##### Approved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 1 March 2022 at 10.00am 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

Stephen McAllister Non-Executive Director

Jane Christie-Flight Employee Director

**In attendance**

Jann Gardner Chief Executive

Colin Neil Director of Finance

Gerard Gardiner Head of Corporate Governance

Karen Jones Azets Audit Services

Jamie Fraser Grant Thornton UK LLP

Susan Douglas-Scott Board Chair

Lily Bryson Assistant Director of Finance, Governance and   
 Financial Accounting

Yvonne Semple Pharmacy Director

Cara Archibald Scottish Government

George Irvine Scottish Government

Sharon Stott Information Governance Manager

Nick Bennett Azets Audit Services

Peter Clark Grant Thornton UK LLP

**Minutes**

Elaine Anderson Corporate Administrator

1. Chair’s Introductory Remarks

Karen Kelly opened the meeting via Microsoft Teams and welcomed Members and those in attendance.

Karen Kelly noted her recent attendance at the Inaugural Meeting of a network of Chairs of Audit Committees of public bodies, at which 55 members had attended via MS Teams. Karen Kelly stated she would keep the Committee informed of developments within that group that may be helpful to the Committee.

1. Apologies

Apologies noted from Joanne Brown, Partner, Grant Thornton UK LLP.

1. **Declaration of Interests**

There were no declarations of interests to note.

1. **Updates from last meeting 11 November 2021**

4.1 Unapproved Minutes

Minutes from the meeting held on 11 November 2021 were read for accuracy. Jane Christie Flight’s attendance was to be changed to reflect Membership of the Committee.

Karen Jones noted that on Page 1 reference was made to Karen from Grant Thornton; this will be amended to read Azets Audit Services Ltd.

The Committee, subject to the two amendments, were content to approve the Minute.

4.2 Action Log

The Committee noted that they were content with the Action-Log, noting those items which featured on the Agenda.

4.3 Matters Arising

None.

1. Effective

**5.1**  **Pharmacy Update**

The Committee were presented with an update from Colin Neil and Yvonne Semple.

Colin Neil advised of his recent attendance at a daily stock check, noting his approval of the processes that have been developed towards a perpetual stock count. Colin Neil added that the department’s process of counting partial, as well as full, packs goes beyond reconciliation measures he has experienced in other boards.

Yvonne Semple described departmental activity which has taken place, and which is anticipated, in responding to the three recommendations made in the July internal audit report.

1. Error Rates and Lessons Learned

Yvonne Semple reminded Members of her ambition since taking up post of Director of Pharmacy, to move to a perpetual stock check from the annual stock take. This would allow more timely investigation into discrepancies.

Yvonne Semple shared a summary table with high-level figures to show the progress that has been made. A mid-year stock check, agreed with finance, was undertaken in September. This was the first time that data had been pulled together for the perpetual stock check. There was a 34% discrepancy. There have been significant improvements made. At April-June 2021, the discrepancy was noted as 19%. This has been improved and maintained and from November 2021 – January 2022 it is noted as 15%.

Yvonne Semple noted that this has been maintained within high-value medicines also. At September, the discrepancy was 15.4%. Between April – June 2021 this had reduced to 4% and between November 2021 – January 2022 had reduced further to 3.9%. If there are any discrepancies within high-value medicines, the team investigate every single discrepancy to obtain a conclusion.

Yvonne Semple again noted a significant improvement in controlled drugs over the last few years since she has been in post. There is now a tighter control on legally required documentation. Yvonne Semple stated her opinion that the 1% discrepancy figure had been likely attributable to errors in documentation. On further investigation, this was resolved and in respect to statutorily controlled substances, the discrepancy figure is currently at 0%.

Yvonne Semple noted that high cost stock has been included in the perpetual stock check on a weekly basis. Low discrepancies have been maintained.

Yvonne Semple highlighted that the planned introduction of robotic technology to assist with the stock-take is targeted in large part at improving discrepancy figures. Yvonne Semple continues to develop the business case for introduction of robotic technology to the Department with the ambition to complete this within six months.

Yvonne Semple reminded the Committee that stock management is not simply about balancing figures, but is about ensuring the right medicine reaches the right patient at the right time.

