

NHS Education for Scotland

Board Paper Summary: Audit Committee Minutes

1. **Title of Paper**

Unconfirmed minutes of Audit Committee meeting held on 17th April 2014: copy attached.

2. **Author(s) of Paper**

David Ferguson, Board Services Manager

3. **Purpose of Paper**

To receive the minutes of the Audit Committee meeting held on 17th April 2014.

4. **Items for Noting**

i) **Item 5 – Internal Audit Reports**

The committee received the following Internal Audit reports:

a) **Expenditure and Creditors**

This positive report was noted.

b) **Quality Monitoring of Educational Programmes**

This positive report was noted.

In discussion, it was agreed that it would be useful to develop guidance for staff in relation to the wording of management responses to internal audit recommendations.

c) **Procurement**

This positive report was noted.

d) **SOAR Application Review**

This report included a considerable number of internal audit recommendations for improvement and prompted a wide-ranging discussion, with some useful points agreed for the future.

Management will take the internal audit recommendations very seriously and follow-through on the associated action points. Rigorous follow-up by the internal auditors will also take place, as a priority within their assignment plan for 2014/15.

It was also agreed to review the timetables for the submission of and response to internal audit reports and to incorporate this into the guidance suggested for staff.

e) KPI Report Evaluation

This very positive report was noted.

f) Fraud Prevention

This positive report was noted.

g) Follow-Up Report

The committee was content with the follow-up review in relation to internal audit actions agreed during previous financial years.

h) Progress Report 2013-14

This progress report was noted.

i) Annual Plan 2014-15

This plan was approved, subject to taking account of some points raised in discussion.

ii) Counter Fraud Update

The committee noted the actions being taken to ensure that NES supports the Scottish Government strategy to combat financial crime in NHS Scotland.

iii) Audit Scotland Report: Reshaping Care for Older People

This report was noted. It had already been made available to Board members and drawn to the attention of Bob Parry, in his role as the NES lead for health and social care integration.

5. Recommendations

None

NES
April 2014
DJF

Unconfirmed

IN CONFIDENCE

NES/AC/14/10

NHS Education for Scotland

AUDIT COMMITTEE

Minutes of the Forty-Ninth Meeting held on Thursday 17th April 2014 at Westport 102, Edinburgh

Present: Professor Alice Belcher (Chair)
Dr Liz Robertson
Dr Doreen Steele
Ms Carole Wilkinson

In attendance: Mr Chris Brown, Scott-Moncrieff
Ms Helen Berry, Scott-Moncrieff
Mr Robert Mackenzie, Scott-Moncrieff
Ms Caroline Lamb, Director of Finance and Corporate Resources
Mrs Audrey McColl, Deputy Director of Finance
Mr Malcolm Wright, Chief Executive
Dr Lindsay Burley, NES Board Chair
Mr David Ferguson, Board Services Manager
Ms Alison Shiell, Corporate Governance Officer

1. Chair's Welcome and Introduction

The Chair welcomed everyone to the meeting, particularly Robert Mackenzie, who would be introducing the internal audit reports concerned with IT systems, and Alison Shiell, who was attending as part of her induction.

2. Apologies for Absence

No apologies for absence had been received.

3. Minutes of Forty-Eighth Meeting held on 16th January 2014 (NES/AC/14/07)

The minutes of the previous meeting were approved.

Action: DJF

4. Matters Arising

There were no matters arising which were not covered elsewhere on the agenda.

5. Internal Audit Reports

a. Expenditure and Creditors

Chris Brown introduced an internal audit report reviewing the arrangements in place for non-pay expenditure and creditor accounts.

It was confirmed that the management response to the recommendation regarding changes to supplier bank details was such that no further action was required by NES.

It was clarified that the term 'aged creditors' used in the report related to payments used to categorise creditors according to the length of time for which they had been outstanding.

The committee noted this positive report and was satisfied with the management responses to the recommendations.

b. Quality Monitoring of Educational Programmes

Helen Berry introduced an internal audit report reviewing the quality monitoring arrangements for educational programmes delivered by NES.

