

NHS Education for Scotland

Board Paper Summary: Audit Committee Minutes

1. **Title of Paper**

Minutes of Audit Committee meeting held on 2 October 2014: copy attached.

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

Alison Shiell, Corporate Governance Officer

3. **Purpose of Paper**

To receive the minutes of the Audit Committee meeting held on 2 October 2014.

4. **Items for Noting**

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

The committee received the following internal audit reports:

i. **Information Security**

This report reviewed NES's information security arrangements.

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

ii. **Income and Debtors**

This report reviewed NES's income and accounts receivable processes in relation to miscellaneous income.

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

iii. **Strategic Planning**

This report reviewed the process NES used to develop its 2014-19 Strategic Framework. It was noted that a 2010 internal audit made a number of recommendations regarding how the strategic planning process could be improved.

The report confirmed NES employed effective controls to develop its 2014-19 Strategic Framework and had addressed every recommendation raised in 2010. The committee noted this positive report and was satisfied with the management response to the single recommendation.

iv. **Internal Communications**

This report reviewed internal communications within NES, focusing particularly on NES's communications strategy and the suitability of methods employed for internal communications.

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

v. Estates and Asset Management

This report reviewed NES's processes and procedures in relation to estates and non-current assets. The recent Glasgow property project was used to consider whether the NES Property & Asset Management Strategy was implemented appropriately.

The committee noted this very positive report, which contained no recommendations.

vi. IM&T Infrastructure and Workforce Planning – Audit Visit Memo

This audit visit memo focused on an examination of current state and future technology and staffing proposals developed by the NES corporate IM&T department.

The committee noted the 2014/15 audit time scheduled for NES's Digital Transformation had been split to recognise that the Interim Director of Digital Transformation only took up post in August. The committee noted the audit visit memo and was satisfied with the management response to the recommendations.

vii. Internal Audit Progress Report

The committee received and noted a progress report which presents a formal summary of internal audit activity since the last meeting, and confirms reviews planned for the coming quarter (in line with the approved 2014/15 internal audit plan).

b) Item 8 – Audit Recommendations – Internal Audit Follow-Up

The committee received and noted a paper which provided an update on progress being made regarding the implementation of audit recommendations.

c) Item 9 – Counter Fraud Update

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

d) Item 11 – Audit Scotland Reports

i. Scotland's Public Finances– A Follow-Up Audit: Progress in Meeting the Challenges

The committee received this report and discussed the challenges facing NES and other public sector organisations in response to reduced public spending.

ii. Self-Directed Support

The committee received this report and noted its relevance to health and social care integration.

5. Recommendations

None.

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October 2014
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NHS Education for Scotland

AUDIT COMMITTEE

Minutes of the Fifty First Meeting of the Audit Committee held on Thursday 2 October 2014 at Westport 102, Edinburgh.

Present: Ms Carole Wilkinson (Chair)
Dr Doreen Steele (via telephone)

In attendance: Mr Chris Brown, Scott-Moncrieff
Ms Helen Berry, Scott-Moncrieff
Ms Caroline Lamb, Director of Finance & Corporate Resources/Lead Officer
Mr Malcolm Wright, Chief Executive
Ms Alison Shiell, Corporate Governance Officer

1. Welcome and introductions

The Chair welcomed everyone to the meeting, particularly Chris Brown and Helen Berry from Scott-Moncrieff. Members noted this was Carole Wilkinson's first meeting as Chair of the Audit Committee.

2. Apologies for absence

Apologies for absence were received from Susan Douglas-Scott (Non-Executive Director), Liz Robertson (Non-Executive Director), Lindsay Burley (NES Chair) and Deloitte (External Auditors).

3. Minutes of the Audit Committee, 12 June 2014. (NES/AUD/14/31)

The minutes of the previous meeting held on 12 June 2014 were approved as a correct record.

Action: AS

4. Matters arising

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

5. Internal Audit Reports

a. Information Security (NES/AUD/14/33)

Helen Berry introduced an internal audit report which reviewed NES's information security arrangements, focusing particularly on the adequacy of compliance processes related to the Data Protection Act (1998), Freedom of Information (Scotland) Act (2002) and Caldicott Guardian guidance.

