##### Approved Minutes

**Audit and Risk Committee Meeting**

**Thursday 11 November 2021 at 9.00**

**By Microsoft Teams**

### Present

Karen Kelly Non-Executive Director (Chair)

Morag Brown Non-Executive Director

Elaine Cameron Non-Executive Director

Rob Moore Non-Executive Director

Jane Christie Flight Employee Director

**In attendance**

Jann Gardner Chief Executive

Colin Neil Director of Finance

Gerard Gardner Head of Corporate Governance

Nicki Hamer Deputy Head of Corporate Services

Karen Jones Director, Azets

Joanne Brown Partner, Grant Thornton UK LLP

Jamie Fraser Grant Thornton UK LLP

Lily Bryson Assistant Director of Finance, Governance and
 Financial Accounting

Callum Blackburn Non-Executive Director

**Minutes**

Elaine Anderson Corporate Administrator

1. Chair’s Introductory Remarks

Karen Kelly opened the meeting via Microsoft Teams and welcomed members. It was noted that Nick Bennett would in future attend as the external audit partner from Grant Thornton at ARC meetings.

1. Apologies

No apologies.

1. **Declaration of Interests**

There were no declarations of interests to note.

1. **Updates from last meeting 20 July 2021**

4.1 Unapproved Minutes

Minutes from the meeting held on 20 July 2021 were read for accuracy. Karen Jones of Grant Thornton highlighted that there was an issue with formatting on External Audit section. Subject to this amendment, the Committee approved the Minutes as an accurate record.

4.2 Action Log

Karen Kelly asked for the actions to be amended to include reference to the Pharmacy Update. It was noted that both these updates are yet to be completed and will remain on the Action Log. Karen Kelly confirmed with those in attendance that the remainder of the actions can be closed on the Action Log. The Committee agreed to close the remaining actions on the Action-log.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 111121/01 | **4.2 Action Log**Amendment to be made to 200721/02 & 03 headed up Pharmacy Update | EA | New |

4.3 Matters Arising

Callum Blackburn raised a query as an observer to the Committee whether or not his apologies should be recorded. Gerard Gardner confirmed that apologies would only be recorded by those who intended to be present at the meeting.

5. Effective

**5.1**  **Fraud Update**

Colin Neil presented the Fraud update as part of the Committee’s work plan. The annual Counter Fraud Service visit was held on 27 July 2021 and the quarterly fraud liaison meeting held on 7 October 2021.

The updates on the paper were discussed and noted by the Committee.

In terms of some of the proactive exercises within the Board, Colin Neil noted that the Committee had previously discussed committing to review eHealth purchases such as laptops during the agile period of the pandemic when agile working, and agile governance, were a feature of the Board’s processes. Colin Neil advised that this process continues, with approximately 1300 items being purchased or considered for purchase. A process of rationalisation of individual items of equipment with their registered users would form part of this task. Colin Neil advised that this work is on going, and it is intended that this will be reported at the February meeting of the Committee. Colin advised that Lily Bryson, Stuart Graham and he would progress this work. Compliance testing with Internal Audit will form part of this process.

Lily Bryson gave further update on the Conflicts of Interest Policy to the Committee. Lily Bryson reported on conversations with Scottish Government colleagues her understanding that that there is at present no indication of a national intention to substantially revise the Policy. Lily Bryson reported on discussions with Gordon Young, Head of Counter Fraud Services (CFS), NHS National Services Scotland. CFS agreed that in the absence of any national revision, that Board’s would review their local policies on stand-alone basis. It had been anticipated that the Board’s Conflict of Interest Policy would form the basis for a “Once for Scotland” approach to policy evolution in this area, however this national work has stalled. In that context, the Board’s own policy will be reviewed and reported to the February meeting of the Audit and Risk Committee, together with a communications plan.

