

## **Audit Committee Assurance Report to Grampian NHS Board**

### **Purpose of Report**

This report is to provide assurance to the Grampian NHS Board that an appropriate system of internal control is in place to ensure that:

- 1.1 Business is conducted effectively and in accordance with the law and proper standards;
- 1.2 Public money is safeguarded and properly accounted for;
- 1.3 Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and
- 1.4 Reasonable steps are taken to prevent and detect fraud and other irregularities.

### **Recommendation**

The Board is asked to note the following key points and assurances discussed by the Audit Committee.

#### **Audit Committee meeting 22 March 2022.**

##### **1. Annual Internal Audit Plan 2022/23**

The Committee considered the draft Internal Audit Programme for 2022/23 and would welcome comments from other Board members before finalising arrangements. A summary of the suggested key areas of focus is attached as an appendix to this note. In line with previous years the approach will allow the opportunity to flex time as appropriate to deal with emerging issues and the plan also includes an allocation of audit time earmarked to support joint working with the Integration Joint Boards. The nature and scope of each audit review in this category will be agreed jointly between the IJB's and the NHS Grampian Audit Committee. It would be helpful if comments could be forwarded to Garry Kidd, Assistant Director of Finance at [garry.kidd@nhs.scot](mailto:garry.kidd@nhs.scot) by Tuesday 12<sup>th</sup> April.

##### **2. Joint Working**

The Committee remain focused on the opportunities for closer working with the three Integration Joint Boards (IJB's), in particular the potential to improve the effectiveness of internal audit activity across the partners through collaborative working. In this context a joint review of Data Sharing was agreed as an initial test of approach intended to provide assurance across the whole system and time was incorporated in the Board's Internal Audit programme for 2021/22 in order to support this work.

Members received an update on progress in this area, from PricewaterhouseCoopers LLP (PwC), the Board's Internal Auditors which

highlighted a request from management to delay the review pending the outcome of a planned inspection from the ICO. Members expressed concern that, other than the initial drafting of the terms of reference for the review, there has been little progress to date. The Committee asked PwC to follow this matter up again with NHS Grampian's responsible Executive Lead and also with each of the IJB Chief Internal Auditors to ensure the development of a plan to deliver the requested system wide joint assurance in this area within a reasonable timescale and to bring a further report on progress to the next meeting of the Audit Committee.

Note - subsequent to this discussion at the NHS Grampian Audit Committee, papers have been issued for one of the IJB audit committee's suggesting that each of the partner organisations, although signed up to the principle of a joint review, are still actively making plans to deliver separate audits focused on their own areas of responsibility. We will also raise with partners, the importance of co-ordinating effort in this area and in particular the need to work collaboratively to deliver a single system wide assurance piece.

### **3. Internal Audit Review of Theatre Utilisation**

The Committee received an update from Clinical management on progress with the recommendations arising from the recent internal Audit review of Theatre Utilisation. Members recognised the complexity of current service issues and status of services and welcomed the progress to date including the partially complete status of several of the recommendations and revised pragmatic timescales for completion. The Committee agreed that the report provided sufficient assurance that operational arrangements were in place to address the recommendations and that future reporting on progress should now be absorbed in to the Committee's normal reporting cycle.

### **4. External Audit Plan.**

The Committee approved the 2021/22 external audit plan following a briefing from Audit Scotland, the Boards external auditors. The timing of the audit programme has been agreed targeting the Board meeting of 4 August 2022 for formal approval of the Annual Report and Accounts. This slightly extended timescale has been agreed with the Scottish Government, recognising the legacy impact of the challenges arising during the COVID-19 response and remobilisation period on the availability of audit resources and our own teams in supporting the annual audit process.

In addition to the standard audit risks associated with the financial statements, the audit plan highlights particular areas of focus this year as asset valuation, payments to primary care contractors, reconciliation of IJB transactions and implementation of the Board's new pharmacy system. In addition, the code of audit practice requires all auditors of public sector bodies to consider the adequacy of arrangements in place across the wider dimensions of Financial Sustainability, Financial Management, Value for money and Governance and Transparency. In this context Audit Scotland have identified key areas of focus as Financial sustainability, Performance against waiting time standards and Leadership capacity.

Members were also briefed on the decision by Audit Scotland, following a public procurement process, to appoint Deloitte LLP as the Board's external auditors for a five year term effective from the 2022/23 annual audit.

