



**NOT PROTECTIVELY MARKED**

**Public Board Meeting**

**25 November 2020**

**Item 14**

**THIS PAPER IS FOR NOTING**

**AUDIT COMMITTEE MINUTES OF 11 JUNE 2020 AND VERBAL REPORT  
OF 5 OCTOBER 2020**

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| <b>Lead Director<br/>Author</b> | Carol Sinclair, Chair of Audit Committee<br>Lindsey Ralph, Board Secretary  |
| <b>Action required</b>          | The Board is asked to note the minutes and verbal report.   |
| <b>Key points</b>               | <p>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.</p> <p>The minutes of the Audit Committee held on 11 June 2020 were approved by the Committee on 5 October 2020.</p> <p>A verbal update of the meeting held on 5 October 2020 will be provided by the Chair of the Committee.</p> |
| <b>Timing</b>                   | 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 THURSDAY 11<sup>TH</sup> JUNE 2020**

### **VIRTUAL, MICROSOFT TEAMS**

**Present:** Carol Sinclair, Non-Executive Director (Chair)  
Stuart Currie, 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  
James Lucas, KPMG  
Hannah McKellar, Grant Thornton  
John Perritt, Risk Manager  
Tom Steele, Chair  
Gillian McBirnie, Committee Secretary (Minutes)

**Apologies:** Frances Dodd, Director of Care Quality and Professional Development  
Cecil Meiklejohn, Non-Executive Director

### **WELCOME AND INTRODUCTIONS**

Carol Sinclair welcomed everyone to the meeting, noting apologies from Cecil Meiklejohn and Frances Dodd. She advised members that the Annual Report and Accounts 2019/20 were presented in draft format. A session would be held on 22 June to provide further detail around the accounts and a further revised version of the accounts would be issued in advance of the session.

### **1. Minutes of previous meeting For Approval**

The minutes of the meeting were approved as an accurate record of the meeting.

Minute of private session approved.

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## 2. Matters Arising

The Committee noted the ongoing actions and completion dates and approved the removal of 6 actions.

**2019-10-02/2**      **Review of Board Governance Structure** - Julie Cater advised that work was now complete and a report would be submitted to the next meeting of the Performance and Planning Steering Group. As we move to the renewal and recovery phase, Pauline advised that the Board Secretaries Group were looking at 'what good looks like' post COVID. The Chairs' group was looking at standardised reporting on performance and more tailored training for Non-Executive Directors around governance standards. Agreed to amend status to green with revised date of October.

**2019-10-02/8**      Committee agreed revised completion date of October

**2020-04-22/6**      Agreed to keep this item open

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

#### 2.1      **eESS Improvement Work for Noting**

Julie Carter introduced the paper providing assurance to members around the system and the approach taken via the action plan.

Carol Sinclair welcomed the positive report which displayed good staff ownership.

The Committee noted the report.

## 3.      **Declaration of Interests for Noting**

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 Associate Director NSS. Paul Bassett declared his position as Trustee, Scotland's Charity Air Ambulance.

## 4.      **Endowment Fund Accounts 2019/20**

Julie Carter advised that Chiene and Tait had audited the Service's Endowment Fund Accounts for the period 2019/20. No issues had been raised by auditors during the course of the accounts process. She advised that a representative from Chiene and Tait would be in attendance at the Trustees meeting on 24<sup>th</sup> June to present the accounts. The Endowment Fund accounts would be consolidated with the Service's Annual Accounts.

It was noted that a detailed report on the COVID funding received from NHS Charities and the proposed spend would be presented to the Trustees on the 24<sup>th</sup> June for discussion.

The Committee recommended the accounts for presentation to the Endowment Fund Trustees.

The Committee noted the report.

## 5 and 6. Statement of Assurance and External Audit

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Joanne Brown and Hannah McKellar introduced the annual report to members which addressed to core financial statement audit and the wider scope audit dimensions: financial management; financial sustainability; governance and transparency and value for money. Joanne advised that she planned to issue an unmodified audit opinion on the annual report and accounts. The opinion would however include an emphasis of matter paragraph in relation to the material valuation uncertainty which was identified by professional property, plant and equipment valuers as a result of the COVID-19 pandemic.