 The Committee noted the Fraud Update.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 111121/02111121/03 | **5.1 Fraud Update**Report on the proactive exercise outlined in the paper.Update on the Conflict of Interest Policy for next meeting. | CN/LBCN/LB | NewNew |

**5.2 National Fraud Initiative Outcomes – Update**

Lily Bryson gave an update to the Committee on the NFI matching exercise which had taken place. This aims to detect fraudulent payments by assessing information from other public bodies and public registers. Lily Bryson confirmed that all payroll high-risk matches had been reviewed and there were no risks identified.

The high-risk matches in creditors have been reviewed and the finance team is continuing to review the remaining identified matches. To date no issues of fraud have been identified.

The Procurement to Companies House matches are being reviewed by the Head of Procurement, who is awaiting some information regarding the spend with companies and declarations made to HR regarding secondary employments.

All outstanding matches will be reviewed by the end of December.

In addition, the National Report, prepared by NFI, will be provided at the next meeting if this is available.

The Committee noted the progress and the intention to receive a further update in February.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 111121/04 | **5.1 NFI Outcomes - Update** National Report, if available to be provided at next meeting.  | LB | New |

**5.3 Expansion Project Update**

Colin Neil presented two reports for Phase 1 and Phase 2 of the NHSGJ expansion to the Committee. Colin Neil intimated this may be the final update on Phase 1, given a period of one year has elapsed since it became operational.

In terms of Phase 1, excellent progress has been made in resolution of defects and outstanding items. A review has been undertaken with HFS on the water flushing issue. This has been an area of targeted review, with the outcome expected at the end of 2022. All other elements in terms of defects have progressed well. In terms of expenditure, there has been no further spend relative to Phase 1.

In terms of Phase 2, the progression has been significant. Works are progressing to programme and budget.

Recruitment is underway for the Programme Team to enable sufficient project resource. Interviews are taking place for the project team and a technical advisor has been appointed. A Short Life Working Group has been established to progress technical aspects of the breakthroughs into the main building.

With regards to finance, the original Full Business Case had anticipated approximately £32m of capital expenditure in financial year 2021/22. Colin Neil clarified that the target for practical completion is now June 2023, which remains a realistic target. The anticipated capital expenditure amounts have been reviewed with Keir and Aecom, the cost advisor. Spend is estimated to be circa £22m in this financial year. Colin Neil advised that discussions have taken place with the Scottish Government, who are content with the re-profiling of capital expenditure across financial years 2021/22, 2022/23 and 2023/24 versus the original Full Business Case figures.

Karen Kelly sought assurance that lessons learned during Phase 1 would inform decision-making in Phase 2, and whether an overall review would follow completion of the construction phase of the project. Colin Neil confirmed that the NHS Scotland Design Assessment Process includes such a process. This takes place 12 months post occupation. Colin Neil further confirmed that this risk will be live for NHSGJ going forward with lessons learned shared nationally. Colin Neil noted that two formal assurance reviews with NHS Assure are anticipated between now and the opening of this new facility.

Colin Neil advised that, although prevailing high prices of materials in the market affected some elements of programme cost, for Phase 2 construction most significant cost elements were contractually fixed. Colin Neil further advised that COVID restrictions, including physical distancing may result in some increased cost. Colin Neil reported confidence that this would not impact on assessment of project risk. The matter is subject to regular review at cost control meetings. One element of project cost which is not fixed relates to internal refurbishment and readjustment of the existing internal estate. These are subject to tender and are likely to result in project costs higher than anticipated in the FBC. This will be considered in future years capital planning assumptions.

Jann Gardner commended Colin Neil, John Scott and the expansion team for having done an extremely good job holding to the expansion plans.

The Audit and Risk Committee noted the update and agreed the proposed changes.

* 1. **Cyber Security/NIS Audit Update**

Stuart Graham presented the Committee with an update following interim discussion on the NIS Audit.

Sharon Stott advised that the report was presented to the Audit and Risk Committee on 20 July highlighting the progress with NIS Directive audit.

There was particular highlight around resource constraints in the interim report that the Board received in February 2021. Two Cyber Security posts within eHealth have been approved for recruitment. One post has been approved as part of new investment; the second post was an internal redesign of an existing post.

