##### Approved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 12 June 2018 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Karen Kelly (KK) Chair of Audit and Risk Committee

Kay Harriman (KH) Non Executive Director

Phil Cox (PC) Non Executive Director

**In attendance**

Jill Young (JY) Chief Executive  
Julie Carter (JC) Director of Finance  
Lily Bryson (LB) Assistant Director of Finance  
Chris Brown (CB) Partner, Scott-Moncrieff   
Karen Jones (KJ) Director, Scott-Moncrieff  
Margaret Kerr (MK) Director, Pricewaterhouse Coopers)  
Joanne Brown (JB) Director, Grant Thornton  
Laura Langan-Riach (LLR) Head of Clinical Governance (Chief Risk Officer) Robin McNaught (RM) Interim Director of Finance  
Susan Douglas-Scott (SDS) Chair of the Board  
  
**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   KK welcomed everyone to the meeting and introduced:

* Joanne Brown from Grant Thornton, recently appointed internal auditors for the Board.
* Chris Brown and Karen Jones from Scott-Moncrieff, the Boards external auditors.
* Susan Douglas-Scott, Chair of the Board who was in attendance.

KK noted a change in the running order of the agenda as item 6.6 will now be taken under AOB.  
  
KK reminded members that when the meeting closed members were invited to stay on to undertake the Audit Self Assessment tool.

1. Apologies  
   There were no apologies to note.
2. **Declaration of Interests**There were no declarations of interest to note.  
     
   KH wished to highlight a risk in regard to the volume of papers presented for reading today, there are 558 pages and she advised that she cannot do her job correctly considering the amount of information presented and amount of time given to read the papers and suggested, maybe a longer period was required to study and read the papers, the papers/reports are shortened and/or the papers are circulated earlier than one week before the meeting.  
   JC took on board KH comments stating this had been discussed before and it was agreed to include a clear instruction in the cover paper as to what members are being asked to do and suggested that reports could be summarised.  
   KK stated the above points regarding length and volume of papers would be considered.  
   SDS added that this was a major criticism to come out of the NHS Tayside report.  
     
   JY suggested that there could be two files one with summarised version of paper and another containing the full reports that members can read if they wish/need further information. This was part of a later discussion
3. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 24 April 2018 were endorsed and approved by members. The approved minutes will be presented to the next Board meeting.

1. **Matters Arising**  
   An update on outstanding actions was provided with full details recorded in the action log.
2. **Safe**

**6.2 Board Risk Register**LLR presented the board risk register advising that the register has been reviewed by Senior Management Team and Strategic Risk Committee and all changes agreed are highlighted in the cover paper being presented today.  
  
Members noted and approved changes to the Board Risk Register

**6.3 Enterprise Risk Update**LLR invited the committee to note the update on enterprise risk work being undertaken advising that Horizon Scanning is a standing item on the Strategic Risk Committee meeting and an executive workshop on Horizon Scanning was scheduled for the 4 June 2018 dedicated to allow further exploration, however, the workshop had to be rescheduled and is being prioritised to take place over the next few months. The outcome of this work will be brought back to the Audit and Risk Committee.

JC also advised we will be working with JB from Grant Thornton to review our Board risk register at the Board workshop in September. JB will assist in facilitating this workshop.  
  
Members noted the update on Enterprise Risk Management approach.

**6.4 Endowments Sub Committee Annual Report – final**PC advised members this report had been approved at the previous Endowment Sub Committee meeting and it was recommended that Audit and Risk Committee members endorsed it before being presented to the Board.  
  
Members were content to endorse the final Endowments Sub Committee Annual Report.

**6.5 Audit and Risk Committee Annual Report –final**

KK advised members that the final report has been updated following the previous meeting and invited members to approve the report before being submitted to the Board.  
  
Members approved the final Audit and Risk Committee Annual Report.

1. **Effective**

**7.1 Internal Audit – Progress Report**MK advised the committee that all work in the audit plan for 2017/18 has been concluded with the completion of the final review on Risk Management.