The report confirmed NES has a robust information security framework and highlighted its strong governance arrangements. The work of the ICT Information Governance Group (IGG) ensures a demonstrable alignment of information security governance to the NES corporate governance framework. The report also noted periodic information

security reporting to the IGG and Finance and Performance Management Committee, which in the last 12 months has included reporting on compliance with the Caldicott Guardian requirements. In conclusion, Helen Berry noted NES's ongoing commitment to information security through the current project to seek ISO27001 accreditation for the IM&T function.

The report made one management recommendation in relation to improving information security training and awareness amongst NES staff. Members noted that an information security eLearning tool was currently in development.

During discussion the Chair noted information security is a significant area and members praised NES's performance and commitment to gaining the ISO27001 standard. Caroline Lamb and Malcolm Wright noted NES has improved its information security arrangements in recent years and highlighted the work of Frank Rankin (Information Governance Manager).

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

b. Income and Debtors

(NES/AUD/14/34)

Chris Brown introduced an internal audit report which reviewed NES's income and accounts receivable processes in relation to miscellaneous income (all income receivable by NES which is not classed as core funding from the Scottish Government).

The report confirmed the majority of controls over NES's income and debtor's arrangements are adequate and operate effectively. Chris Brown noted NES income arrangements are now far more centralised with a clear segregation of duties. The increased use of Portal for booking training course was also highlighted as a more secure and efficient process.

The report made one management recommendation regarding reminder letters for outstanding debts which, during auditor testing, were not issued in line with agreed procedures. After discussion with relevant staff, it was found that bad debt management procedures need to be updated to match an internal procedural change.

Members welcomed the findings of the report and Caroline Lamb noted that centralising finance processes has helped NES move into a stronger position and has improved cost-effectiveness.

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

c. Strategic Planning

(NES/AUD/14/35)

Chris Brown introduced an internal audit report which reviewed the process NES used to develop its 2014-19 Strategic Framework. It was noted that a previous internal audit in 2010 made a number of recommendations regarding how NES could improve its strategic planning process.

The report confirmed that NES employed effective controls to develop its 2014-19 Strategic Framework. Chris Brown praised the improvements NES has made and noted the organisation addressed every recommendation raised in 2010. The report noted a number of areas good practice; in particular the organised process and opportunities for engagement and consultation. The report made one management recommendation in

relation to improving NES staff attendance and engagement at facilitated strategic planning workshops.

During discussion Caroline Lamb and Malcolm Wright noted that outputs from engagement with stakeholders, including the importance of demonstrating impact and delivering a digital strategy, had been factored into the 2014-19 Strategic Framework outcomes. Malcolm Wright noted that a stakeholder engagement report and a progress report regarding the digital strategy will be brought to a future Board meeting.

Members discussed alternative methods of engaging with staff to ensure they provide input into the strategic planning process. The Chair queried whether the NHS Scotland staff survey included questions about how staff engaged with and contributed to organisational objectives. Caroline Lamb and Malcolm Wright confirmed this was the case and that NES was not an outlier in this area.

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

d. Internal Communications (NES/AUD/14/36)

Chris Brown introduced an internal audit report which reviewed internal communications within NES, focusing particularly on NES's communications strategy and the suitability of methods employed for internal communications.

The report found no significant weaknesses in the arrangements for internal communications; however three management recommendations were made in areas where existing controls and processes could be strengthened. Chris Brown stated there were opportunities to improve internal communications in all organisations and the report noted NES has plans in place to develop internal communications going forward.

Chris Brown reviewed the findings of the report and its management recommendations. NES has a Communications Strategy which supports the 2014-19 Strategic Framework. An action plan is included as part of this strategy, however it is currently incomplete and timescales need to be added. The NES Communications Team's review/approval process for intranet publications was also highlighted as an area for improvement. There is currently no guidance specifying what this review should cover so there is a risk reviews are not applied consistently. Chris Brown highlighted the positive introduction of the Alfresco content management system but also noted it would be helpful to publish a policy which details the appropriate use of Alfresco by end users.

In conclusion, Chris Brown noted that NES has set up an internal communications working group, which will promote a consistent approach to internal communications across the organisation. During discussion, Caroline Lamb noted the internal communications action plan and remit of the working group will be amended based on the results of the NHS Scotland staff survey. Members also discussed the challenges associated with promoting internal communications and ensuring staff engage positively with messages and initiatives.

