##### Approved Minutes

**Audit and Risk Committee Meeting**

**Thursday 16 June 2022 at 13:30**

### Present

Karen Kelly Non-Executive Director (Chair)

Morag Brown Non-Executive Director

Stephen McAllister Non-Executive Director

Jane Christie-Flight Employee Director

Jann Gardner Chief Executive

Colin Neil Director of Finance

**In attendance**

Gerard Gardiner Head of Corporate Governance

Susan Douglas-Scott Board Chair

Lily Bryson Assistant Director of Finance, Governance and
 Financial Accounting

Peter Clark Grant Thornton UK LLP

Jamie Fraser Grant Thornton UK LLP

Rachel King Grant Thornton UK LLP

Karen Jones Azets Audit Services

Graham Stewart Deputy Director of Finance

Stuart Graham Director of Digital & eHealth

Nick Bennet Azets Audit Services (until 2pm)

**Agenda item 5.4**

Sharon Stott Information Governance Manager

**Agenda item 5.5**

Sharon Stott Information Governance Manager

Stuart Graham Digital Services Director

**Apologies**

Nicki Hamer Deputy Head of Corporate Governance

**Minutes**

Maeve Coleman Corporate Administrator

1. Chair’s Introductory Remarks

Karen Kelly opened the meeting via Microsoft Teams and welcomed Members and those in attendance. The importance of the meeting, reviewing the accumulation of activity over last financial year in advance of submission to the board was noted.

1. Apologies

Apologies were noted, Nick Bennet, Azets Audit Services had to leave meeting at 2pm. It was noted that Karen Jones would remain in attendance and available to address points required from the Board’s external auditors, Azets Audit Services.

1. **Declaration of Interests**

There were no declarations of interests to note.

1. **Updates from last meeting 20 April 2022**

4.1 Unapproved Minutes

Minutes from the meeting held on 20 April 2022 were read for accuracy.

The Committee were content to approve the Minute.

4.2 Action Log

The Committee noted that they were content with the Action Log, items marked as closed were formally closed off by the Committee.

4.3 Matters Arising

 None.

1. Effective

**5.1**  **Fraud Update**

Lily Bryson confirmed the Counter Fraud Services Report 2021/2022 had been finalised and shared with the committee.

The Committee noted the Counter Fraud Services Report 2021/2022.

**5.2 Hospital Expansion Project Update**

Colin Neil presented the Hospital Expansion Project Update and noted key milestones from the paper. Progress continues with the assurance review currently underway in line with the Assurance Review Action Plan issued by NHS Scotland Assure. Capital spend at year end was noted as £26.9m which was fully agreed with Scottish Government. Development works were noted as progressing, with Colin Neil emphasising the breakthroughs from the main hospital building to the new Phase 2 extension. Colin Neil emphasised the close ongoing engagement with all parties involved to ensure minimal distribution for all staff and patients.

The Committee noted the Hospital Expansion Project Update and were satisfied with progress to date.

**5.3 Board Risk Register**

 **Refreshed for 2022/23.**

Karen Kelly noted the Board Corporate Risk Register had been updated to reflect agreed changes and was now with this committee to consider and approve the refreshed approach.

Colin Neil outlined the requirement for updates based on recent changes, these include both system wide and NHS GJ specific developments. The revised version included improved presentation of risk categories and additional organisational risk areas. The BCRR was being considered as part of the year-end risk and assurance review process at various committees, including Audit & Risk Committee and if approved by the committees will be submitted to NHS GJ Board on 28th July for formal approval.