Hannah confirmed that materiality was set at £6.1 million which represented 2% of gross expenditure based on the 2019/20 audited financial statement. This was an increase from the £5.9 million outlined in the audit plan. The audit had identified two areas of significant risk: understanding COVID-19 implications and management override of controls. Referring to the COVID risk, Hannah advised that testing concluded that COVID-19 and remote working did not restrict the Service's ability to prepare the financial statements or restrict the audit evidence required and management have adequately assessed the impact of COVID-19 on the Service's governance arrangements. In terms of management override of controls, journal testing had concluded that there was no evidence of management override of controls. Hannah confirmed that no unusual or significant transactions throughout the year or during the financial close period were identified.

Joanne advised that a good set of financial statements including the performance report, accountability report and governance statement had been received and thanked Duncan, Gillian and the team for their performance during this difficult time.

The Committee considered the report and agreed the following amendments:

- Pg 17 – financial sustainability 'will'
- Pg 20 – amend structure to show Remuneration as a sub committee to Staff Governance
- Pg 23 – VFM, first paragraph to be reworded to reflect the programme and additional conclusion to provide clarity
- Pg 25 – reference to new response model to be moved to this section on pg 22

Members were pleased to receive a positive, healthy report and were assured that the risks identified were being managed.

Joanne agreed to further review the report prior to finalisation for onward submission to the Board.

The Committee noted the report.

## **7. Draft Annual Accounts 2019/20**

Julie Carter presented the draft annual accounts advising further versions would be reviewed in advance of the detailed discussion at the Board workshop on the 22 June and final submission to the Board on the 24<sup>th</sup> June.

The Committee recorded its thanks to Duncan Keith and Gillian McBirnie for their work carried out behind the scenes in preparing the accounts.

Members took assurance from the report provided and welcomed the inclusion of principle risks and uncertainties at section 1.8.

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The Committee recommended the accounts to the Board for approval at its meeting on 24<sup>th</sup> June.

## 8. Third Party Audit Reports

Julie Carter reported that, as part of the year end assurance process, two third party audit reports had been undertaken; Financial Ledger services provided by NHS Ayrshire and Arran and National IT Services provided by NSS. The reports had been scrutinised by the providers' Audit Committee.

Julie drew members' attention to the National IT services audit advising that a change of auditors had resulted in a change to format and terminology. Assurance had been provided by the Director of Finance, NSS that the Audit Committee and external audit were content with report and the clear action plans developed to address the low risk issues identified.

Joanne Brown assured the Committee that the report had no material impact and therefore no risk to the Service's annual accounts. Draft wording would be provided for inclusion in the governance statement to reflect this.

The Committee noted the report.

## 9. Information Governance

Katy Barclay introduced the quarterly update which reported progress against audit recommendations, breaches of the Data Protection act and progress towards the submission of the Service's Records Management Plan.

The Committee discussed the information security, data quality and information governance risks in detail. In particular, the IT/Cyber risks and the resourcing issues within the team relating to the information asset register. The Committee was assured that the risks had been reviewed by the Director of Quality Improvement and Professional Development and Katy and noted the action plan in place to mitigate these actions. Following discussion at the previous meeting around the information asset register work, Katy advised that a resource had been identified and a small team was meeting weekly and the project was now beginning to move at pace. The project plan had been appended to the report for information.

Pauline Howie advised that she had spoken with Frances and assured the Committee that this was being taken forward. Members were pleased to note this assurance and change in the direction of travel.

In response to a question from Madeline around the timing of the NIS inspection, Julie confirmed a desktop light version of the inspection covering cyber, IT, information governance and personal security would be carried out on 22 June 2020.

Carol Sinclair referred to the number of information security incidents raised and investigated since the last Audit Committee and sought assurance that mitigation actions were in place to address this. Katy confirmed there had been a spike in reported incidents in the last month and advised that reminder e-mails had been issued to staff to ensure completion of mandatory information security training. Katy agreed to provide Carol with data confirming the percentage of staff compliant with information handling.

The Committee noted the report.

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**Actions:**

- 2. Katy to provide out of Committee update to Carol detailing percentage of workforce compliant in data handling**

**10. Fraud Update**

The Service's Fraud Liaison Officer presented her quarterly fraud update advising that 2 reports of fraudulent activity had been fully investigated and subsequently closed by Counter Fraud Services. She informed members that one of the allegations was currently undergoing internal review and would be closed in the next few weeks. Melanie assured members that internal investigation continued, if appropriate, despite closure by Central Legal Office.

Referring to the guidance note covering the management of gifts and gratuities and the potential risks of bribery and fraud in the current COVID-19 crisis, Melanie advised the note had been approved by the Executive Team and staff side colleagues and would now be issued to staff by the Communications Department. A short life working group involving staff side, HR and Finance would now be established to develop a more detailed policy covering managing conflicts of interest. The Committee welcomed this approach and stressed the importance of ensuring staff are made aware of the guidance and clear direction on where to find it.