Yvonne Semple reported on the way incidents involving medication are managed through Clinical Governance structures. Yvonne Semple noted improvements made in the operation of the sub group of the Drug and Therapeutic Committee. This focuses, as a matter of course, on incidents relating to medicines. The DTC is then able to carry out a much deeper dive should any themes emerge relating to these incidents, although no themes are evident to date. Yvonne Semple noted that the first detailed report is coming to the Medicines Improvement Group at its next meeting. Any errors that happen due to dispensing errors are fully investigated; staff are asked to fully reflect on their processes and ensure that they review SOPs.

Yvonne Semple noted that initial discussions with colleagues nationally indicate that a figure of 5% is a realistic discrepancy figure to target.

1. Gaps in SOPs and missing link to staff understanding and uptake

Yvonne Semple noted that significant progress has been made regarding the second recommendation on updating and developing departmental SOPs.

Yvonne Semple added that any identified departure from SOPs are discussed with the team member and improvements made where required.

Yvonne Semple confirmed that there is an induction programme (incorporating pharmacy departmental SOPS) for new staff. This is now implemented promoting consistency and standardisation of practice. Training logs for staff are also completed as a matter of course.

1. Process Improvement in Omnicell Cycle Counts

Yvonne Semple explained that this recommendation relates to the Omnicell electronic drug cabinets that are used at Ward level. Pharmacy carry out monthly stock checks of these to reconcile Omnicell cabinet figures with actual figures. SOPs have been developed for the use of Omnicell at Ward level over the last year. There is a new Omnicell user group which reports to the Medicines Improvement Group to guide further improvements with Omnicell use across the Organisation. Yvonne Semple stated Pharmacy would continue to prioritise this work and aim to make further improvements where possible. Yvonne Semple highlighted the importance of the robotics business case to the ambition to continue to make improvements in stock management.

Stephen McAllister noted that there is a greater level of assurance, relative to the Committee’s concerns in July 2021. He welcomed the context provided by Yvonne Semple’s report and presentation, and noted the volume of improvement work carried out and programmed.

Morag Brown also congratulated Yvonne Semple for the demonstrable improvements, and the assurance provided by her presentation

Colin Neil commended the work carried out, noting that continual performance, rather than one-off in response to an audit, was the ambition and being achieved.

Jann Gardner commended Yvonne Semple and the Pharmacy team on this important piece of work. Jann Gardner added that it is important to note that the Executive have supported the development of the team in regard to processes and governance. There is now a more robust approach on controls and checks on medicines.

Susan Douglas-Scott noted the increased level of assurance provided to the Committee by the update. She added that she is looking forward to seeing the robotics business case Susan Douglas-Scott asked Yvonne Semple to pass thanks to the team.

Karen Kelly added that she is looking forward to seeing the robotics business case as it is an exciting opportunity for Pharmacy.

Yvonne Semple added how welcome Colin Neil’s visit had been and how much that demonstrated to the team how important this piece of work was. The support of the Executive Team was highly valuable in assisting the development of the improvement work.

Jann Gardner noted the opportunities for further Executive Team assistance in improvement work, noting reduction of stock levels and optimisation of held stock as particularly important given anticipated growth and the opening of Phase.

The Committee noted the Pharmacy Update.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 220301/01 | **Robotics Business Case**  Business Case to be brought back to Committee in 6 months | CN/YS | New |

**5.2 Fraud Update and Partnership Update**

Karen Kelly noted that there was a Fraud Update at Board Seminar. One of the key things in this report is the new Partnership Agreement with NSS, which all boards have been asked to enter into.

Colin noted that the partnership agreement would be reviewed and welcomed comments from Members. Colin Neil stated that there are no cases under investigation at present.

An internal review had been carried out on eHealth purchase of items and trackable items. This identified that some items have not been tracked. Colin Neil noted that this demonstrates some weaknesses in recording processes. The matter has been added to the internal audit work plan. Colin Neil noted that NHS GJ are looking to purchase software at the beginning of the new financial year that allows tracking of all equipment and the frequency of use. This will increase audit identification of users going forward.

Karen Kelly added that there was an expectation that this area of review would result in an internal audit review. Karen Kelly noted that the internal audit plan is suitably flexible to respond to issues such as this.

Colin advised the Committee that an area for review had arisen regarding overtime payments for portering staff. This was highlighted as part of a recent grievance case. Colin advised that there are a number of staff who have worked over the working time directive, with support to clinical waste a large contributing factor. From a financial and health and wellbeing, and transparency perspective this raises concerns that require review of processes and that we would initiate an audit within portering with a view to rolling this out across other relevant areas within the Board.