Colin Neil requested the Committee consider the following additions:

1. LIMS Replacement Laboratory Information Management System. A new system has been purchased across NHS Scotland, however rollout of this new system does not align with end of current provider’s contract who may withdraw the right to use their system at that date, 31st March 2023. If this occurs NHS GJ is at risk due to this gap in provision. There are six Boards affected by this across Scotland, all of which have formed a working group to identify solutions. Stuart Graham is represented on this group. There is ongoing dialogue with the incumbent supplier to explore if any extensions can be made. Weekly updates are being provided to the Executive Director Group.
2. Cyber/Governance – use of unsupported systems. Guidance is being drafted and communications will be disseminated to all staff. This will be incorporated into eHealth current risks.
3. Recruitment and Retention Executive Cohort – the Remuneration Committee requested the Audit & Risk Committee explore the risk of not being able to recruit to and subsequently retain in post staff relating to senior positions. The Committee was asked to note that NHS GJ may be placed at a competitive disadvantage relative to other boards in Scotland and further afield. Proposed Agenda for Change variations may have potential to further narrow the gap between Agenda for Change grades and Executive Director’s salary scales. Overlap in relation to certain senior posts is already evident.

The Committee were asked to support exploration of inclusion of all three risks on the corporate risk register.

In regard to remuneration risk, it was noted that this risk arose due to a number of issues, including, a perceived disparity of assessment process across equivalent posts in other NHS boards. The reputational and operational risk to the organisation may disadvantage NHS GJ relative to other Boards and in the wider labour market. The NHS GJ is currently trying to rebuild post Covid and any impact on Senior / Executive roles will have negative outcomes for the organisation.

The Committee noted the intention of the of the Chair of the Board of NHS GJ to write to the Scottish Government outlining concerns and risks of NHS GJ demonstrated by recent job-evaluation processes.

The committee supported the new refreshed Risk Register and the exploration of inclusion of the three risks referred to in the Corporate Risk Register.

* 1. **Information Governance Annual Report 2021/22**

Stuart Graham and Sharon Stott attended the meeting to present the Committee with the Information Governance Annual Report 2021/2022.

Sharon Stott briefed the committee on key elements of the report;

* Datix incidents; a total of 22 incidents reported of which 1 was categorised as major. This major incident, in January 2022, was in relation to a major power outage following routine maintenance of a generating unit which impacted the main IT server. This resulted in a hard shutdown across all IT systems in the hospital. The IT systems took 4 days to recover with considerable impact to accessing patient data during that period. This was a reportable incident to the competent authority. Assurance was provided a fix has been applied to the unit with plan of works to replace the generating unit in near future.
* NIS Directive and Audit; the first audit report received in December 2021 identified the Boards compliance at 43%. This is due to undergo a review in October 2022 and next full audit is scheduled for 2023. The Board’s NIS leads have developed a NIS Directive Actions and Compliance tracker in response.
* New Scottish Government Cyber Resilience Framework (CRF) is now in place within the Board. The CRF is to streamline processes and ensure consistency across public authorities. It is aligned to UK GDPR and the Network and Information Systems (NIS) Directive and other standards.
* Public Records Scotland Act 2011. The Board’s Records Management Plan (RMP) was submitted and approved on April 2017 and have been submitting yearly progress reviews. This has allowed NHSGJ to assure the Keeper of the Registers of Scotland that NHS GJ is attending to its commitments. The next Progress Update Review is due to be submitted by 30th June 2022.
* MS 365. The Board continues to participate with the “Once for Scotland” approach with all information governance disciplines involved in the risk assessing and approval process.
* NHS Scotland Academy partnership between NHS GJ and NHS Education for Scotland. The Information Governance teams at each Board have been working collaboratively to support partnership working within the NHS Scotland Academy ensuring compliance with various legislative requirements. A process is embedded to manage requests received by the Academy under FOI to ensure a smooth process for the requester.
* Mandatory training. The current rate of 84% is slightly below target rate of 90% but this is continuing to receive a very proactive approach from management.
* Information Asset Training. Training focusing on information asset management and best practice continues to be arranged to occur approximately every 8 weeks.

Resource. Approval has recently be received for 3 additional posts; Cyber security compliance, Business continuity, support and change management, and Incident and risk management. It is hoped to fill these posts shortly. The Chair thanked Sharon Stott for her report and noted it demonstrates a good summary of work done over the year, assisting the Committee with fulfilling its assurance responsibilities.

