| **Public Board Meeting** | **29 July 2020** |
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| | **Item 14** |
| **THIS PAPER IS FOR NOTING** | |
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| **AUDIT COMMITTEE MINUTES OF 22 APRIL 2020 AND VERBAL REPORT OF 11 JUNE 2020.** | |

| **Lead Director**<br>**Author** | Carol Sinclair, Chair of Audit Committee<br>Lindsey Ralph, Board Secretary |
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| **Action required** | The Board is asked to note the minutes and verbal report. |
| **Key points** | In compliance with the Service's Standing Orders, the approved Committee minutes are submitted to the Board for information and consideration of any recommendations that have been made by the Committee.<br><br>The minutes of the Audit Committee held on 22 April 2020 were approved by the Committee on 11 June 2020.<br><br>A verbal update of the meeting held on 11 June 2020 will be provided by the Chair of the Committee. |
| **Timing** | A verbal update of the most recent Committee meeting will be provided to the Board. Minutes are presented following approval by the Committee. |

# MINUTES OF AUDIT COMMITTEE MEETING

# 10.30 A.M. ON WEDNESDAY 22ND APRIL 2020

# VIRTUAL, MICROSOFT TEAMS

**Present:**        Carol Sinclair, Non-Executive Director (Chair)
Stuart Currie, Non-Executive Director
Cecil Meiklejohn, Non-Executive Director
Irene Oldfather, Non-Executive Director
Madeline Smith, Non-Executive Director

**In Attendance:**    Katy Barclay, Head of Business Intelligence
Melanie Barnes, Assistant Director of Finance
Paul Bassett, Director, National Operations
Joanne Brown, Grant Thornton
Julie Carter, Director of Finance, Logistics and Strategy
Claire Connor, KPMG
Frances Dodd, Director of Care Quality and Professional Development
Pauline Howie, Chief Executive
Liz Humphreys, Non-Executive Director
Duncan Keith, Head of Finance
Carolyn Lowe, Director of Finance, NSS (Item 13 only)
James Lucas, KPMG
Maria McFeat, Deputy Director of Finance (Item 13 only)
Paul McGinty, KPMG
John Perritt, Risk Manager
Tom Steele, Chair
Gillian McBirnie, Committee Secretary (Minutes)

## WELCOME AND INTRODUCTIONS

Carol Sinclair welcomed everyone to the meeting, in particular Liz Humphreys and Frances Dodd who were attending their first meeting of the Committee. Carol advised that Maria McFeat and Carolyn Low would be joining the meeting at Item 13 to provide assurance around the governance processes in place within the Payroll Consortium. She thanked those in attendance for their papers which would be taken as read, to allow time for further questions providing a deeper level of assurance.

**ITEM 1        MINUTES OF MEETING HELD ON 22 JANUARY 2020**

The minutes were approved as an accurate reflection of the meeting subject to the removal of Irene Oldfather's declaration of interest.

**ITEM 2        MATTERS ARISING**

The Committee noted the ongoing actions and completion dates and approved the removal of 2 actions.

2019-10-02/2        Review of Board Governance Structure – Julie advised work had been carried out with Boards and would now commence with Ambulance Trusts. Julie Carter would present a report to the June meeting.

2019-10-02/8        Agreed this would be considered further following the compliance update report. Action – ongoing.

**Action 1:        Committee Secretary to update matters arising paper**

**ITEM 3        DECLARATION OF INTEREST**

Madeline Smith declared her position of Vice Chair, NHS24 and Digital Health and Care Institute. Irene Oldfather declared her position of Director, Scotland Health and Social Care Alliance and Carol Sinclair declared her position as Trustee of Scotland's Charity Air Ambulance and advised her secondment to Scottish National Investment Bank had come to an end. Paul Bassett declared his position as Trustee, Scotland's Charity Air Ambulance.