Discussion of the report produced the following main points:

- Some discussion took place on the management responses to the recommendations in the report. While Helen Berry confirmed that management had agreed all of the recommendations in this report, it was agreed that it would be useful to introduce greater consistency in the wording of the management responses in order to make this clear in every instance. It was also agreed that it would be useful, in all internal audit reports of this kind, to include the names and job titles of the NES officers assigned responsibility for carrying out follow-up actions. Consideration will therefore be given to issuing guidance to staff on these points. **Action: CL**
- In response to a question from one of the members, it was advised that the actions required as a result of internal audit recommendations were followed-up internally and by the internal auditors. Any apparent delays in carrying out action points are normally dealt with through established management processes within NES and it is unusual for individual officers to be invited to Audit Committee meetings to explain reasons for any such delays.

Following discussion, the committee noted this positive report and was satisfied with the management responses to the recommendations.

c. Procurement

Chris Brown introduced an internal audit report reviewing the implementation of new procurement arrangements in NES, including their robustness and effectiveness in practice. This included assessing the implementation of actions from the 2012/13 Fraud Prevention review, which had covered Procurement.

The one area for improvement identified in relation to existing controls highlighted the importance of ensuring that any amendments to SFIs are reflected in changes to processes, systems and associated records and forms.

The committee noted this positive report and was satisfied with the management responses to the recommendations.

d. SOAR Application Review

Robert Mackenzie introduced an internal audit report reviewing the physical and logical security controls in place for the Scottish Online Appraisal Resource (SOAR) application, including the adequacy of user access controls and segregation of duties. In addition, the review had considered the adequacy of business continuity and backup procedures.

It was emphasised that, although the review had highlighted a number of positive aspects in relation to the ways in which the SOAR application is managed and controlled, it had also identified a large number of areas where improvement is required in the control environment, particularly in respect of management and control of privileged user accounts. There is also a need for controls to be implemented in respect of review, approval and prioritisation of the development of the application.

It was highlighted that most of the recommendations have been agreed by management and should be capable of addressing the range of issues raised in the report. It was noted that management's non-acceptance of one of the recommendations, on the grounds of the significant cost implications, was acceptable to the internal auditors. In doing so, management had, of course, fully accepted the risk involved and would take steps to manage it.

Consideration of the report led to a wide-ranging discussion, resulting in the following main points:

- Members found the report welcome and helpful. It was acknowledged that SOAR is a key operational IT system for NES and, as such, an area of reputational risk. Management will therefore take the recommendations very seriously and follow-through on the associated actions. **Action: CL and MRW**
- The findings of this review underline exactly why NES is about to embark on a major review of its digital capacity, capability and operations. It will be crucial to align IT systems across NES and to build resilience by joining-up hosting arrangements and help-desk systems.
- It was noted that some of the management responses appeared somewhat defensive, perhaps because the managers concerned are inexperienced in relation to internal audit purpose, scrutiny and processes. This reinforced the need for guidance in relation to the framing of management responses, as discussed earlier in the meeting at agenda item 5b.
- It was agreed that, in future, matters should be escalated to the Director of Finance and Corporate Resources or the Chief Executive in instances where the management responses to internal audit recommendations were felt to be inadequate. **Action: CB**
- It will be important to ensure rigorous internal audit follow-up in relation to the actions arising from this review and it was agreed to bear this in mind when considering the internal audit plan for 2014/15 at agenda item 5i.
- Some discussion took place on the importance of the Executive Team reviewing internal audit reports before they are finalised for submission to the Audit Committee. This may not be practical in every instance but would certainly be helpful where the reports contain a considerable number of recommendations for improvement. It was agreed to provide the internal auditors with a forward

schedule of Executive Team meetings, so that this could be taken into account, as necessary, in crafting the internal audit assignment plan and reporting plan.

Action: DJF

Following discussion, the committee noted the report and was satisfied with the management responses and the assurances provided in relation to taking the various action points forward.

e. KPI Report Validation

Robert Mackenzie introduced an internal audit report reviewing the adequacy of the processes in place for validating reported KPIs, in terms of NES's corporate 'performance dashboard' system.