**5. Audit Scotland: NHS in Scotland 2021 report**

The Committee considered a paper from Mr Gray, Director of Finance, outlining the key messages set out in Audit Scotland's annual overview report, NHS in Scotland 2021. Mr Gray explained that the recommendations relevant to NHS Boards will be taken in to consideration in the development of the Board's next annual operational plan and revised strategy for the future. The full report is available on the Audit Scotland website [www.audit-scotland.gov.uk/publications/nhs-in-scotland-2021](http://www.audit-scotland.gov.uk/publications/nhs-in-scotland-2021)

**6. SLT Compliance Sub-Group.**

The Committee received a progress report on the work of the Compliance Sub-Group from the Director of Facilities and eHealth. The Committee recognised that the work of the group was evolving and welcomed the positive progress made, particularly in encouraging attendance and the positive system wide engagement on key compliance issues. Members discussed the mechanism for providing assurance on Health protection matters and requested an update on this for consideration at the next meeting.

**7. Counter Fraud Activity**

The Committee received the regular update on Counter Fraud Activity from the Assistant Director of Finance, highlighting progress with ongoing cases. Members also received an update from the Board Chief Executive regarding the process underway to review the Board's assurance framework and welcomed the plan to incorporate a review of support to all Board governance activities as part of this process.

**8. Audit Committee Development Session – revised date 19th April 2022.**

The Committee's annual development session will take place at 2.0pm on Tuesday 19<sup>th</sup> April 2022. The session will focus on the continually evolving Fraud Risk environment and will involve presentations from in house and external subject matter experts including specialist staff from the Boards Internal Auditors PricewaterhouseCoopers LLP (PwC) and NHS Counter Fraud Services. The session will be a good opportunity to test our understanding of the Boards current risk profile in this area and there will be ample opportunity for questions and answers. The session is open to all Board and Executive/System Leadership Team members. Those interested in attending please advise Else Smaaskjaer at [else.smaaskjaer@nhs.scot](mailto:else.smaaskjaer@nhs.scot).

## **Audit Committee meeting 21 December 2021**

### **9. Follow Up of Previous Years Low and Medium Risk Internal Audit Recommendations**

The Committee received a report from the Assistant Director of Finance, summarising the status of agreed actions arising from medium and low priority internal audit recommendations in prior years. All of the recommendations dated prior to 2017/18 were complete but 20 from more recent years (2 from 2017/18, 7 from 2018/19, 3 from 2019/20 and 8 from 2020/21) remain open or partially complete. The Committee noted that progress in many areas had been impacted by the need to respond to Covid 19 and new target and review dates had been agreed. Progress will be closely monitored during 2022 with a formal report on progress to be considered by the Committee in December 2022.

### **10. Covid 19 – Review of Governance and Decision Making – Lessons Learned**

The Committee received a report from the Director of Finance, which detailed the actions taken to ensure that the lessons learned during the NHS Grampian response to Covid had been embedded in the remobilisation plan for the organisation. The report also outlined the response to the key actions and high level lessons included in a recent Scottish Government report regarding lessons learned during Covid.

### **11. Counter Fraud Activity**

The Committee received the regular update on Counter Fraud Activity from the Assistant Director of Finance, highlighting progress with ongoing cases and efforts to raise awareness but also focusing on the potential options to address areas of challenge and capacity, particularly in light of the implementation of the 12 new Government functional standards (GovS 013: Counter Fraud) from April 2022.

### **12. Request for Write-off in Excess of Board delegated limits**

The Committee considered a request for write off of two matters, relating to salary overpayments and to damaged pharmacy stock that were both in excess of the Board's delegated limits and that the case for each should be submitted to the Scottish Government Health and Social Care Directorate with a request for final approval.

## **Audit Committee meeting 19 October 2021.**

### **13. Internal Audit Review of Theatre Utilisation**

The Committee received an update from the Director of Finance on the current position in relation to theatre capacity across NHS Grampian. This update followed previous consideration, by the Committee, of the findings from an internal audit review of theatre utilisation which included recommendations for improvement in the control and monitoring of utilisation data, monitoring the backlog of elective surgery and to co-ordinate the availability of beds, surgical time and theatre availability at the time of booking. Mr Gray explained that the availability of a suitably trained and

experienced workforce and in-patient bed capacity were currently the main constraints preventing an increase in activity through the theatres and consequently efforts in these areas were the main area of focus of the system Leadership and Executive teams.

The Committee noted the position and recognised that effective theatre utilisation was part of an interconnected range of issues affecting demand and capacity planning across the whole system and that assurance needs to be provided within a coherent system wide approach. A member of the Theatres management team will be asked to attend the next meeting of the Committee to provide a further update on progress in this area and specifically against the recommendations arising from the internal audit report.

