <p>The Committee were then briefed on the detailed findings from each of the recently finalised internal audit reports.</p> <p><u>Tendering/Contract Governance</u></p> <p>The review had focused on the policies and procedures, governance arrangement and training and guidance in relation to the procurement process at NHS Grampian. No high or medium risk findings were identified. Four low risk recommendations were identified relating to the frequency of meeting of the Strategic Procurement Performance Group (SPPG), post implementation review had not been completed for all procurement projects, infrequent reporting of KPIs to the SPPG and no tracking to ensure that all those who should complete procurement training had done so.</p> <p>The review had highlighted some areas of good practice including effective risk scoring and assessment, regular review of the procurement protocol and the highlighting of current procurement risk to the SPPG.</p> <p>The Committee noted the report.</p> <p><u>ESG - Sustainability</u></p> <p>This review had assessed the design and operating effectiveness of the key controls around sustainability at NHS Grampian, with reference to the aims set out by the Scottish Government's Policy for</p>	

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	<p>the Climate Emergency and Sustainable Development. No high risk recommendations were identified. Four medium risk recommendations were identified relating to a delay in the development of the NHS Grampian Sustainability Strategy, the allocation of resources to meet sustainability requirements, non-compliance with two requirements set out by the Scottish Government and gaps in the capturing of waste management data.</p> <p>The review had highlighted areas of good practice including the strong communication channels, the governance structure and the focus and drive provided by the dedicated sustainability team.</p> <p>Ms Collin responded to a query from Ms Anderson and informed the Committee that NHS Grampian are not behind other Boards in progressing the sustainability agenda but noted the organisation operates in an environment of limited resources and capacity constraints. Mr Sharp advised that sustainability is one of the key priority areas in the NHS Grampian Plan for the Future.</p> <p>The Committee noted the report.</p> <p><u>Service Redesign</u></p> <p>The audit had reviewed the key controls relating to the design, implementation and governance of programmes and projects across NHS Grampian. No high risk recommendations were identified. Three medium risk recommendation were identified relating to not having a standardised procedure in place for planning, implementation and reporting against programmes and projects, not clearly outlining and tracking benefits or assigning benefit owners at the initial planning stage and not ensuring that objectives are data driven to demonstrate validation.</p> <p>This review had also highlighted areas of good practice including interconnectivity of care boards and strong levels of governance and executive leadership within project management structures.</p> <p>Dr Tomlinson asked if there is sufficient assurance around benefit realisation and milestone setting as building up a reframed system is a key part of the delivery plan which will be prepared for submission to the Scottish Government. Ms Collin confirmed there is good practice and collaboration and internal audit were confident that projects are governed properly. The medium risk recommendations were made in the context of internal audit assessment processes. Mr Sharp added that those preparing the delivery plan and the Chief Executive Team</p>	

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	<p>had acknowledged that the objectives, and underpinning actions, outlined should be smart and deliverable.</p> <p>The Committee noted the report.</p> <p><u>Dr Gray's Hospital (DGH) – PPE Management</u></p> <p>The review had been undertaken at the request of management. The scope of the review was to assess controls in place for raising of orders, receipting of stock and monitoring of stock usage at DGH. No high risk recommendations were identified. One medium risk recommendation was identified relating to not having documented local procedures in place at DGH setting out controls and responsibilities around stock management. One low risk recommendation was identified relating to retention of documents to support queries with the National Distribution Centre regarding stock supplied.</p> <p>The Committee noted the report.</p>	
5	2021/2022 Annual Report and Accounts	
	<p>5.1 <u>Annual Accounts</u></p> <p>Mr Sharp presented the 2021/22 annual report and accounts. He outlined the main elements and highlighted the following :</p> <ul style="list-style-type: none"> • NHS Grampian is required to submit an independently audited annual report and accounts to the Scottish Government Health and Social Care Directorates by 31 August 2022. The annual accounts are required to consolidate the results of Grampian Health Board, Grampian Health Board Endowment Funds and the three Grampian Integration Joint Boards. • Feedback from the Chief Executive and the Deputy Chief Executive had been incorporated. • The Board had achieved the three financial targets set by the Scottish Government Health and Social Care Directorates (SGHSCD) for the year. • The Board's external auditors, Audit Scotland, are proposing an unqualified audit opinion (presented under item 5.2 below). 	

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	<ul style="list-style-type: none"> • Azets, the appointed auditors for the NHS Grampian Endowment Funds charity, have also issued an unqualified audit opinion. The annual accounts for the Endowment Funds were approved at the Annual General Meeting of Endowment Fund Trustees on Friday 22 July 2022. <p>The Committee thanked Mr Sharp, the finance team and all colleagues involved in the preparation and audit of the annual report and accounts and for their efforts in producing a clear set of accounts and providing assurance to the Board.</p>	
5.2	<p><u>Annual Audit Report</u></p> <p>Ms MacDonald presented the Annual Audit Report and informed the Committee that Audit Scotland are proposing an unqualified audit opinion which provides assurance that financial statements are considered to give a true and fair representation of the state of affairs as at year end 2021/22. Ms MacDonald then guided members through the key messages and findings included within the report.</p> <p>Mr Riddell asked if the position in relation to accrued leave was common across all Boards. Ms MacDonald confirmed that due to Covid-19 challenges this was common across Scottish Boards and will be highlighted in the national report for 2021/22.</p> <p>Dr Tomlinson asked if it would be possible to reconfigure IJB funding so that all organisations break even. Mr Sharp advised that significant IJB reserves across Scotland had been acknowledged but there is no clarity regarding how these can be used to balance the financial position across all systems. He noted that Health Boards would not have a unilateral claim on those reserves as Local Authorities are also reporting financial deficits, and it is also important to be mindful that reserves should not be viewed as recurrent funding. Mr Sharp confirmed that national discussions are ongoing around this issue.</p> <p>The importance of financial sustainability was highlighted and Mr Sharp noted the challenges in bringing together financial, clinical and staff governance. A five-year medium term financial strategy will be reported to NHS Grampian Board on 4th August 2022 as part of the delivery plan. The main challenge will be in achieving 2-3% efficiency savings as this will require fundamental redesign of services.</p> <p>The Committee noted the importance of a rigorous and challenging audit process, and welcomed the assurance provided to the Board, and the wider public, that there are appropriate and effective financial</p>	