**ITEM 4        INTERNAL AUDIT**

**4.1    Review of ICT Continuity and Resilience**

Paul McGinty introduced the report which had been undertaken to assess the Service's ICT continuity and resilience. Paul reported that the IT arrangements, including continuity and resilience, were not as mature, formally documented and connected as would be expected. Findings and recommendations arising from the work identified high priority actions, which, if implemented would help strengthen the core framework of ICT resilience and continuity.

Julie Carter accepted the proposed recommendations and agreed, on reflection, the Service was good at mobilising however, the critical point of providing supporting documentation was a weaker point which required to be addressed. She assured members that she had gone through the report with the General Manager, ICT as well as senior managers with a view to creating a more integrated approach with ICT and operations. As part of this work, Terms of Reference were being created for the newly established Security Governance Group which would report to the Resilience Committee. Julie Carter agreed to provide the Board and Audit Committee with regular updates.

Paul Bassett expressed his initial surprise at the report's findings following the focus given to continuity plans in the ACCs over the last 4 years. He advised he was comfortable with the work carried out in the ACCs to date advising that action cards for all critical systems for business were in place and were regularly tested. Referring to the recommendations in the

report, Paul advised that a Business Impact Assessment (BIA) would be carried out as highlighted in the report.

Carol Sinclair acknowledged the work carried out to date and gained assurance from the updates provided that this would continue to be addressed in line with the recommendations and associated timescales.

Referring to action 1, Madeline Smith enquired if there was a need to pull this forward and sought further assurance in terms of the resilience governance and how this feeds into governance committees and the Board.  Julie Carter advised that the governance route for the Resilience Committee was the Executive Team with an annual report submitted to the Audit Committee and Board for assurance.  After discussion, it was agreed that the Resilience Committee would report to the Audit Committee with minutes submitted to the Audit Committee for noting.

**Action 2:     Julie to provide regular updates to Committee on Security Governance Group and ongoing work in relation to continuity and resilience**
**Action 3:     Resilience Committee minutes and Annual Report to be submitted to Audit Committee**

In response to Madeline's query around timescales, Julie assured members that the high risk areas were being reviewed first, this would include the key critical systems under ACC which should address he points identified in actions 1 to 3. Members welcomed this approach and agreed consideration should be given to the presentation of the proportionate flow of accurate information to Committee perhaps using a sliding scale 40/60/80%.  It was agreed this would be reviewed by Julie Carter, Carol Sinclair and Paul MGinty.

**Action 4: Progress towards completion dates to be included. CS/JC/PMcG to review and give thought on how to present this to Committee**

Irene referred to the timescale of December 2020 assigned to action 8, single point of failure recording and sought further information on how this would be taken forward.  Julie Carter advised this would be an ongoing register and agreed to identify the high risk systems providing more detail and an end point clearly shown.  The report would be amended to reflect this change.  Further to a query from Cecil around capturing intelligence from the current emergency situation, Julie advised this information, including lessons learned, had been collated within the different cells and would be formatted and reviewed as part of the recovery plan to provide a further level of assurance.

 The Committee noted the report.

### 4.2     Review of Financial Controls - eESS

Paul McGinty introduced the report which had been undertaken following concerns from management around the visibility and appropriateness of controls and how the system worked for the Service.  The review assessed the current processes and control arrangements in place focussing on how accurately information detailed on standard HR forms is recorded in eESS, how information updated in eESS is validated and interfaces with the ePayroll system and how updates to ePayroll are actioned and verified.  The review identified 4 high and 1 medium recommendation for action.

Carol Sinclair welcomed the challenging report and suggested that a quality improvement approach should now be taken. Madeline supported this approach with a view to establishing the capability of the system, not just the challenges around how the system is used currently but what is the capability of the system and how these be explored further to benefit the Service. It was recognised these issues had been raised previously and there was a need to identify a way forward with clear outcomes. It was noted that these issues were evident across the wider NHS and should link with the Payroll Consortium item later on the agenda.