Of these two posts, one will be responsible for the cyber operations and carrying out the necessary work required and the second post would be a Cyber Compliance Officer. The Cyber Compliance Officer post will ensure compliance with frameworks and regulations such as the NIS Directive, NHS Scotland Information Security Policy Framework and the Scottish Public Sector Cyber Resilience Framework amongst other frameworks referenced in the interim NIS report.

The Board have now commissioned penetration (pen) testing of Board network, firewalls and systems with external company Sapphire. This has now been completed and a final report has been received. This report highlights areas of good performance and areas of vulnerability. The report also includes measures which can be put in place to rectify areas of weakness. The pen testing itself will address some recommendation raised in the NIS Audit. The pen testing will be carried out on a yearly basis and more frequently if required.

Cyber Security is now a standing agenda item on the Board agenda and will remain a regular feature via this committee.

**NIS Audit Update**

Sharon Stott noted that the audit concluded in November 2021, and highlighted the progress that has been made in the areas of partial or non-compliance highlighted on the interim report.

Sharon Stott advised that a site visit took place on 2 November. The Auditor was still carrying out the Audit through virtual means; the final stage was carried out over MS Teams in-group meeting. A one hour group meeting with the Auditor and the key internal stakeholders (Procurement, Estates, L&OD & eHealth) followed this. This allowed identification of areas of concern, recognition of additional areas of good practice and consideration of any additional material required to evidence activity referred to in the discussion.

The two days following the meeting allowed the Auditor to review his findings from the interviews and meetings and the evidence that was submitted and offered an opportunity to submit further evidence.

This part of the audit is now concluded, with the Auditor finalising his report, which is expected in January 2022.

**NHSGJ Current Cyber Security position**

Sharon Stott noted that NHSGJ continues to maintain a very high level of cyber security. The ongoing Windows 10 rollout combined with the latest devices will also improve overall cyber security within the organisation. A robust technical patching regime is also in place to ensure that all operating systems are updated in line with security recommendations. External connectivity continues to be routed through Scottish Wide Area Network (SWAN) which is approved and secure. The Board is fully accredited with the Cyber Essentials accreditation. The Board is also registered with the National Cyber Security Centre (NCSC). The Board accordingly receives the latest security alters across a full range of systems and platforms.

Sharon Stott also noted that over the period 2017 to present, there have been no major cyber security breaches of the NHS GJ network.

Sharon Stott asked Members to note the progress made as detailed in the report. She also asked Committee to note the efforts in achieving best value from the audit.

Karen Kelly thanked Stuart Graham and Sharon Stott for their update.

Colin Neil suggested that the Auditor should be invited to attend a future Audit and Risk meeting. Karen Kelly supported this.

Colin Neil added that he would welcome a Once for Scotland approach to element of Cyber Security and this has been discussed with Scottish Government colleagues.

Jann Gardner recommended that a Board seminar be arranged on cyber security early in 2022. The Committee agreed with this suggestion.

In regard to Sharon Stott’s presentation Karen Kelly requested that when the Audit report is finalised ARC should maintain an overview of the implementation of actions which have been highlighted. Karen Kelly added that there have been some useful dashboards that have been used in the past and going forward could be presented in a simple manner. Sharon Stott noted these actions to be progressed with Colin Neil and Stuart Graham.

The Committee noted the Cyber Security/NIS Audit Update**.**

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| **Action No.** | **Action** | **Action by** | **Status** |
| 111121/06111121/07 | **5.4 Cyber Security/NIS Audit Update** Committee agreed to invite the NIS Auditors to attend the Committee and to consider a further Board Seminar to involve the other Board Members.Committee agreed that Cyber Security update should be a standing item on the agenda. To be monitored on an ongoing basis once the final NIS audit report is received. | CNSG/SS | New |

* 1. **SFI Update**

Lily Bryson reminded Committee Members that the Standing Financial Instructions are the overarching financial governance document in operation within the Board. Committee had agreed previously that a full review of SFIs would feature every two years, with specific additional elements reported as required. However, due to pandemic last year, this did not take place. The plan for future reviews was described in the report, with a proposal to update the four sections that are in Section 2 of the paper and report those to the February 2022 Committee for review and approval. These four items have fundamentally changed over the past year. Following this, the plan would be to bring the full set back to the April Committee for approval and thereafter to the Board for full approval, with an accompanying Communications plan.