Committee noted the Information Governance Annual Report 2021/22.

**5.5 NIS Audit & Cyber Update**

Stuart Graham provided an update to the committee. This was a routine update provided at each committee meeting.

Stuart advised the Committee of SG’s categorisation and compliance target which is 60% and noted NHS GJ’s Board’s score of 43%. He advised the Board’s NIS Tracker is focusing on the highest risks and gaps have been identified in terms of evidence being presented to the auditor. This may have contributed to the Board’s score being artificially low and he advised the Board’s self-assessment resulted in a score of 47.5%. Stuart advised the lack of dedicated cyber security roles within the Board contributed to this low score and these vacancies are now being actively recruited to. There are further developments scheduled including capital investment in additional systems and a new IT services desk product, due to launch shortly, which will improve operations. Stuart Graham anticipated these measures would assist the Board in meeting the target score of 60% in October, which is the next review date.

The Committee thanked Stuart Graham and Sharon Stott for their updates.

**5.6 Audit Scotland Reports**

Committee noted there were no new reports published and 2022 reports are available on Audit Scotland website for reference.

**5.7 SFIs**

Lily Bryson confirmed two Standing Financial Instructions remain outstanding and requested the Committee’s approval. Lily Bryson advised;

* SFI 15 has been updated and renamed “Financial Information Management” reference Appendix 15A,
* SFI 21 “Fraud, Losses and Other Legal Claims” has been renamed and updated to ensure its relevance in the current financial environment.

The Committee approved the Standing Financial Instructions ahead of the consolidated report for approval at the meeting in June 2022.

**5.8** **Audit & Risk Committee Annual Report**

The final version of the Audit & Risk Committee Annual Report was noted with confirmation that this was an accurate record of the Committee’s business for financial year 2021/22.

The Committee noted the Audit & Risk Annual Report.

**5.9 Statement of Assurance**

The Committee approved the Statement of Assurance for issuance to the Board of NHS GJ as part of its year-end reporting processes..

**5.10 Endowments Annual Report and Accounts**

Colin Neil advised that the Endowments Sub-committee of the Charity had met on 16 June and approved its annual report and accounts for onward submission to the Board of Trustees on 30 June. The Independent Audit report contained an unqualified opinion and noted the financial statements had been prepared in accordance with due practice and regulations. No material uncertainties were revealed, it was a positive and clean report and comprises a consolidated set of accounts going forward.

 The Committee noted the Endowments Annual Report and Accounts.

**5.11 Service Audit Report**

Lily Bryson advised the Board has received two assurance papers in the form of service audits and requested the Committee note these. The first is a financial services controls audit undertaken on behalf of all NHS Boards in Scotland, and overseen by NHS Ayrshire and Arran, this is a clean report with no recommendations or points of note. The second is a Financial Services Control audit report prepared in accordance with the International Standard on Assurance Engagement.

The Committee noted the Service Audit Reports.

**5.12 Annual Report and Accounts**

Colin Neil briefed the Committee regarding the Annual Report and Accounts, prepared within the relevant accounting policies, noting these would be submitted to the meeting of the Board of NHS Golden Jubilee on30th June 2022.

He advised the committee on the following;

* External auditors have issued an unqualified audit opinion including for endowment accounts.
* The Board has achieved all statutory financial targets.
* The Chief Executive confirmed approval of the governance statement, on pages 32-41, which sets out the review and adequacy of effectiveness of the Board’s internal controls.
* The report shows an overview of activities and KPIs including activity reported through 2021-2022.
* Governance statements are in place for each Governance Committee.
* The Audit opinion provides assurance to Committee members, and approval of the Annual Report is sought.

Colin Neil recommended the Committee approve the annual report and accounts.

Jann Gardner thanked Colin neil and his team for the report.

The Chair passed on thanks to everyone involved in the preparation of the annual report and accounts on behalf of the Committee.

The Committee agreed the Accounts for submission to Board for approval.