Overall the Risk Management review was rated medium risk and audit found that whilst robust procedures were in place, percolating down through the organisation they found at local level thoroughness was not as you would expect, therefore audit recommend that improved understanding and controls need to filter up appropriately. Management have accepted all recommendations and an action plan has been put in place to address these.

KH asked for detail of the actions as a result of this review. LLR advised that a piece of work is underway to ensure there is proper understanding of managing risks and she will bring back a detailed action and progress plan to this committee. LLR commented that the audit on risk management came at the right time and has been helpful with the preparation work. JC added that actions around developing suitable training for risk holders will be undertaken board wide.  
  
All other reports undertaken throughout the year have been presented to previous committee meetings.  
  
Members were content to note the internal audit progress report.

**7.2 Internal Audit – Annual Report**

MK advised members that the internal audit annual report reflects all work undertaken throughout the year and audit are satisfied to allow an audit opinion of ‘generally satisfactory with some improvements required’   
  
The audit plan is designed in accordance with audit methodology to cover all risk based aspects and audit identified throughout the year medium and low risks which is a common category, MK advised that there are no weaknesses in particular that she would ask the Board to highlight in our Governance Statement.  
  
Reflecting on audit actions still to be followed up, MK noted that some are quite old and she asked if the committee are comfortable to move these on; there are two outstanding actions and one ongoing action.  
KK asked JC what her view was on this. JC suggested it should be decided at SMT as the action progress tracker was presented at this forum; therefore they should take a decision on; is it absolutely critical or is it a risk we tolerate. JC noted that now actions are being tracked there has been a positive change in actions being progressed timely.  
KK clarified that outcome of outstanding actions will come back to ARC once SMT have made decision on outstanding actions to give audit assurance.  
**Action: JC/LB to present audit progress tracker to SMT for decision to be made on outstanding actions.**   
  
KK thanked MK, PwC management and her team on the work undertaken by PwC on behalf of the Golden Jubilee Foundation and conveyed best wishes.  
MK responded passing on her thanks to the committee and left the meeting.

* 1. **Internal Audit – Annual Plan**JB introduced the internal audit plan 2018/19 advising members that she was delighted to be working with the Golden Jubilee.

This is an indicative 3 year strategic internal audit plan for Audit and Risk Committee discussion and approval. The report being presented is the outcome of a meeting held with KK, JC and LB where they considered the work internal audit have carried out in past years. Also at the meeting the risk register and scorecard were reviewed and reviews added in based on this information, however if members wished to add anything JB is happy to take comments.  
  
JB directed members to page 6 which outlines areas over three period that audit will review, there are a number of reviews planned and audit will do a sense check of what reports will fall into quarter 1 and quarter 2 to coincide with Audit and Risk Committee meeting dates. 94 planned days have been allocated for the reviews.   
  
JB stated she was happy to take any questions from members.  
  
KH asked for point of clarity what reviews would fall under Hotel finance.  
JC responded cash handling would be in this category and also a stock issue review may be resurrected.  
KH suggested credit card management would also come under finance within Hotel review. JC agreed and JB noted these comments.  
  
Members were content to note and approve the Internal Audit Annual Plan.

* 1. **Internal Audit – Progress Tracker**

Audit and Risk Committee membersare askedto note the progress on implementation of internal audit recommendations from reports issued in 2016/17 and 2017/18. LB informed members it is proposed that a number of completed actions be removed from the report and external audit and Audit Scotland recommendations will be added.

LB advised that a dashboard reporting system has been developed that allows members to identify recommendations that are progressing at a glance and advised that this could be issued as a main paper with the rest of the report as an appendix.  
  
KH asked if there was anything in particular that members should focus on given this is an extremely lengthy report. JY stated there was nothing significant to note.  
It was agreed that the report will be summarised and there was no need for the full history to be included.  
SDS commented that if the report was left aligned and not fully justified it would be easier for members to speed read.

