##### Approved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 20 October 2020 at 10.30am**

**By Microsoft Teams**

### Present

Karen Kelly Non-Executive Director (Chair)

Stephen McAllister Non-Executive Director  
Elaine Cameron Non-Executive Director  
Morag Brown Non-Executive Director

**In attendance**

Jann Gardner Chief Executive

Colin Neil Director of Finance  
Lily Bryson Assistant Director of Finance, Governance and   
 Financial Accounting

Liane McGrath Head of Corporate Governance/Board Secretary

Laura Langan Head of Clinical Governance (Chief Risk Officer) Joanne Brown Partner, Grant Thornton UK LLP  
Lewis RD Wilson Audit Manager, Grant Thornton UK LLP

Chris Brown Partner, Azets Audit Services

**Minutes**

Anne McQueen PA to Director of Finance

1. Chair’s Introductory Remarks  
   Karen Kelly opened the meeting via Microsoft Teams and welcomed members.
2. Apologies

Susan Douglas-Scott CBE Board Chair

1. **Declaration of Interests**There were no declarations of interests to note.
2. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 16 June 2020 were read for accuracy and approved.

4.1 Matters Arising  
An update on outstanding actions was provided with full detail recorded in the  
action log.

4.2 Pharmacy Update  
Colin Neil presented the Pharmacy update to members following an audit recommendation to review discrepancy levels highlighted during an operational pharmacy stock management audit. The Director of Pharmacy has compiled a robust plan to counteract and drive improvement. This is an ongoing review and a further update will be brought back to the next committee meeting.

A count of high stock items was undertaken and, from 33 deemed to be in that category 7 discrepancies were found, all were investigated and resolved.   
  
Since September 2020 weekly stock checks have been carried out and from 132 counts one discrepancy was found and resolved.   
  
Count of desirable medicines which are defined as drugs liable to misuse found 3 discrepancies which were resolved as system admin errors. Stock check of controlled drugs found from 78 items that 2 were found with errors which were resolved.  
A forensic overview has been undertaken over these three areas.  
  
Perpetual and year end stock checks are undertaken with high emphasis on three sections. Throughout September 2020, 320 items have been counted and the aim is to cover half the stock during the next quarter with daily stock checks taking place.   
  
Colin Neil concluded that there is robust rigour around stock checks and this topic is a key priority for the Pharmacy Team. Good progress is being made, however, as this review is ongoing a further update will be brought to the next committee meeting.

Karen Kelly asked if the daily stock checks cover all stock. Colin Neil responded that the daily stock checks will ensure all levels of high volume low cost items are being reviewed via a wider sample population, the weekly stock check is over and above this.  
  
Members noted the Pharmacy Update

4.2 Process for New Services  
Laura Langan presented a paper on the process for new services and restart of elective services to support activity at the Golden Jubilee site, this formal process has been developed through the Command structure and is reported to the Clinical Governance Committee. The process will be further reviewed as part of an internal audit.   
  
Members noted the update on process for new services and restart.

1. **Person Centred**

**5.1 Audit Scotland Reports**This paper highlights recently published national reports that are available on the Audit Scotland website for members information.  
  
Members noted the Audit Scotland Reports.

**5.2 Board Risk Register**Laura Langan presented the Board Risk Register outlining the key points.  
  
Following work undertaken through Gold and Silver Command groups the risk register has been revised and a schedule to support deep dives has been agreed, this assures members that robust work is underway.  
  
There has been an update on the way information is being presented in the report which helps to guide members to review of risks, ratings and mitigations. Changes being proposed are as follows:

* 09 Waiting Times no change to rating but change in risk as previously related to Service Level Agreement which has now been captured in the Recovery Plan which is a new risk.
* S10 Cyber Security was a high risk as ever revolving however when we took mitigations into consideration there is a degree of confidence as accreditation is ongoing therefore propose to reduce to medium level.
* S11 Expansion risk increased due to impact of Covid-19, given progress of Phase 1 propose to reduce to medium risk.
* S12 EU Withdrawal propose to reduce to medium on reflection of mitigation as there is not a high risk for us.
* S17 Recovery Plan is a new risk which was high however now that plan has been signed off by Scottish Government as robust propose to reduce to medium level.
* W19 PPE Provision reduce to target level to reflect work undertaken.
* S14 EPR propose to remove as contingency plans are in place and whole programme is being reviewed.  
    
  Jann Gardner thanked Laura Langan for this comprehensive overview. Jann Gardner highlighted the new layout which focusses on outstanding risks and reflects the Board’s risk appetite.  
     