**6 Auditor Reports**

Peter Clark, Grant Thornton UK LLP presented the Auditor Reports. Among other matters reflected in the Report, Peter Clark confirmed that the review of IT Equipment is under way and is progressing well.

Peter Clark confirmed that the report of Grant Thornton UK LLP would be submitted as part of the consideration of the Annual Accounts and Financial Statements by the Board of NHS Golden Jubilee at its meeting on 30th June 2022.

The Chair noted she had met privately with both internal and external auditors and no matters were raised beyond those reported in the annual reports.

The Committee noted the Auditor Reports.

**6.1 Internal Audit Progress Report**

Jamie Fraser from Grant Thornton UK LLP presented the Internal Audit Progress Report.

**6.1a Progress Report**

Peter Clark advised on the completion of two reports, Overtime and Procurement with the 2021/2022 audit plan now complete. 2022/2023 scoping is underway with five reviews scheduled.

**6.1b Overtime**

Rachel King, Grant Thornton UK LLP advised the Committee on this review which was requested by the Executive Team. The objective of this audit was to evaluate the adequacy of internal controls in place around Overtime. Rachel outlined the recommendations;

1. An organisation wide Overtime Policy should be created.
2. Working Time Regulations Opt-Out Form - Each department should ensure that for staff working over the 48 hour rule they have signed the opt-out form.
3. Management should issue an organisation wide communication to encourage all departments to ensure compliance with the standard financial instructions agreed in March 2022.

Colin Neil confirmed there is now regular reporting in place within departments to monitor and ensure compliance. The Committee were advised that each Executive Director has written to the Chief Executive providing assurance that actions have been undertaken in each department to address this issue.

Jann Gardner reminded the Committee that the internal audit work in this area had been commissioned by the Executive Team. It had been recognised as an area where improvement work was likely to be required. Jann Gardner thanked the auditors for their report and recommendations, which she anticipated would strengthen the organisation’s resilience in ensuring that overtime is used proportionately and in line with other organisational policies.

Karen Kelly noted management’s responses are supportive of the recommendations.

The Audit report and management responses contained were noted by the Committee.

**6.1c IT Procurement**

Rachel King, Grant Thornton UK LLP advised the Committee that the review had been undertaken at management request. The review examined the IT Procurement process during the period of the Covid-19 pandemic. Rachel King advised there was one recommendation arising from this review which was that all IT equipment should be tagged and its location recorded immediately on receipt within the hospital.

Colin Neil advised management’s response that this was a known area of weakness which was amplified during the pandemic period. The speed at which equipment was requested and assigned, in order to ensure staff could work from home, was unprecedented. Colin Neil assured the Committee a new process between stores and eHealth has been implemented as well as additional eHealth staff tasked with ensuring compliance with this going forward.

The Audit report and management responses contained were noted by the Committee.

**6.1d Follow-up**

Peter Clark, Grant Thornton UK LLP provided a brief summary of progress against the actions raised. There were 21 actions outstanding of which 1 is closed, 4 have revised dates and 16 not yet due. None of these actions are high rated actions.

**6.1e Annual report**

Peter Clark, Grant Thornton UK LLP informed the Committee that the Annual report was based on the scope of reviews undertaken and the sample tests completed during the period 1 April 2021 to 31 March 2022. The Report concluded that partial assurance with improvement required could be provided on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

There were 6 finalised reviews which raised a total of 19 recommendations, all of which were accepted by management. Of the 19 recommendations, 10 were medium priority and 9 were low recommendations with no advisory recommendations raised in the year.

Peter Clark advised the group some areas examined were at the request of management who were very supportive throughout the year. The rating is not in any way an indication of concern.

Colin Neil advised the Committee that the Executive Team welcomed this report and its recommendations. Colin Neil noted that some of the areas examined had been chosen for a deep dive internal review to derive added value from consideration of areas where improvement work was anticipated.

Jann Gardner noted her appreciation for the open culture across the Board, management and the auditors which is essential for development of the organisation. She expressed her thanks to the management team for their work throughout the year and also her thanks to the audit team for their open collaborative approach to their work.