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	<p>management arrangements in place to administer the financial resources available to NHS Grampian.</p> <p>The Committee noted the report and thanked Ms Woolman, Ms MacDonald and the Audit Scotland team for their hard work, professionalism in preparing an accessible and clear report and for their productive relationship, as a critical friend with the Board finance team during their time as external auditors. Their advice on improvements had been appreciated.</p> <p>Prior to Mr Kidd's retirement at the end of November, the Committee joined Mr Sharp in thanking him for his dedication and work ethic in the preparation of the annual accounts over a number of years. It was agreed that his technical knowledge had been key in leading the organisation through the annual audit process.</p>	
5.3	<p><u>Recommendation to NHSG Board for Approval of the Accounts</u></p> <p>Following discussions under items 5.1 and 5.2, the Audit Committee confirmed that adequate confidence and assurance had been reached to recommend approval to the 2021/22 annual report and accounts to the NHS Grampian Board for approval.</p>	
6	<p>Patient Private Funds Abstract of Receipts and Payments</p> <p>Mr Kidd presented the Abstract of Receipts and Payment and explained that NHS Grampian acts as custodian of personal funds held on behalf of long term patients. These balances do not form part of NHS Grampian's statutory accounts and are subject to separate independent audit arrangements. Azets are the appointed auditors and, following a detailed check, have issued an unqualified opinion with no significant issues raised as a consequence of the audit.</p> <p>The Committee agreed to recommend the 2021/22 abstract of receipts and payments for Patients Private Funds to the Board for approval.</p>	
7	<p>Risk Management</p> <p>Professor Fluck and Mr Sevenoaks attended to provide an update on the Strategic Risk Register and the Board's Risk Process. Professor Fluck highlighted the importance of having a robust approach to risk management and an agreed scheme for escalating risks when required. A paper had been shared which detailed the specific roles of the Clinical Risk Management Meeting (CRM), Portfolio Leads, Executive Managers, the Chief Executive</p>	

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	<p>Team and Board Assurance Committees in the review and management of risks across the organisation. Professor Fluck explained the role of CRM in evaluating and assessing risks and the role of operational teams in managing risks. He also outlined the role of the Board in risk assurance and risk oversight as well as the development of the Board Strategic Risk Register to be reviewed at each Board meeting. Professor Fluck suggested a risk appetite approach could be adopted by the Board to assist in establishing where risks could be managed and whether they should be escalated. He noted the importance of having good governance around the management of strategic and enduring risks.</p> <p>Mr Riddell thanked Professor Fluck and Mr Sevenoaks for the paper and agreed that an agreed process for the referral and management of risks would benefit the work of the Board. Ms Anderson agreed that a risk appetite approach would help determine where individual risks sit and how they are monitored and managed. Dr Tomlinson asked if the Board would have oversight over the whole Strategic Risk Register with assurance committees taking an overview of risks within their scope. Professor Fluck noted that the Terms of Reference for the Audit and Risk Committee states it will be sighted on the Strategic Risk Register and other Committees will provide assurance around their individual remits. Mr Kidd suggested that the process outlined in the paper should clarify the role of the Audit and Risk Committee. Professor Fluck agreed to review and include detail for each assurance committee.</p> <p>The Audit Committee agreed the recommendations to:</p> <ul style="list-style-type: none"> • Endorse the outlined Board Risk Process (with inclusion of details for each assurance committee); • Support the development of the described approach to the ‘Board Risk Appetite; and • Commence Strategic Risk Register Review as described in the Board Risk Process. 	
8	<p>Audit and Risk Committee – Future Arrangements</p> <p>Mr Kidd presented a paper which outlined future arrangements for the Audit and Risk Committee and a proposed cyclical work plan which included the additional risk management requirements. He suggested that incorporating risk into the work of the Committee could be achieved by reviewing the Strategic Risk Register at each meeting with a more detailed review of how risk management is working twice each year. Professor Fluck confirmed that he would be comfortable with that approach.</p> <p>Ms Duncan advised that there will be a further proposal regarding how responsibility to monitor parts of the delivery plan will be allocated to</p>	

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	<p>assurance committees. Committee Chairs and Executive Leads may wish to add additional items to the work plan for their committee. Work is ongoing to agree a common reporting template and Committee Chairs will continue to discuss practicalities around in-person, virtual and hybrid meetings.</p> <p>Ms Anderson welcomed the opportunity to have sight of the work plan before taking up position as Chair of the Audit and Risk Committee. It was agreed that the overall approach was sensible and the detail can be agreed over the next few meetings.</p> <p>The Committee noted the report and approved the annual work plan.</p>	
9	<p>Report to the Board</p> <p>It was confirmed that there is no longer a requirement to prepare a report to the Board.</p>	
10	<p>AOCB</p> <p>Dr Tomlinson recorded thanks to Mr Riddell for his contribution to the Audit Committee during his tenure as Chair. He welcomed Ms Anderson as Chair of the Audit and Risk Committee and wished her well in taking forward the work progressed in recent years.</p> <p>Mr Riddell thanked everyone who had supported him during his time as Chair.</p>	
	<p>Date of Next Meeting</p> <p>Tuesday 18th October 2022 11.00 – 13.00</p>	