In response to a question from Stuart Currie around potential reputational damage and how the Service limits this, Julie Carter confirmed that extra controls would be in place as part of the investigation and the communications team would be involved to raise awareness and mitigate any potential reputational damage. Paul Bassett referred to the recent allegations and stressed the need to ensure internal processes around the returning / destruction of uniform are tightened to prevent the selling of uniform.

Melanie agreed to amend the table in the report to include a column advising of CFS closure, SAS internal closure, status and lessons learned.

The Committee noted the report and guidance note with assurance.

**Actions:**

- 3. Melanie to amend table to include CFS closure / SAS closure, status and lessons learned.**

**11. 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 COVID-19 risk register. Due to the turnaround time for submission of papers, the current claims value was unavailable. A comprehensive up to date report will be presented to the October meeting.

He drew members' attention to the vast improvement in compliance in the number of Minor and Moderate Incidents with completed investigation within 31 days which had an average compliance rate of 90%. This was due to the return to business as usual. Pauline Howie assured the Committee that as the Service returns to business as usual the REAP and demand management plans, including a review of meeting and committee reporting would be

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undertaken as part of the lessons learned review. Key messages on the way forward would be reported to the Board Development Session. Tom Steele welcomed this approach.

Irene Oldfather referred to slippage in terms of missed completion dates for SAERS; 11 outstanding actions being managed, five of which had missed their completion date and asked for further assurance on how this would be managed. John advised that this was mainly a demand and capacity issue during the pandemic and confirmed that the newly established Learning from Adverse Events Group alongwith additional resources would take this forward. It was agreed to invite the Medical Director to provide further assurance to the Committee that the slippage was being actioned accordingly.

Paul Bassett advised that key personnel undertaking this role had moved to Public Protection. He assured members that management continued to maintain oversight of SAERS with immediate learning identified and implemented.

Further to a question from Tom Steele around the role of HIS in overseeing SAERS, John advised that all Boards have a requirement to inform HIS of all SAERS and confirmed the Patient Safety Manager was the liaison for the Service. It was noted that reporting had been suspended due to COVID but had now recommenced. John advised that not all SAERS were clinical issues and would necessarily be reported to the Clinical Governance Committee.

Committee members welcomed the discussion, stressing the need to ensure no opportunities were missed in terms of significant learning from SAERS as well as providing a deeper assurance to Board members that all SAERS are managed in an appropriate and timeous manner. After discussion, it was agreed that a holistic approach to learning from SAERS should be taken. Pauline Howie agreed take this forward.

**Action:**

- 4. Copy of Medical Director’s SAERS report to Clinical Governance Committee to be presented to Audit Committee to provide assurance that outstanding SAERS are being actioned accordingly**
- 5. Pauline Howie to instruct a holistic review of all SAERS to include non-clinical SAERS.**
- 6. Carol Sinclair and Irene Oldfather to discuss Audit Committee’s concerns around SAERS at next Clinical Governance Committee**

The Committee noted the report.

### **11.1 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 that the corporate risk register had been reviewed by the Board at its meeting in March and would be submitted to the Performance and Planning Steering Group on the 16<sup>th</sup> June to provide further scrutiny.

Referring to the COVID risk register, Julie advised that, as this was a live document, reviewed daily, the version presented to Committee was a revised version of the register approved by the Board in March 2020.

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Madeline referred to risk 4640 on the corporate risk register referring to the risk of slippage with the Government's ESMCP and enquired at what point the grading would be escalated to very high and what mitigation actions were in place to support this. Julie assured members that a lengthy conversation had taken place at the Enabling Technology Board and all risks had been reviewed individually. As the project was not going beyond 2025, the project board agreed there was no need to escalate at this point. Julie Carter agreed to provide a further update.

The Committee was assured that the high level risks continued to be reviewed by the Executive Team and Performance and Planning Steering Group in the current situation.

The Committee approved the report.

**Action:**

- **Julie Carter to provide further ESMCP update**

The Committee thanked John for his involvement during the secondment. TS – thanks for help in getting risk to where it needs to be and wished him well as he returned to his substantive post.