Jann Gardner noted that the Executive Team are taking immediate action to give assurance on these points. Jann Gardner added that there are number of changes through the organisation as a result of this, and will review management structures and reporting lines for sign off. Jann Gardner highlighted to Committee that this point is for noting, and that it is anticipated that the matter will be considered at the Audit and Risk and Staff Governance & Person Centred Committees in due course.

The Committee were content to note the Report including the new Partnership Agreement with Counter Fraud Services.

**5.3 Hospital Expansion Project Update**

Karen Kelly noted that this update was presented in detail at the Board Seminar. The Committee had no comments to add.

The Committee were happy to note this Update.

* 1. **Board Risk Register**

The Committee were presented with the Board Risk Register. Colin Neil advised that he would like to highlight three particular areas to Committee. Added to the Register is a risk surrounding eHealth resources. Stuart Graham, Director of Digital Services, had been asked to undertake a review of the eHealth resource capacity. Stuart Graham had given an informed brief to all Committees, which was then discussed at Board. In terms of other risks, S17 has been maintained to the same level. Colin added that workforce challenges remain at their current level. The final risk which was highlighted is S12 EU Withdrawal, and it was proposed that this be removed from the Board Risk Register as it is considered adequately controlled via “business as usual” processes and review of monthly financial position.

Colin Neil asked the Committee to approve the changes.

Karen Kelly observed that the new risk on e-Health reflects the recent update from the Director of Digital Services. The EU Withdrawal has been mentioned a number of times, and she supported its removal. Karen Kelly recommended that the inflation risk be considered further at the next Finance and Performance Committee meeting.

Committee content to note the suggested changes to the Risk Register.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 220301/03 | Risk Register – S12 EU Withdrawal to be removed from Risk Register. | CN | New  Actioned / Complete |

**5.5 National Fraud Initiative**

Colin Neil gave a verbal update on the NFI Initiative. Gordon Young had attended Board Seminar, and had indicated that the update on the work of the Initiative was still awaited, with a publication date of early March a possibility. Colin Neil’s intention would be to circulate that to Members in advance of any Audit and Risk Committee. Karen Kelly supported that approach.

Karen Jones added that they had submitted an NFI questionnaire to Audit Scotland which summarises the Board’s participation in the NFI process. This information will inform Audit Scotland’s National Report on the NFI, which is due to be published in summer 2022.

The Committee noted the NFI Update.

**5.6 Cyber Security/NIS Audit Update**

Colin Neil welcomed Cara Archibald and George Irvine from Scottish Government to the meeting, and asked them to present the national position in regard to cyber-security and the NIS Audit.

Sharon Stott gave the Committee an update on the current cyber security situation, starting with the NIS directive audit. The final audit report had been received and circulated to Members. The report includes the compliance score of 44%, an increase of 1% from the interim report from early 2021. Whilst it was disappointing to note such a limited increase given the efforts and practice adopted, it was stated that this was reflective of other HB experiences. Focus is now on activity required before a review in October 2022. Sharon Stott advised that e-Health are currently collating and categorising the findings from the review and the final report. These are broken down into 3 specific areas, Technical, Process and Culture & Organisational Development. An action plan is being developed for each of those three categories. This should be complete by March 2022.

Finally, in relation to the NIS Directive, the report received by e-Health at the end of 2021 from the Network Penetration Test will be linked to the report to allow prioritisation against risk.

Sharon Stott added that the report highlighted some areas of challenge regarding resource and this has been broken down into two key specific areas, staffing and technology gaps. It has been agreed in principle to increase eHealth resource in key areas in cyber operations and compliance, governance and process management and operational support in infrastructure and applications.

There is a large capital programme within eHealth, which has focus on the NIS Identified Technology Gaps. Replacement of outdated equipment (core network), and increased capacity for monitoring and response software tools which allow log events such asbreaches or suspicious behaviours (brute force or password attach for instance) on a 24/7 basis. Further areas of improvement being analysed are remote worker support tools, which allow end-to-end diagnostic and security analysis to the point of home broadband. Improvements in perimeter security, business continuity services and business continuity for core network services were also being explored.

Karen Kelly thanked Sharon Stott for the update and welcomed Cara Archibald and George Irvine of Counter Fraud, NHS National Services Scotland.