#### **14. Counter Fraud Activity**

The Committee received the regular update on Counter Fraud Activity from the Assistant Director of Finance, highlighting progress with ongoing cases and the impact of the changing pattern of referral in recent years. The Committee discussed the reasons why some cases took considerable time to progress from the initial allegation to eventual prosecution and noted the local challenges encountered in some cases to identify evidence of the required standard to support prosecution. Members received assurance that lessons from recent cases are reviewed and incorporated, where appropriate, in the Boards internal controls but expressed concern that this was an area that could benefit from additional capacity and a more pro-active approach.

Members were also briefed on the implementation of the 12 new Government functional standards (GovS 013: Counter Fraud) which will take effect across NHS Scotland from April 2022. The standards set expectations for the management of fraud, bribery and corruption risks in government organisations.

#### **15. Backlog Maintenance.**

The Committee received our annual update from the Board's Strategic Asset Manager, on progress against the Board's backlog maintenance plan. The Committee noted the scale and challenges associated with the estate and noted that despite good progress, in line with the infrastructure plan previously approved by the Board, around 25% of buildings remain functionally unsuitable to meet the requirements of a modern healthcare system and that further investment is required to address risks associated with critical service infrastructure. Members welcomed the whole system, risk based, approach to prioritisation of the available investment through the Board's Asset Management Group and noted the challenges associated with the availability of funding, exacerbated by increased costs due to current market pressures, and the practical delivery of large scale refurbishment in occupied accommodation.

The committee were also briefed on the impact of COVID 19 on infrastructure planning, in particular the requirement for enhanced safety measures within existing facilities and the need to increase capacity in both available accommodation and the equipment base in some areas of the service. Members also noted the challenges associated with ensuring compliance with the increasingly onerous

regulatory regime for the built environment including the introduction of new regulatory obligations such as the zero carbon commitment for all new build and major refurbishment schemes.

### **Matters referred to other Board sub-Committees**

None

### **Conclusion**

The topical governance matters considered by the Audit Committee are a key source of assurance for the Board on the effectiveness of our management processes and internal control environment.

**Attachment:** Agenda of meeting of Audit Committee held on 22nd March 2022, 21 December 2021 and 19 October 2021.

**Mr Sandy Riddell**  
**Chair**  
**Audit Committee**

**NHS GRAMPIAN (NHSG)**  
**Meeting of the Audit Committee**  
**Tuesday 22 March 2022, 11.00 - 13.00**  
**Video Call using MS Teams**

*Members should be aware that their names will be listed in the Minutes  
which will be publicised on the NHSG Website*

**AGENDA**

Approx Timing	No	Item	Lead	Ref	Noting/ Decision	
1100	1	<b>Apologies</b>	SR	#		
1103	2	<b>Minutes of the Meeting held on Tuesday 21 December 2021</b>	SR	*	D	
1105	3	<b>Matters Arising</b>				
		3.1	Action Log of 21 December 2021	SR	*	D
		3.2	Any Other Matters Arising	SR	#	D
1115	4	<b>Internal Audit</b>				
		4.1	Progress Report	PWC	*	N
		4.2	Annual Internal Audit Plan 2022/23	PWC	*	D
		4.3	Agency employed supplementary staffing Review progress update	GK	*	N
		4.4	Theatre Utilisation Review progress update	CL	*	N
1150	5	<b>External Audit</b>				
		5.1	2021/22 Annual Audit Plan	Audit Scot	*	D
		5.2	NHS in Scotland 2021 report	AG	*	N
1210		<b>BREAK</b>				
12.20	6	<b>Governance</b>				
		6.1	Governance Statement Guidance and Process	GK	*	D
		6.2	Role of Audit Committee	GK	*	N
		6.3	System Leadership Team Compliance Sub-Group – Assurance Report	PA	*	N
		6.4	Counter Fraud Progress Report	GK	*	N
		6.5	Single Tender Register	GK	*	N
12.45	7	<b>AOCB</b> : Audit Committee Chairs network	SR	#		
12.50	8	<b>Report to NHSG Board</b>	SR	#		

Approx Timing	No	Item	Lead	Ref	Noting/ Decision
		<b>Date of Next Meeting</b> 11 am Tues 19 April 2022 Development session 2pm Tuesday 19 April 2022			

Mr Sandy Riddell  
 Chair, NHSG Audit Committee  
 Apologies to: else.smaaskjaer@nhs.scot

\* Paper attached  
 # Oral/verbal  
 ~ To follow

Attachment: 2. Agenda of meeting of Audit Committee held on 21 December 2021.