  Karen Kelly commended this work and supported the new layout, particularly how the risks have been described as there seems to be a sharper focus now.  
    
  Laura Langan added that Covid-19 has changed working processes, the organisation is very risk aware and is constantly reviewing risk mitigation and impact.  
    
  Morag Brown asked if EU Withdrawal risk will be taken to the Board for information.  
  Laura Langan advised that a short life working group has been set up. The group is scheduled to meet this week and an update from that will be presented to the Board.   
    
  Members approved the Board Risk Register.

1. **Safe**

**6.1 Counter Fraud Services Update**Lily Bryson provided a verbal update on the work of Counter Fraud Services.   
A quarterly meeting has been scheduled with all NHS Board’s Fraud Liaison Officers and Counter Fraud Services.   
  
A document on Covid-19 Intelligence Alert was circulated to members for information on the work that Counter Fraud Services are undertaking to prevent fraud.  
Members noted the Counter Fraud Services Update.

**6.2 National Fraud Initiative 2020-21 Exercise**Lily Bryson presented the National Fraud Initiative paper advising that this Counter Fraud activity is undertaken every two years across NHS Scotland to identify existence of fraud. By the end of January 2021 computerised matches will be available and at that point a report will be presented on findings to the committee. There are no outstanding actions from the previous years’ exercise.  
  
Members noted the National Fraud Initiative 2020-21 Exercise.

* 1. **National Review of Standing Orders**Karen Kelly noted that the new Standing Orders presented were endorsed at Audit and Risk Committee in February 2020 and subsequently approved at the Board on 24 September 2020.  
       
     Members noted the Standing Orders for the Board**.**

**6.5 Hospital Expansion Project Update**Colin Neil presented an update on the hospital expansion advising that the Phase One handover date has been delayed but is anticipated this week. There are two elements behind this; awaiting occupation certificate from West Dunbartonshire Council and confirming checks on the ventilation system, Aecom are doing final checks and the Board will also conduct an independent check. Spend for Phase One is demonstrating a slight overspend this is associated with part of Phase Two costs being paid from Phase One as an interim measure, this is in approval with Scottish Government and will be reconciled. However it should be noted that core Phase One costs remain within target costs.  
  
Karen Kelly asked about the project bank account for Phase Two and asked if there were any risks associated.  
Colin Neil advised that project bank accounts are normally set up on day zero so there will be some complexities and these will be replicated across NHS Scotland. There has been a series of workshops that Lily Bryson has attended and we have liaised with Scottish Government.  
  
Members noted the Hospital Expansion updates on Phase One and Phase Two.

**6.6 Update on International Financial Reporting Standards (IFRS) 16 Status**Lily Bryson presented an update on implementation of IFRS advising that due to the impact of Covid-19 this accounting standard has been delayed until 1 April 2021.  
HM Treasury will advise of the impact to the Board in December 2020.  
  
Members noted the status of IFRS.

1. **Effective**

**7.1 Authorised Signatories**Colin Neil presented a paper on revised authorised signatories advising a full review of levels has taken place in light of new organisational structure and also linkage to PECOS implementation. Approval is being sought from the Committee for adjustments to signatory levels whilst noting that there is a controlled robust mechanism in place at the same time as providing reasonable coverage across the organisation.  
  
Members approved new authorised signatory levels.

**7.2 Plan for Procurement Electronic Ordering System (PECOS) Roll Out**Lily Bryson presented the plan for PECOS advising that the business case was approved by the Board in 2012 and implementation began and was then paused.  
It has been revisited with intention to rollout this electronic ordering system for procurement across the Board. We will liaise with National Procurement and the business case will be updated. It is proposed to trial the system in two small departments in first instance, full implementation could take up to one year.  
  
Morag Brown stated she fully supports electronic ordering albeit the organisation must be cautious to ensure an effective transfer.  
  
Karen Kelly stressed the importance of agreement from users and effective communication is critical. Karen Kelly suggested that the training budget is reviewed as it seemed quite small and there may be other costs associated with staff time.  
  
Members approved the implementation of PECOS and an update report will be brought back to the committee at an appropriate time.

**7.3 Internal Audit Progress Report**Lewis Wilson was introduced to the committee as the new Audit Manager for Grant Thornton and was welcomed by members.  
  
Joanne Brown presented the progress report advising that there are no final reports being presented nevertheless audit have made good progress scoping out Governance and Patient Pathways review and final reports will be submitted to the February Committee meeting. All work is on track and resourced to complete within timescales.  
  
Members noted the Audit Progress Report.