The committee noted this very positive report and was satisfied with the management response to the single recommendation.

f. Fraud Prevention

Helen Berry introduced an internal audit report evaluating NES's counter fraud controls. In particular, existing controls had been reviewed against the Scottish Government's Counter Fraud Checklist in circular CEL 11 (2013).

The committee noted this positive report and was satisfied with the management responses to the recommendations.

g. Follow-Up Report

Helen Berry introduced the report of a follow-up review by the internal auditors to provide assurance that internal audit actions agreed during the previous financial year(s) have been implemented satisfactorily. The report summarised the progress made by NES management in implementing the agreed management actions.

Discussion of the report generated the following main points:

- It was noted that the issues of inconsistent processes identified in the Pinnacle Review undertaken in late 2011 had been addressed through the recent implementation of a Single Deanery approach for postgraduate medical education.
- It was noted that the increase in the average age of outstanding actions was a result of a small number of outliers and it was confirmed that these positions were being monitored carefully.
- In relation to the status of actions, the internal auditors accepted that the distinction between 'partially complete' and 'incomplete' was not entirely clear and that a review of the wording of these definitions may be useful.

Following discussion, the committee noted and was content with the follow-up review report.

h. Progress Report 2013-14

Chris Brown introduced a progress report in relation to the Internal Audit Plan for 2013/14, confirming that the work was on target and that the one outstanding report was scheduled to come to the committee's next meeting in June.

The committee received and noted this progress report.

i. Annual Plan 2014-15

Chris Brown introduced the Internal Audit Plan for 2014/15, which had been prepared in the context of a three-year strategic internal audit plan for the period 2013/14 to 2015/16. An earlier draft of this plan had been considered by the Audit Committee in January and had also been reviewed by the NES Executive Team.

It was confirmed that the plan, once approved, could be amended, as necessary, in-year.

The committee considered the paper, with particular reference to the proposals in the Strategic Internal Audit Plan 2014-16 which related to the allocation of audit days in 2014/15, and the following main points arose:

- It was noted that the Educational & Research Governance Committee had suggested that the effectiveness of the Directorate review process would be an appropriate focus for internal audit during 2014/15.
- It was agreed to prioritise the IT work programme in 2014/15, building in flexibility to ensure adequate coverage. In particular, it will be important to re-visit the issue of the SOAR application, perhaps devoting some contingency days to this.
- The importance of carrying out a review of Risk Management was confirmed, particularly as arrangements are currently in hand to incorporate risk management in a new integrated planning and performance system (IPPS).

Following discussion, the committee approved the internal audit plan for 2014/15, subject to taking the foregoing points into account. These points will be considered offline in finalising the plan.

Action: CL and CB

6. External Audit

There were no items to consider under this agenda heading.

7. Other External Reports

None.

8. Counter Fraud Update

(NES/AC/14/09)

Caroline Lamb introduced an update report on the activities underway within the organisation to ensure that NES supports the Scottish Government strategy to combat financial crime in the NHS in Scotland.

Members were pleased to note that no NES fraud cases had been reported to NHS Counter Fraud Services during 2013/14.

Members considered the mandatory online counter fraud training for NES staff and Board members to be fairly minimal and straightforward, although it does serve to raise awareness.

Following discussion, members noted the actions being taken to ensure that the requirements of CEL 11 (2013) are being met. Janice Sinclair (Fraud Liaison Officer) was thanked for her input to the useful update paper.

9. Items for Information

a. Audit Scotland Reports

i) Reshaping Care for Older People

Members received and noted a report from Audit Scotland assessing progress in relation to the first three years of the Reshaping Care for Older People (RCOP) ten-year change programme.

It was noted that this report had been drawn to the attention of Bob Parry, in his role as the NES lead for the health and social care integration project. The report had also been made available to Board members.

10. Any Other Business

There was no other business for the committee to consider.

a. Private Meeting between the Auditors and Audit Committee Members

Caroline Lamb, Audrey McColl, Malcolm Wright, Lindsay Burley, David Ferguson and Alison Shiell withdrew from the meeting for this item.

11. Date and Time of Next Meeting

Thursday 12th June 2014 at 10.45 a.m.

NES
April 2014
DJF