As Audit Committee Chair, Carol Sinclair requested a holistic update from the QI team detailing progress against resolution and how teams have been equipped to deal with this.

The Committee noted the report.

**Action 5: Committee to receive regular updates on ongoing work with QI Team around resolutions**

### 4.3    Review of Blueprint for Good Governance Compliance – Part 2

Paul introduced the report advising this was carried out following the initial review in June 2019 to assess the Board's response to guidance and requirements laid down by the Scottish Government Health Directorate. He was pleased to advise that the second phase of the review had identified that work had progressed well with a structured action plan detailing how this would be taken forward. This was a positive report with one recommendation identifying the need to make some of the actions sharper.

Tom Steele was pleased to have the involvement of internal audit at this stage and was pleased to have strengthened governance throughout the Service, providing an additional layer of governance. He expressed his gratitude to Lindsey Ralph in her role as Board Secretary for the provision of such robust information to KPMG.

Carol Sinclair was pleased to receive a positive, pleasing report.

**The Committee noted the report with approval.**

### 4.6    Internal Audit Status Update

Paul McGinty presented a short summary which outlined the status of the progress with the 2019/20 Audit Plan. He advised the vast majority of work had been completed with the exception of the Property Transaction Monitoring report which was due to be presented to Committee in June and the review of the SPiNE programme which had slipped slightly due to COVID-19 priorities and would also be presented to the June Committee.

Madeline Smith noted the recommendations in relation to the recent IT Resilience and Continuity report had not been included in the report. Paul agreed to update the report.

In the absence of a follow-up report, Carol Sinclair advised that there had been no adverse affects from the lack of completion of outstanding actions and confirmed these remained firmly on the radar.

The Committee noted the report.

## 4.4    Internal Audit Strategy and Plan 20-21

Paul McGinty presented the internal audit strategy and plan which demonstrated coverage across the key business of the Service and the link between process coverage and risk coverage allowing focus on understanding the risk profile of the Service as it changes.

After discussion it was agreed there was a need to review the areas for cover taking cognisance of the current COVID-19 situation ensuring the right areas are covered and in the right order.  It was agreed consideration should be given to stock management and PPE and whether these areas should be reviewed in the context of the current situation.  Referring to the HR review, Madeline stressed the importance of the organisational development element and enquired whether this could be considered as part of the organisational/tech change allocation if unmanageable within the scope of the HR review.  It was agreed this could be considered however there was a need to be mindful of scope creep.

Julie Carter confirmed that the plan had been previously reviewed by the Executive Team and would now be further reviewed post COVID as the Service moves towards recovery and renewal.  Julie invited Madeline to participate in this review.

The Committee approved the plan subject to the above caveats.

**Action 6: Madeline Smith to be included in the scoping of the review of HR and OD**

## 4.5    Internal Audit Charter

The internal audit charter outlining the accountability of internal audit and the role this plays in the Service in seeking to deliver resolution to the agreed actions was presented for formal approval.

The Committee reviewed and approved the Charter.

## ITEM 5      EXTERNAL AUDIT

Joanne Brown provided members with a short progress update on the 2019/20 audit and timeline.  She confirmed that she was working closely with the finance team to keep to the original timetable with 90% of the audit conducted remotely.

In terms of COVID-19, Joe advised there may be potential areas of risks in relation to materiality.  Madeline enquired whether this would reduce given the processes and actions in place. Jo informed members there may be an increased risk around the impact on financial statements.  This would be flagged this year with cognisance given to next year's accounts.  This would not affect the going concern basis and would be picked up as part of the annual report.

Members were assured to note that there were no issues highlighted at the interim stage.

The Committee noted the update with assurance.

# ITEM 6   ACCOUNTING POLICIES

Julie Carter and Duncan Keith referred to the policies which had been issued for noting.

Referring to policy 5/2020 Coronavirus (COVID-19): supplier relief and the potential change to the payment policy during COVID-19, Duncan advised that one supplier had contacted the Service regarding an issue with cash flow and confirmed that an interim payment had been made.