Cara Archibald noted that 2020 was the first year in which full audits of all NHS Scotland health boards had taken place. Public Health Scotland have their first audit this year. In 2021 a National Audit report had been created considering data from the first set of audits. The average compliance level for NHS Scotland was 49%. This year the independent organisation carrying out the cyber security audits is considering risk exposure, rather than compliance, to provide a different view point of actions required.

Black/red risks remain key priorities in improving future compliance. A further national report, capturing improvements made since the initial report, is being prepared. This report should be issued by the Cabinet Secretary in March 2022.

Cara Archibald noted to Committee that she would be happy to present again once the national report is published. Karen Kelly thanked Cara Archibald and George Irvine and noted that it would be helpful for them to return to a further meeting as suggested.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 220301/04 | Cara Archibald and George Irvine to be invited to present the National Report, once published, to the Committee. | CN | New |

**5.7 SFI Update**

Karen Kelly highlighted the collection of papers that make up the Standing Financial Instructions. These instructions were before the Committee for review and approval.

Section 10 Payment of Staff

Section 12 Procurement

Section 13 Stores and Receipt of Goods

Section 18 Endowments

The Committee reviewed and approved the revised SFIs.

**5.8** **Conflict of Interest Policy**

Lily Bryson provided a verbal update to the Committee, noting that a Once for Scotland revision of the Conflict of Interest Policy remained awaited. . Lily Bryson advised that she would update the Committee on development in this area at a future Committee.

The Committee noted this and looked forward to receiving update.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 220301/05 | Lily Bryson to bring an update on the Conflict of Interest Policy to the June Committee. | LB | New  June 22 |

**5.9 Assurance Mapping**

Colin Neil noted that Assurance mapping had been a required area of focus since before the Pandemic. Gerard Gardiner has conducted some research into various national approaches to assurance mapping. Colin Neil’s aspiration is to progress this through Executives with an update brought to a future Committee meeting.

Gerard Gardiner advised that discussion has taken place regarding the creation of a Short Life Working Group to draft an Assurance Framework that can then be considered at a future Committee meeting. There a number of examples from other Boards from which learning can be taken, and a forthcoming Board Seminar on active governance which relates to assurance mapping.

Karen Kelly thanked Colin Neil and Gerard Gardiner for update and look forward to receiving update in due course.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 220301/06 | Update on development of the Assurance Framework to be brought to Committee meeting in June. | CN/GG | New |

**6 Auditor Reports**

**6.1 Internal Audit Progress Report**

Karen Kelly noted the three internal audit reports before the meeting: IT, Workforce and Follow Up Report.

Peter Clark, Public Sector Internal Director for Grant Thornton, was introduced to the meeting by Karen Kelly. Peter Clark advised he works alongside Jamie Fraser and Joanne Brown.

There have been three Audit reports completed since the last Audit and Risk Committee i.e. the Workforce plan, IT controls and the financial controls. Peter Clark advised that financial controls would be brought to the next Committee meeting.

Peter Clark noted that Grant Thornton have a planned review of IT procurement during COVID 19, scoping is underway for this. There is also an additional audit being scoped focusing on overtime processes.

**IT Control Audit**

This report concerned the IT Controls following on from the interim audit. It focussed specifically on management’s action plan and implementation of control improvements to address the gaps identified within the audit. The report overall provided partial assurance. There was one medium rated finding, one low rating, of which both were known by management. Grant Thornton have tailored the recommendations to assist resolution of known issues.

Colin Neil added that these points are reasonable. The management response that has been put in place by the Digital Services Director relates to the discussion on the NIS Audit itself and also links to the Risk Register.

Karen Kelly asked if the Committee were content with the Management responses. This was confirmed.

Susan Douglas-Scott noted the connection between previous discussions on cyber security and the updates from Sharon Stott.

**Workforce Planning**

Jamie Fraser noted that this report was built on previous audit work undertaken in financial year 2020/21. Jamie Fraser highlighted that NHS GJ is still awaiting guidance from Scottish Government on development of a 3-year workforce plan. The report looked at current arrangements and how the Organisation is working towards the guidance that will come from SG. Three medium recommendations follow this fieldwork.

The first recommendation is for the Organisation to collate all documents covering workforce into a single document. Grant Thornton are aware that this will be in place over the next few months.