**Action: LB to amend future reports incorporating these comments**

* 1. **External Audit Annual Report 2017/18**CB presented the external audit annual report advising members that page one summarises the key messages which are noted below:
* The Board met all financial targets for 2017/18.
* Audit intends to report an unqualified opinion on the annual accounts.
* Working papers were found to be of a good standard.
* Annual accounts are not yet complete as the accounts are being consolidated this year and the template provided by Scottish Government contains some errors due to problems with cells locked down; therefore the accounts being presented today contain a few inaccuracies in balancing. In addition Scottish Government made a late request for disclosure to be added in regard to Trade Unions, therefore there is still some work to be done, nonetheless, the Board are in a good position to have this finalized.
* £4.5m efficiency savings have been achieved; historically there has been a good record of savings in this Board.
* Financial sustainability, the Board is in a good position as we are working in partnership with National Boards and Regional Boards to achieve this.
* Effective processes in place for financial management resources.
* Governance and transparency arrangements were found to be satisfactory; however, transparency could be improved if Board minutes were published on line as audit found that whilst Board papers are available on line seven days prior to a Board meeting they are then removed from the organisations website immediately after the meeting. Audit Scotland are keen for audit to review publishing of Board papers and minutes in the public sector and audit would support this.
* Value for money has been achieved.

CB invited members to raise any questions:  
  
KK asked JY if she had any comments to make on the Board paper issue.  
JY stated that previously it was regular practice to publish the Board papers online however due to Comms staff shortage it has not been undertaken recently but assured the committee that it can be easily resolved and AH is taking the lead to ensure the Board papers are published on the website going forward.  
  
JY referred to the section on Remuneration and Staff Report relating to the fair pay disclosure which has not been updated to reflect full year equivalent for the Acting Medical Director and advised that it is being addressed and corrected.  
CB stated that this will be amended in the report before being presented to the Board.   
  
KK referred to Board appointments and noted that the name of the Chair of the Audit and Risk Committee was incorrect.  
CB noted this and stated it is not factually correct therefore will be amended before being presented to the Board.  
  
Members were content for above amendments to be made to the external audit report and for it to be presented to the Board.  
Members noted this positive external annual audit report.

* 1. **Annual Report and Accounts**JC presented version 3 of the annual report and accounts noting the key elements to the accounts are the Performance Report, Accountability Report, Remuneration Report and Financial Statements.  
       
     JC stated that ideally consolidation of the accounts should have had a ‘dry run’ earlier in the year to address issues but due to time constraints this was not feasible. Consolidating the Charity and Board accounts was not as straightforward as initially thought. In addition the finance template from Scottish Government was incorrect as if one cell was changed it compounded on other cells. Scottish Government are currently in the process of correcting this error which has resulted in a few inaccuracies, this will be corrected and finalised today and an updated version of the accounts will be circulated virtually. JC reassured members that this would not impact on the financial position as it was only the presentation of the accounts that would be changed.  
       
     KK referred to note 14 on page 67 stating she wished to check her understanding of Capital Commitments which have not been provided for in the accounts and asked if that relates to goods and services. LB explained that this is purely a disclosure note aimed to provide the reader with information on capital expenditure that the Board has committed to. We have authorised expenditure where we have a legally binding contract for the work involved, not all of this expenditure will relate to the year the accounts relate to but contracts have been agreed and therefore expenditure in future years is committed and contracted for the future year. In addition we also have projects that have been approved by the Board but for which we have not yet agreed a legal contract, therefore these are committed but not contracted. LB noted that this note is a requirement of accounting standards and hence why it is included.

JC asked members if they were content to approve draft accounts subject to changes and the revised accounts will be circulated with changes highlighted for virtual sign off, or would members prefer that an extraordinary meeting is arranged to sign off accounts before being submitted to the Board.  
KK suggested that accounts be circulated for virtual approval and all members agreed with this proposal.  
  