The Committee noted the report and guidance.

**Stuart Currie and Joanne Brown left the meeting.**


# ITEM 7   INFORMATION GOVERNANCE

Frances Dodd and Katy Barclay introduced the quarterly update which reported progress against audit recommendations, breaches of the Data Protection and progress towards the submission of the Service's Records Management Plan.  Frances provided a brief overview stating that some areas had mitigation in place and Katy provided further detail around this, in particular, the risks outstanding against the asset register and the very high risk which had been reviewed and mitigated under NIS to progress how we include in the plan for the Service.

The Committee discussed the Information Security, Data Quality and Information Governance risks in detail.  Madeline enquired about actions IS2, DQ1 and IG11 highlighting the need for revised timescales and an implementation date for a new Project Manager to lead on the Information Asset Register work and sought further assurance around the level of mitigation in place for risk IG11 following the postponement of the NIS inspection.  Katy informed the Committee that the Project Manager had been assigned other duties and work was currently ongoing to look at how the information asset register work dovetails with the NIS work and the possibility of utilising this resource. Carol acknowledged that securing resources for this role had been a high risk for some time and sought assurance that the decision to divert the project manager to alternative duties was the correct decision.

Frances Dodd recognised there was a need for further work and assured members she was confident that once the infrastructure was established, the actions would begin to move at pace.

Referring to the IT / Cyber actions, Julie Carter advised that work was continuing with the gap analysis and confirmed this would progress through the Executive Team and the normal governance channels once complete.  An ICT security analysis had also been undertaken and regular Executive level calls established.  In terms of cyber and the state of readiness, Julie advised that work was ongoing with KPMG with a view to conducting a review in this quarter to assess the state of readiness and provide assurance that the Service is focussing on the key areas.

Carol Sinclair thanked Katy, Frances and Julie for providing a further level of assurance a noted a further detailed discussion would be held at the next meeting to discuss the approach in mitigating these actions and moving forward. She advised that the Committee is here to support this work and provide leverage as required.

Irene Oldfather was content to proceed on this basis.

The Committee noted the report.

## 7.2  Information governance annual report

The Committee reviewed the annual report detailing the work of the group for the period 2019/20.

The Committee noted the report and conclusion with the caveat of the mitigating risks discussion at 7.1.

## 7.3  Terms of Reference

The Committee reviewed the Terms of Reference and the highlighted amendments to the group membership.

The Committee approved the Terms of Reference.

Carol thanked Katy and Frances for their updates.

**Frances Dodd left the meeting.**

## ITEM 8  FRAUD UPDATE

The Service's Fraud Liaison Officer presented her quarterly fraud update advising that there had been one allegation received in the reporting period.  She confirmed this had been fully investigated and subsequently closed.

Melanie referred to the COVID-19 information published by KPMG advising how organisations can control risks of increased fraud, regulatory compliance and business performance and reporting during the COVID pandemic.  She confirmed that the guidance had been reviewed and advised there was no impact on financial controls as a result of COVID-19.

In response to a question from Carol around highlighting risks around scams and potential fraudulent activity and what the Service was doing to raise staff awareness and the need to remain vigilant and mitigate risks as quickly as possible. Melanie provided assurance that management regularly received intelligence alerts which were disseminated to all staff along with COVID bulletins issued by the Communications Department.

The Committee noted the report with assurance.

## ITEM 9  RISK MANAGEMENT

John Perritt introduced the paper which included updates on the Corporate Risk Register, Adverse Event reporting statistics, Adverse Event framework measures, risk management key performance indicators and the risk management workplan for 2019-20.

He drew members' attention to the drop in Datix incidents following the introduction of social distancing measures and agreed to report back in more detail at the next meeting.  Referring to SAERS, John advised that despite reviewers' involvement in the response to COVID-19, work

continued and SAERS were being commissioned. Members considered the stability of the data presented in the RIDDOR chart and enquired if there were any specific plans or efforts underway to reduce the number of RIDDORS. John agreed to speak to the Health and Safety Manager and feedback to Committee.