The second recommendation is to ensure this collated document is tracked with actions, owners, dates and rag status.

The third recommendation is that a working group be established for workforce planning, with consideration given to establishment of other groups. This is to ensure that, at a strategic level, these feed into the main group to provide assurance.

Karen Kelly added that these recommendations align with the risk rating for workforce issues, and reflect discussions on workforce development in other Committees.

Colin Neil advised that he had discussions with the Director of Human Resources, who has provided the management response concerning each of the recommendations. Colin Neil noted that Committee had requested an audit of workforce planning to provide assurance that the Board’s ambitions, particularly regarding staffing requirements for the Phase 2 expansion, were being adequately resourced and prioritised.

The Committee noted the Report and the Management Responses.

**Follow Up report**

Jamie Fraser noted that there were 12 outstanding actions from the previous Committee. Management has now closed three of these, six were not due for implementation, three related to the Pharmacy Audit, as discussed by Yvonne Semple. Three were raised in the Audit report that was presented on the medical equipment review and three of the actions relating to financial planning and risk management have been given revised dates. These have a low risk rating and will continue to be followed up at subsequent Committees.

The Committee noted the Follow Up Report.

**6.2 Internal Audit – Draft Plan for 2022/23**

Peter Clark advised the Committee that following discussions with the management team there were eight planned reviews proposed for 2022/23 at this stage, which included a review of risk management. That is an increase on the previous number of reviews carried out on an annual basis. Peter Clark noted that two risks from the top 5 that have not been covered by internal audit activity in the last few years. Waiting time management and national reporting of clinical data, and a further risk in the top 10, Healthcare associated infections, had not been reviewed previously. Grant Thornton were therefore intent on covering those as part of the risk management review. Given the higher number of reviews, there are a lower number of contingency days. This may require review as the year progresses.

Colin Neil added that the draft plans built on activity in previous years. Colin Neil noted that audits of NHS Scotland Academy would be discussed at a subsequent committee. This would require alignment with NES. Colin Neil advised of the need to avoid duplication of effort, balanced with the requirement to ensure visibility by each Audit and Risk Committee into ongoing Academy audits.

The Committee noted the Internal Audit Draft Plan.

**6.3 Audit Scotland Reports – Update**

Lily Bryson presented the Audit Scotland reports that have been published since the last Committee. Lily Bryson noted the Social Care Briefing prepared in January as relevant to the Board’s activities. Lily Bryson undertook to bring back the detail of this to the next Committee meeting.

The Annual Reports for all Scottish Boards were published in January, and had been laid before Parliament. Lily Bryson added that if Members would like copies of the 22 copies of the audited account for every Board, these could be provided.

Karen Kelly thanked Lily Bryson for the updates and noted it was helpful to have a summary of Audit Scotland activity.

The Committee noted the Audit Scotland Reports update.

**6.4 External Audit**

Karen Kelly advised the Committee that there is a paper on the external audit plan and asked Nick Bennett, the new Auditor, to present this. Nick Bennett introduced himself to the Committee and advised he had taken over as Engagement Lead for 2021/22 Audit.

Nick Bennett noted the external audit plan for 2021/22. Nick Bennett advised that this covers the responsibilities under ISAs and is a report to those charged with governance i.e. the Audit Committee. Nick Bennett explained that it is based on the code of audit of practice and the wider scope of audit responsibilities. Nick Bennett drew attention to Pages 21 – 24 of the report, which highlights the significant risks which affect the external audit this year. Management override and revenue recognition are standard risks, which are looked at for all NHS bodies on all external audits. Nick Bennett highlighted a specific risks in relation to asset valuations. Nick Bennett reminded the Committee that the prior year’s audit contained a material uncertainty regarding the hotel valuation. This also requires focused attention this year. It was hoped that qualification of the value would be removed. Nick Bennett advised that medical and clinical negligence provisions were the two other significant risks. Finally, Nick Bennett drew attention to the proposed timetable, with the deadline for submission of Audited Accounts to Audit Scotland being the end of August. An end of June sign off has been targeted and agreed with Colin Neil and Lily Bryson.

Karen Kelly noted her support for working to an earlier timescale if this could be achieved.

The Committee noted the coverage for External Audit and noted the Statement of Understanding, included in the paper.

**7. Any Other Competent Business**

No other business noted.

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

The next meeting is scheduled for Wednesday 20 April 2022 at 14:00.