**7.4 Internal Audit Charter**Lewis Wilson presented the internal audit charter which outlines the purpose of the role of Internal Audit and relationship with the Audit and Risk Committee.  
Follow up audit reports will be presented to the committee in February and June and progress reports will be presented to all committee meetings.  
Members noted the Internal Audit Charter.

**7.5 External Audit Rebranding**Chris Brown explained to members the reason for the change of name from Scott Moncrieff to Azets Audit Services which took effect on 7 September 2020.  
In 2019 Scott Moncrieff joined a UK group of consultancy firms and all retained their names and brands however the name Azets Audit Services has now been chosen as one unified brand. There is no change to the audit team or to the structure.  
  
Members noted the rebranding of external audit.

**7.6 External Audit Update on Final Report**Chris Brown presented the final audit report and noted due to the delay in circulation management have not been given sufficient time to respond**.** Normally the timing of this reportwould coincide with submission of Board annual accounts in June and he advised that in 2021 this report will be re-aligned with annual accounts.   
  
Key points from the report are as follows:

* The Board is reflecting a break even position over the next 3 years.
* Risks due to impact of Covid-19 impacted on revenue streams however there are appropriate procedures in place to manage this.
* Impact of Covid-19 has been incorporated into the mobilisation plans and effective arrangements are in place.
* Financial management was found to be satisfactory and all targets were met.
* The Board have a strong record for achieving savings plans and a high record of recurring savings.
* Governance and transparency was satisfactory with agile governance model being implemented and along with Blueprint for Good Governance and induction process for new Board members was strong and effective.
* The report summarises changes made to support challenges during Covid-19.  
    
  Karen Kelly noted the following points:
* Amendment to be made on page 30, paragraph 99, Alan Macfie should read be Alistair Macfie.
* Follow up recommendation for prior year on accrual of goods received and not invoiced – status is closed although it seems that there is work to be done. Chris Brown responded that in relation to the original recommendation this was completed however recognises that there is further work to be done.
* The Register of Interests was highlighted. Liane McGrath advised that all register of interest forms have been received and fully populated and will be published on the website.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 201020/01 | Register of Interest Forms to be published on the Golden Jubilee website. | Liane McGrath | New |

* Laura Langan asked in relation to governance response to Covid-19 pandemic that it may be relevant to add that there is a robust process in place for new starts/services. Chris Brown responded that the timeliness of this report relates to 2019/20 and this point will be reflected in 2020/21 report.  
    
  Karen Kelly asked if this report is laid before Parliament. Chris Brown advised it is not it is only the Annual Accounts that are laid before Parliament.  
    
  Members noted the External Audit Final Report.

**7.7 External Audit Extension**Colin Neil provided a verbal update advising that he received correspondence from Audit Scotland that the Auditor General has announced confirmation to extend the current audit appointment by one year. This means that Azets Audit Services will be our external auditors for the period 2021/22, during this period the Current Code of Audit Practice will apply.  
  
Members noted extension to the external audit contract.

**7.8 Cyber Update**Colin Neil presented an update on Cyber Security advising that Cyber Essentials Accreditation expires in December 2020 and as a means of providing assurance to the committee a process is in place to ensure appropriate steps are taken to guarantee certification for next year.   
  
Cyber Security training is deemed mandatory for all staff and workshops have been well attended, however, due to Covid-19, workshops have been suspended and online training is being developed.  
  
Threat alerts continue to be received however a strong system is in place to communicate with all staff.  
  
Network and Information Systems directive is in place which was implemented at the same time as General Data Protection Regulation and an audit is taking place on 16 November 2020, this is expected to be a clean audit with no issues.  
  
It is proposed to reduce Cyber Security risk rating to 8 as medium rating as mitigations are in place. Members approved scoring of 8 for this particular risk.  
  
Elaine Cameron asked about staff training figures for attendance at Cyber Security Workshops and if that relates to last year.  
Colin Neil responded that last calendar year 600 staff were targeted and online training is planned for quarter 4 for remainder of staff.  
  
Members noted the Cyber update.

1. **Any Other Competent Business  
   Pharmacy Report**Morag Brown asked if there is an action to take the Pharmacy report to the Clinical Governance Committee. Karen Kelly advised that it was recognised whilst there was improvement further work is required and an update will be presented to this committee. Laura Langan stated there was discussion around taking Drugs and Therapeutic update to Clinical Governance Committee and this will form part of that.  
     
   **Committee Meeting Dates 2021**Liane McGrath advised that committee meeting dates for next year are in process of being sent out from the new Corporate Governance mailbox and will be issued imminently.  
     
   Karen Kelly thanked everyone for their contribution and closed the meeting at 12 noon