After discussion, the committee noted this report and was satisfied with the management response to the recommendations.

e. Estates and Asset Management (NES/AUD/14/38)

Helen Berry introduced an internal audit report which reviewed NES's processes and procedures in relation to estates and non-current assets to determine whether these provide a robust system of internal control and complement the aims and objectives of

the Board. The recent Glasgow property project was used to consider whether the NES Property & Asset Management Strategy (PAMS) was implemented appropriately.

The report confirmed that NES has adequate and effective controls in place to manage the delivery of the PAMS. Each control objective within the report was awarded a 'green' rating which confirms that adequate and effective controls are in place and operate satisfactorily.

The Chair welcomed the report and noted the PAMS was an example of good practice with the Board being given sight of the strategy and it then being successfully delivered. During discussion Caroline Lamb confirmed the Glasgow property move was now complete and praised the work of Linda Dewar (Head of Property and Facilities Management) who has overseen the entire project using thorough planning processes and necessary data and evidence. Caroline Lamb also noted positive feedback had been received from staff regarding the Glasgow move. Malcolm Wright noted the successful completion of the Dundee property consolidation project, and the Aberdeen project which will begin in due course.

The committee noted this very positive report.

f. IM&T Infrastructure and Workforce Planning – Audit Visit Memo (NES/AUD/14/39)

Caroline Lamb and Helen Berry introduced an internal audit visit memo which focused on an examination of current state and future technology and staffing proposals developed by the NES corporate IM&T department.

Helen Berry noted the auditors used a small number of 2014/15 audit days to look at work that has been completed to date on the NES Digital Transformation and whether the proposals contain a sufficient level of detail to help inform future strategic decisions. The findings of the memo indicate that a large amount of information has been provided regarding NES's current position but further analysis still needs to be carried out in relation to how NES plans to deliver its Digital Transformation. The auditors will return in early 2015 to review progress and submit an audit report to a future meeting of the Audit Committee.

Caroline Lamb explained that the 2014/15 audit time scheduled to NES's Digital Transformation has been split to recognise that Christopher Wroath, the Interim Director of Digital Transformation (DDT), only took up post in August. The Digital Transformation is not only looking to change the delivery of external services, but is also reviewing how NES supports its own corporate IT infrastructure. Caroline Lamb confirmed that all recommendations of the audit visit memo have been accepted and also noted that the Digital Transformation Programme Board (DTPB) recently held its first meeting in which the DDT presented his proposals for the delivery of the digital strategy. The DTPB accepted these proposals and the strategy's overall direction of travel.

During discussion, Malcolm Wright welcomed the arrival of Christopher Wroath and noted the initial proposals for the digital strategy will ensure existing systems will not be disrupted whilst also allowing for the development of a new cost-effective digital platform which will enhance the learner experience. A more detailed paper regarding the Digital Transformation will be brought to both the Board and the Finance and Performance Management Committee.

The Chair noted the findings of the audit visit memo and welcomed its use in areas such as the Digital Transformation, where potential organisational change would mean formal audit reports would be of little use. Chris Brown agreed and noted that audit visit memos

offer organisations an independent perspective which helps ensure transparency going forward.

The committee noted the audit visit memo and was satisfied with the management response to the recommendations.

g. Internal Audit Progress Report (NES/AUD/14/40)

Chris Brown presented an internal audit Progress Report. This report presents the Audit Committee with a formal summary of internal audit activity since the last meeting, and confirms the reviews planned for the coming quarter (in line with the approved 2014/15 internal audit plan).

After discussion, the committee noted the Progress Report.

6. External Audit Reports

There were no items to consider under this agenda heading.

7. Other External Reports

There were no items to consider under this agenda heading.

8. Audit Recommendations – Internal Follow-Up (NES/AUD/14/40)

Caroline Lamb presented a paper which provided the Audit Committee with an update on progress being made in relation to the implementation of audit recommendations. NES staff are reminded every six months of any outstanding audit recommendations and are asked to provide status updates.