The Committee noted the SFI Update and looked forward to further report to the Committee in April.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 111121/08 | **5.5 SFI Update**Report full suite of SFI to April Committee for approval and thereafter to the Board for full approval.  | SG/SS | New |

**5.6** **Credit Card Use**

Colin Neil reminded the Committee that the Board utilises a credit card. It is a single card specifically under the control of Lily Bryson. Colin Neil reminded Committee of its previous agreement on use of the credit card for payments related to advertising and social media, this being the only method of payment which providers would accept. Payments made using the credit card for such services has happened on a number of occasions. Colin Neil considered this process to have worked well, with progress summarised in the Appendices.

Colin Neil added that it has become evident over recent weeks that certain companies are not accepting payment by any other means other than credit card. Colin Neil further added that the credit card should not to be used to circumvent the current procurement processes. Given frequency of required use, he regarded it appropriate to request a second card be issued in the name of the Head of Procurement and held securely within Procurement. Use of this card would not be promoted within the organisation, and would only be utilised where there is no other method available. The sign off process, which would involve the Head of Procurement or the Assistant Director of Finance as the only other level of authorisation, would be from the Director of Finance. Colin Neil emphasised that is not something that would be utilised regularly and clarified strict documentation and control processes would surround it use. Regular review periods will be built in for analysis.

The Committee were asked for approval to continue with the credit card already inexistence, and to approve the use of a second card as outlined in the report.

Colin Neil noted that he and Karen Kelly had discussed that as part of the annual procurement review and annual report a summary on credit card spend be documented and the reasons for it in order to keep close control. This would permit visibility on use on an individual-by-individual basis by officers responsible for authorising expenditure. It would also give the Organisation the ability to monitor use through the financial year.

The Committee approved the recommendations and in addition that the annual procurement report includes spend using Credit card.

**5.7 Audit Scotland Reports**

The Committee were presented with an update on the suite of reports that were reported to the July Committee. Lily Bryson noted that many of these reports are not directly applicable to the Board and those are included for information proposes only.

Lily Bryson noted 3 national reports that are NHS Specific were published during financial 2021/22 as detailed below:

* The 2020/21 audit of NHS National Services Scotland Response to Covid-19 pandemic, this contained a Section 22 report – Prepared for the Public Audit Committee by the Auditor General (Published October 2021);
* Covid 19, Vaccination Programme – Prepared by Audit Scotland (published September 2021); and
* The annual audit plans for all Scottish NHS Boards were published in July 2021.

Lily Bryson updated on Fraud and Irregularity in Financial Year 2020/21. There was not the same level of recovery as there had been in prior years, in part due to the pandemic. Lily Bryson highlighted a case in NHS Ayrshire and Arran, which will come before the relevant Court in 2022. Lily Bryson advised that if the Committee agrees, an update will be provided at future committees to ensure significant issues which the Board needs to action are actioned.

Colin Neil added that it might be helpful going forward to enlist a shorter brief for each report to focus attention on key points.

Karen Kelly highlighted to the Committee that the latest Audit Scotland Reports are reported for information, and that a summary will be prepared and brought to next Committee meeting.

The Audit and Risk Committee noted the Audit Scotland Reports.

**5.8 Risk Register**

Gerard Gardiner introduced himself to the Committee and advised that one of his responsibilities is the presentation of the Board Risk Register to the Committee. Gerard shared a short presentation with Committee and advised this area would remain under rolling review.