**12. Best Value Programme**

Julie Carter introduced the paper which described the efficiency plans agreed as per the financial plan 2020. Members noted the link to the recovery plan which incorporated a number of the best value programmes with mapping work underway. Julie assured members that the focus would be relentless and the £3m at risk efficiency savings would be closely monitored. The message across all directorates would be to work towards achieving original efficiencies. Regular updates would be provided to the Performance and Planning Group, Audit Committee and the Board.

In response to a query from Stuart Currie around recasting efficiencies to reflect changes resulting from COVID, Julie Carter confirmed that whilst she was not minded to recast at this point, this was on the radar and would be picked up through the recovery planning model and would be reviewed following the first quarter results. She advised some projects could be accelerated whilst others would be unachievable this year.

Irene Oldfather referred to the transport hub and if this would be utilised by the Service to ensure efficiencies. Julie confirmed this would be considered as part of the wider travel and transport review which would also include partnering with others.

The Committee welcomed the update with assurance.

**13. Resilience**

In line with the new governance route agreed at the April Committee, members reviewed the Resilience Committee Terms of Reference, Minutes of meeting held on 3 March, Annual Report, Security Group Terms of Reference and Cyber update. Julie confirmed that the Security Governance Group was pulling together the cyber and NIS reviews. The Committee approved the ToRs subject to a small change to strengthen governance and accountability.

The Committee noted the updates provided with assurance.

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## 14. Significant Issues letter to Scottish Government

The Committee approved the letter for submission to Scottish Government.

## 15. Internal Audit

### (15.1) SPiNE Review

Claire Connor introduced the review which had been identified as an area of significant change. The review undertook an assessment of the set-up, establishment, governance, status and project management arrangements of the SPiNE project. Claire advised that some areas had not been investigated as in-depth as planned due to COVID-19 however, was happy to revisit these areas if management considered it necessary. The review identified 4 moderate risks and one advisory point for improvement. The advisory point would be addressed by NES.

Madeline suggested that, as oversight Committee, reference to Staff Governance should be noted within the report.

Pauline Howie thanked KPMG for a helpful report highlighting staffs' capabilities in terms of new working practices. Consideration would now be given on how to apply this to the new world of living with COVID as well as investigating learning from other issues such as conversion courses for nurses in the North.

It was noted that a further report to be presented to the Staff Governance Committee.

The Committee noted the report with assurance.

### (15.2) Property Transactions Monitoring

Claire Connor introduced the report which had been undertaken to assess the Service's compliance with mandatory requirements as outlined in the handbook for property related transactions. During the year 2019/20 the Service had 2 property related transactions with stations at Buckie and Dunfermline being sold. The report identified 6 moderate recommendations which, if implemented, would strengthen the governance process.

Julie Carter welcomed the thorough review and agreed that the improvements, combined with the implementation of new procedures would tighten the process for future reviews. The follow up review would provide assurance that the recommendations had been adopted.

The Committee noted the report.

### (15.3) Internal Audit Status Update and Follow-up

James Lucas introduced the report which had taken a more collaborative approach with management. James thanked management for taking the time in the current situation to meet with internal audit to drive the follow-up actions forward.

Referring to the management actions, James reported that a total of 47 actions were detailed in the report as outstanding. Ten of these had since been completed leaving a balance of 37 open actions with 13 of these not yet due. Several actions had received revised due dates of July, August and September resulting in 21 actions due for closure in the next reporting period.

In terms of the outstanding actions relating to cyber security it was noted that the Business Intelligence Manager would provide real time updates within her information governance update to avoid duplication as the project extends.

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It was noted that recommendations highlighted within the recent IT resilience review had been omitted from the tracker and KPMG agreed to update this outwith the meeting.

Members supported the practical and appropriate way forward and thanked KPMG for this revised approach.

The Committee noted the pragmatic approach with assurance.

**(15.4) Internal Audit Annual Report 2019/20**

James Lucas introduced the report which summarised findings in relation to the planned internal audit coverage; implementation of recommendations and Head of Internal Audit Opinion.

In terms of planned audit coverage, 107 core days across 10 reviews had been utilised plus an additional 8 days identified for contract management. From these reviews 43 new recommendations were identified including 8 new high priority findings. All recommendations were accepted by management and followed up throughout the year.

James was pleased to present the following audit opinion “**Significant (with minor improvements) assurance can be given on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control**”.

The Committee was assured by the solid report provided and thanked James and his team for their work throughout the year.

**16. Any Other Business**

Julie Carter advised that Audit Scotland had extended the current contract with Grant Thornton for a period of 12 months.

**17. Date of Next Meeting**

The next meeting will be held on 5 October

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