Morag Brown expressed her gratitude to the Board and staff for maintaining excellent standards across two of the most challenging years ever faced by the NHS.

The Committee noted the Internal Audit Annual Report and opinion.

Karen Kelly thanked Peter Clark and his team for all their work done with NHS GJ over the last year.

**6.2 External Audit Annual Report**

Karen Jones, Azets attended the meeting to present the External Audit Annual Report.

Karen Jones introduced the Annual Report noting NHS GH only received the report the day before this Committee meeting.

Karen noted the following key elements of the report to the Committee;

* Financial Statement Audit – provision of an unqualified audit opinion.
* Audit Adjustments - The Board had appropriate administrative processes in place to prepare the annual report and accounts and the required supporting working papers.
* Accounting systems and internal controls - no material weaknesses or significant deficiencies were noted.

Karen Jones noted wider scoped audits include more than financial statements, collectively this gives an overall assessment on the Board’s best value principles. Karen Jones explained that The Board was likely to continue to face challenges over the next 3 years in achieving a balanced financial position while contributing to the ongoing NHS Scotland health recovery agenda.

Colin Neil noted the out-turn position for the Board with all financial targets met, as reflected in this report, confirming good financial management.

Governance and Transparency – Karen Jones noted governance arrangements at the Board were satisfactory and appropriate. However, there is expected to be a period of change with executive members over the coming months with a possible loss of skills and experience. It was noted that the Chief Executive has put arrangements in place to mitigate any risks during this interim period.

Value for money – the report confirmed the Board has appropriate performance management processes in place to support the achievement of value for money and the Board has continued to demonstrate its support to the overall NHS Scotland Recovery Plan.

The report noted there may be ongoing financial and delivery risks in relation to the progression of initiatives such as NHS Academy and CfSD but these are being monitored well by the Board.

It was noted the Annual Report will be fully complete and presented to the Board on 30 June.

Karen Jones thanked both the Committee and the Board for their ongoing support during the year. Karen Jones noted that this was Azets last scheduled year to audit NHS Golden Jubilee due to a change of auditors and she advised Azets will ensure a smooth handover of their experience and knowledge to support a seamless transition to new auditors.

Discussion followed with the following noted;

The Chair thanked Karen Jones and her team at Azets for their help with audits over the last three years.

Colin Neil also noted his appreciation to the auditors and their importance to the organisation and also Lily Bryson and her team for setting out the accounts for the report.

The Committee noted the External Audit Report.

**Letter of Representation**

The Committee considered the Letter of Representation, which contained statements from the Accountable Officer confirming that NHS Golden Jubilee had discharged its statutory obligations in the preparation of the annual accounts. Colin Neil explained that this would, if approved, be issued by the Accountable Officer as part of the process of concluding the Board’s annual accounts.

*Karen Jones, Peter Clark, Rachel King and Jamie Fraser left the meeting.*

**7. Any Other Competent Business**

**7.1 Item for Private Session**

Tender for Internal Audit Contract

Colin Neil briefed the Committee on a paper setting out proposed options for a tender for a replacement Internal Audit Contract. The current Internal Audit contract expires on 4th May 2023. Therefore the Board need to embark on a new tender process. The proposed options were set out in the paper shared, with it noted in terms of the preferred option that NHS GGC would take the lead on a collaborative procurement exercise on behalf of a number of Boards to ensure best value. The specifics of the tender were anticipated to be agreed by mid-June with a view to issue the tender in August/September which will ensure appropriate handover from current auditors. Colin Neil briefed the Committee on the benefits, as a result of economies of scale, of working in collaboration on this tender with neighbouring Boards as opposed to on a stand-alone basis.

Colin Neil sought the Committee’s approval to undertake this tender process in conjunction with the other Boards and ensure the process is in place and ready to go in November 2023.

The Committee approved the proposal for tender for Internal Audit Contract.

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

The next meeting was noted as being scheduled for Tuesday 8 November 2022 at 10am.