During discussion, Helen Berry noted the information contained in the paper will be useful to future internal audit reports. Caroline Lamb highlighted audit recommendations that are still to be completed and noted progress against the SOAR system recommendations in particular. Since the Audit Committee meeting in April a number of SOAR recommendations have been implemented, however it was noted that further redevelopment work is not due to be completed until early 2015. Caroline Lamb also noted that a small number of recommendations have now been classed as 'no longer relevant', in particular those from 2011/12 reports regarding the ICT Strategy which have now been superseded by the Digital Transformation.

After discussion, members praised the format of the document and noted the information provided in the paper.

9. Counter Fraud Update (NES/AUD/14/41)

Caroline Lamb introduced an update report in relation to activities underway in NES aimed at supporting the Strategy to Combat Financial Crime in NHS Scotland (CEL 11 (2013)).

Members noted the report contained both old and revised versions of the CEL checklist action plan which indicates progress against the CEL11 (2013). NHS Scotland Counter Fraud Services (CFS) issued a letter in July requesting an annual timetable for submission of the measurable outcomes contained in the action plan and NES has agreed dates with CFS in line with future meetings of the Audit Committee. CFS will also be meeting with the NES Counter Fraud Champion and Fraud Liaison Officer on 18

December 2014 to discuss Counter Fraud issues and compliance with the CEL. An update regarding this meeting will be presented at the next Audit Committee.

Caroline Lamb highlighted the information contained in the revised action plan checklist. Where further follow-up of actions is required, NES is dependent on CFS timescales. Members also noted NES is currently engaged in Audit Scotland's National Fraud Initiative data matching exercise. Data for the 2014/15 exercise has to be submitted by 6 October 2014. Any matches will be reported at future meetings of the Audit Committee.

The committee noted the information contained in the report and approved the release of the CEL quarterly return to CFS. Caroline Lamb thanked Janice Sinclair (Counter Fraud Liaison Officer) for her work.

10. Items for information

a. Audit Scotland Reports

i. Health Inequalities in Scotland (Impact Report) (NES/AUD/14/41)

Members received and noted an impact report from Audit Scotland reviewing how well Scotland is addressing health inequalities.

The committee noted the information contained in the report and commented on the challenges facing councils and health boards in relation to reducing health inequalities. Malcolm Wright noted that national improvement programmes such as the Early Years Collaborative will make a difference and improve access to healthcare in Scotland.

ii. Scotland's Public Finances – A Follow-Up Audit: Progress in Meeting the Challenges (NES/AUD/14/42)

Members received and noted a follow-up report from Audit Scotland which provides an update on how public bodies in Scotland are meeting the challenges of reduced public spending.

The committee noted the information contained in the report and commented that its key messages regarding how the public sector in Scotland continues to face significant financial challenges are consistent with what is currently happening in NES. Caroline Lamb and Malcolm Wright noted they are currently in conversation with Scottish Government regarding next year's financial position and difficult decisions will have to be made regarding future priorities.

The Chair noted the report's message regarding the limited evidence of longer-term financial planning in public sector organisations, but commented this was difficult to achieve in the current climate. Malcolm Wright noted the single Scotland Deanery, Dental and Digital transformations will lead to financial savings, however NES will also have to absorb increased external demands over the coming year, particularly in the Medical Directorate.

In conclusion, members noted the importance of public sector organisations understanding their costs to inform financial planning and commented that NES was particularly strong in this area. Chris Brown agreed and noted public sector organisations tended to perform poorly in relation to activity-based costing due to an incremental budget approach. The committee noted that health and social care integration will depend on the successful transfer of resources between partner organisations.

iii. Self-Directed Support

(NES/AUD/14/43)

Members received and noted a report from Audit Scotland reviewing councils' progress in implementing the Self-Directed Support Strategy and their readiness for the Social Care (Self-Directed Support) (Scotland) Act 2013.

The committee noted the information contained in the report and commented on its relevance to health and social care integration.

12. Any other business

a. Private Meeting between Auditors and Audit Committee Members

The Chair agreed with Helen Berry and Chris Brown that a private meeting between the Auditors and Audit Committee members was not required at this meeting.

13. Date and time of next meeting

The next meeting of the Audit Committee will be held on Thursday 8 January 2015 at 10:45am, Westport 102.

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