Pauline drew members' attention to the inclusion of the 'vulnerable people clinical incidents by month' chart advising that Frances Dodd was leading on raising awareness in terms of child protection and vulnerable adults during COVID-19. She confirmed the data would be presented for a number of months.

**Action 7: John Perritt to liaise with Health & Safety Manager and provide update on reducing RIDDORS**

**Stuart Currie joined the meeting.**

### 9.2    Corporate Risk Register

John Perritt presented the Corporate Risk Register drawing members' attention to the updated areas highlighted in red. He explained that risks had been reclassified in line with the new risk management policy. The Committee reviewed and proposed updates to the register accordingly.

Julie Carter advised the COVID risk register was a live document and was therefore reviewed daily. She reported that risk levels were starting to reduce although some remained high. Referring to the corporate risk register, Julie reported this had been reviewed at the Performance and Planning Steering Group on the 21 April to provide scrutiny and check for risks not identified.

John advised that given the switch in focus to COVID-19, some risks had fallen outwith the 3 month review window however, he assured members that he was content they were almost complete and would incorporate some narrative to reflect this.

Tom Steele expressed his concern at the need to ensure the high risks continued to be reviewed in the current situation. Julie Carter assured members that the risks would be taken to the next meeting of the Executive Team and the Performance and Planning Steering Group to provide further assurance. Pauline advised that a scaled back Performance and Planning Steering Group had met the day before and assured members that the monthly reports had been compared to weekly reports ad all performance reports had been reviewed. She advised it was the intention to provide an update, including rational for any decisions made, to Board members at the Board Development Session at the end of April.

The Committee noted the report.

### 9.3    Risk Workplan

John drew members' attention to the workplan advising that the review of the Datix structure remained outstanding and would not be completed this year. He confirmed all other items on the workplan had been completed or were nearing completion.

The Committee noted the report.

## ITEM 10    BEST VALUE PROGRAMME

Julie Carter introduced the paper which described the efficiency plans agreed as per the financial plan 2020; an update on progress recognising the current pause on a number of plans due to the COVID-19 crisis and advised that plans could potentially be accelerated and should form part of the developing recovery plan.  Members noted the £3m at risk efficiency plans estimate provided to Scottish Government as part of the COVID-19 funding submission. Julie advised this had been flagged to Scottish Government at the outset and was reported on a weekly basis.

Following a query from Stuart around baselines for contractual arrangements and sustainability with suppliers, Julie agreed to take off-line giving further consideration to other risks with contractors.

It was noted that the Committee paid particular attention to the work of the Best Value Group and thanked Julie for her helpful and assuring update.

The Committee noted the report.

## ITEM 11    AUDIT COMMITTEE GOVERNANCE

### 11.1   Draft Annual Report

The Committee approved the annual report which would now be submitted to the Board in June as part of the governance cycle.

### 11.2   Draft Workplan

The Committee reviewed the workplan noting the areas highlighted in red in terms of the accounts timetable and were content approve at a later date in the event of a full set of accounts not being available for the June meeting.

The Committee approved the workplan.

### 11.3   Terms of Reference

The Committee approved the amendments to the Committee membership.

### AOCB

- *COVID-19 governance arrangements*

Julie Carter referred to the governance arrangements in place for COVID-19 including weekly updates to Non-Executive Directors.  It was agreed there was a need for a robust audit trail including confirmation on receipt of updates. It was agreed there would be a formal review of the arrangements in three months.

The Committee noted the updates and approved the revisions to the paper.

**DATE OF NEXT MEETING**

The next meeting would be held on 11 June 2020 at 10.00am.

In closing, Tom Steele thanked Carol Sinclair and Julie Carter for their efforts in running a full Governance Committee in the current situation and thanked everyone for their work to date in these exceptional circumstances.