Gerard Gardiner highlighted a risk that would be proposed to be changed for the next reporting cycle is S12 is on EU Withdrawal, given the UK effectively left the EU at the start of 2021. The proposal is to remove this risk as it is considered that the strategic risk around EU withdrawal is closed and individual elements be managed through the Committee process.

Gerard Gardiner flagged risk on Waiting time management and challenges were around critical care and cardiology activity remaining within 5% threshold due delivery of the programme due to availability of surgeons and cardiac surgery waiting time pressures. He noted that the recovery plan is now agreed with Scottish Government. Gerard Gardiner wished to highlight to the Committee how risks have changed in their presentation over a period of time and suggested moving forward that that be a way we go through the Risk Register,identifying which ones are most relevant.

Colin Neil added that this would give the opportunity at each meeting to reflect on a deeper dive on some risks to allow and stimulate debate.

Karen Kelly confirmed that individual dashboards are presented or each risk, and that this would remain. Karen Kelly noted that the committee had received deep dive reports in the past which formed a good basis for debate and scrutiny. Karen Kelly added that the Committee would not take the time to go through every one of the risks in detail but considered it worthwhile focusing in detail on one or two risk, as appropriate, at each committee meeting.

Karen Kelly asked whether it would be the intention to follow a similar format to deep dives in other Standing committees.

Jann Gardner advised that a more expanded version of what has been discussed at Audit and Risk Committee today would be progressed through the Board’s committee structure. The key principles are the current structure of risk reporting will remain, with discussion focusing on a possible way of focusing discussion on particular elements of the risk register. Feedback from Chairs is helpful and this is early stage evolution.

The Committee noted support for the Risk Register and for proposals on a refresh of the register to be reported at an appropriate future committee.

Karen Kelly noted that there have not been any specific changes at this point, and the Committee noted the Risk Register as reported.

**6 Auditor Reports**

**6.1 Internal Audit – Capital Planning – Medical Equipment**

Jamie Fraser, Grant Thornton advised the Committee that the objective of the audit was to consider design and operation of key controls into planning, approval, monitoring and spend relating to medical equipment. The outcome of the audit is that reasonable assurance has been demonstrated, with some improvement required. The audit has raised three lower rated recommendations. The first is the medical equipment policy and the supporting funding, acquisition policies. These appear not to have been reviewed since 2017. There is also currently no formalised strategy in place, although a draft is in progression and is in a near final form. The Second recommendation is that, on a yearly basis, the existing medical equipment is risk rated to create a yearly-prioritised plan. However, there is no supporting documented risk methodology to ensure a consistent approach to this at present.

The final recommendation is on attendance at the medical equipment group. This group is focussed on reviewing the plan and developing it on a yearly basis. However, over the meetings reviewed, it was noticed that attendance could be limited which could affect the decision-making that is made at the group.

Colin Neil welcomed the report as an opportunity to refresh existing processes. Colin Neil advised that revised policy 2.1 would be presented to the medical equipment group as indicated and scheduled and that a medical equipment strategy would be completed by the end of the financial year, incorporating a methodology which was supported by the group.

Colin Neil advised that a review of the TORs for the Medical Equipment Group would be produced by the end of this financial year, with a focus on ensuring that attendance remained at an appropriate level.

The Audit and Risk Committee noted the report and approved the management responses to the Medical Equipment.

**6.2 Internal Audit – Progress Report**

Joanne Brown, Grant Thornton advised the Committee that discussion took place with Lily Bryson and Colin Neil and recommended that the Committee approve a change to the timing of the Fraud and Financial Controls work. This would result in the financial controls work being reported to the next Committee meeting, with the fraud report following to the subsequent Committee. This would result in no change to the visibility of the Committee into the substance of the two reports, simply a change to the scheduled reporting of them.

The Audit and Risk Committee noted the Internal Audit – Progress Report.

**7. Any Other Competent Business**

No other business noted.

**7.1 Agenda Items for Next Meeting**

**8. Date and Time of Next Meeting**

The next meeting is scheduled for Tuesday 1 March 2022 at 10.30am.