**NHS GRAMPIAN (NHSG)**  
**Meeting of the Audit Committee**  
**Tuesday 21 December 2021, 11.00 - 12.30**  
**Video Call using MS Teams**

*Members should be aware that their names will be listed in the Minutes  
which will be publicised on the NHSG Website*

**AGENDA**

<b>Approx Timing</b>	<b>No</b>	<b>Item</b>	<b>Lead</b>	<b>Ref</b>	<b>Noting/ Decision</b>	
1100	1	<b>Apologies</b>	<b>SR</b>	<b>#</b>		
1103	2	<b>Minutes of the Meeting held on Tuesday 19 October 2021</b>	<b>SR</b>	<b>*</b>	<b>D</b>	
1105	3	<b>Matters Arising</b>				
		3.1	Action Log of 19 October 2021	<b>SR</b>	<b>*</b>	<b>D</b>
		3.2	Any Other Matters Arising	<b>SR</b>	<b>#</b>	<b>D</b>
1115	4	<b>Internal Audit</b>				
		4.1	Progress Report	<b>PWC</b>	<b>*</b>	<b>N</b>
		4.2	Follow Up of Previous Years Low and Medium Risk Recommendations	<b>GK</b>	<b>*</b>	<b>N</b>
11.40	5	<b>Governance</b>				
		5.1	COVID Lessons and Learning	<b>AG</b>	<b>*</b>	<b>N</b>
		5.2	System Leadership Team Compliance Sub-Group – Assurance Report	<b>PA</b>	<b>*</b>	<b>N</b>
		5.3	Counter Fraud Progress Report	<b>GK</b>	<b>*</b>	<b>N</b>
11.55	6	<b>Write Off Request</b>	<b>GK</b>	<b>*</b>	<b>D</b>	
12.20	7	<b>Single Tender Register</b>	<b>GK</b>	<b>*</b>	<b>N</b>	
12.25	8	<b>AOCB</b>	<b>SR</b>	<b>#</b>		
12.30	9	<b>Report to NHSG Board</b>	<b>SR</b>	<b>#</b>		
		<b>Date of Next Meeting</b> 11 am Tues 15 February 2022				

Mr Sandy Riddell  
Chair, NHSG Audit Committee  
Apologies to: else.smaaskjaer@nhs.scot  
Attachment: 3. Agenda of meeting of Audit Committee held on 19 October 2021.

\* Paper attached  
# Oral/verbal  
~ To follow

**NHS Grampian (NHSG)**  
**Audit Committee Meeting**  
**Tuesday 19 October 2021, 1100-1300**

## Video call using MS Teams

*Members should be aware that their names will be listed in the Minutes which will be publicised on the NHSG website*

### Agenda

Approx Timing	No	Item	Lead	Ref	Noting/ Decision
1100		<b>Pre-Meeting of Non-Executive Board Members with Auditors</b>	<b>SR</b>	<b>#</b>	
1110	1	<b>Welcome and Apologies</b>		<b>#</b>	
1110	2	<b>Minutes of the Meeting held on 24 August 2021</b>	<b>SR</b>	<b>*</b>	<b>D</b>
1115	3	<b>Matters Arising</b>			
	3.1	Action Log of 24 August 2021	<b>SR</b>	<b>*</b>	<b>N</b>
	3.2	Any other matters arising	<b>SR</b>	<b>#</b>	<b>N</b>
1125	4	<b>Internal Audit</b>			
	4.1	Progress Report/High Priority Recommendations	<b>PwC</b>	<b>*</b>	<b>N</b>
	4.2	Theatre Utilisation Management Action Plan update	<b>CL</b>	<b>*</b>	<b>N</b>
1155	5	<b>Backlog Maintenance Programme Update</b>	<b>GL</b>	<b>*</b>	<b>N</b>
1215		<b>Break</b>			
1225	6	<b>Primary care Contractor services NHS National Services Scotland Audit Reports</b>	<b>GK</b>	<b>*</b>	<b>N</b>
1230	7	<b>Counter Fraud Progress Report</b>	<b>GK</b>	<b>*</b>	<b>N</b>
1240	8	<b>Single Tender Register</b>	<b>GK</b>	<b>*</b>	<b>N</b>
1245	9	<b>Report to the Board</b>	<b>SR</b>	<b>#</b>	<b>D</b>
12.50	10	<b>AOCB</b>			
	10.1	Committee Meeting Dates 2022	<b>SR</b>	<b>*</b>	<b>N</b>
	10.2	Committee Development Session	<b>SR/GK</b>	<b>#</b>	<b>D</b>
		<b>Date of Next Meeting</b> Tuesday 20 December 2021, 11.00-13.00			

\* Paper attached; # Oral/verbal; ~ To follow

**Mr Sandy Riddell**  
**Chair NHSG Audit Committee**

Apologies to: [else.smaaskjaer@nhs.scot](mailto:else.smaaskjaer@nhs.scot)