LB will make amendments to the annual accounts with changes highlighted then circulate virtually to members for approval.  
  
Post note – Final Annual Report and Accounts were circulated and approved virtually by members.

* 1. **National Single Instance Service Audit Report**  
     JC advised that the Boards finance system is managed by a single entity and the paper being presented details an audit on the outcome of the system which provides assurance that robust controls and processes are in place.   
     With regard to the findings the Board will address key comments and take appropriate steps to ensure that controls are maintained. Overall though this was a very positive report.  
       
     Members noted the National Single Instance Service Audit Report.

1. **Person Centred**

**8.1 Response to Tayside Report**JC informed members that two independent reports recently published by Grant Thornton have been circulated for information, advising that she has scrutinized these reports and drawn out recommendations and subsequent actions which we are addressing.   
  
Key message from the eHealth funding report is to ensure transparency.  
  
Key messages from the Endowment report are:

* Audit recommendations are followed up on a regular basis and that the Chair and Audit and Risk Committee members have direct access to the internal auditors if any specific issues were to arise.
* Committee cover papers could be clearer and methodology approach is welcome; a review of cover papers will be undertaken by the Executive Team to ensure clarity.  
    
  JY referred to the section on the Office of the Scottish Charity Regulator (OSCR) Review and asked if this only related to NHS Tayside. JC responded it is only NHS Tayside although there is a caveat if OSCR uncover any other issues then it may merit opening a further enquiry for all charities, to date OSCR have implied it is only NHS Tayside under investigation.  
    
  SDS asked if we are confident that our Board are following correct processes. JC ensured the committee that we are and that we would welcome the review.  
  CB added that external audit reviewed our Board’s processes and were satisfied with the outcome.  
    
  Members were content to note these helpful reports and actions taken.

**8.2 Workplan 2018/19**KK invited members to discuss and approve the Audit and Risk Committee workplan for 2018/19.  
  
KK stated that this looks like a fairly standard plan as a base and asked members if they were content with this working document.  
  
It was suggested it maybe helpful to add the audit self assessment tool and horizon scanning.  
   
PC asked members if they have any concerns over the quantity of items in the summer meeting as early intervention may be required to ensure papers are circulated as early as possible.  
  
JY suggested that maybe two files are the answer, one for background information and one with a summarised report.  
  
RM noted that the service audits are normally received early and they could perhaps be circulated sooner for members to read as this could be dealt with beforehand.  
  
CB asked if Audit and Risk Committee members hold a private meeting with the auditor. JC responded that we do however it is not included in the workplan however it will be added  
  
JY asked audit if there was an easier way to compile the workplan compared to how other Boards do it. CB stated that our workplan is fairly typical however he can send templates for alternative presentation formats of workplans which may be a better layout.  
  
JB stated that some Boards bring agenda items from the April meeting into the May meeting to spread items around and some circulate annual accounts in draft form at an earlier stage for members to read.  
  
CB noted that agenda item on expansion programme update is not typical for ARC members and also approving policies would not generally be seen by ARC members, these are a few items that could potentially be removed.  
LB suggested that these could be included for noting at the end of agenda.  
  
JC noted that there are a few points to consider such as business as usual items can be made as slick as possible and added that she was keen to progress CB’s points.   
  
KK stated this had been a good discussion with a few points to consider for future meetings.

**Action: LB and JC to progress points raised.**

**8.3** **Terms of Reference Update**KK asked members if they were content to agree terms of reference with no changes proposed for the Audit and Risk Committee confirming that the membership vacancy for the non executive position at the Audit and Risk Committee can now be filled.  
  
Members were satisfied to agree the terms of reference for 2018/19.

**8.4** **Procurement Annual Report**JC advised members that this is the first time this report has been presented to Audit and Risk Committee which describes regulated procurement expenditure undertaken over the past year and future procurement requirements over the next three years. Under new rules a requirement is that it must be published on the Boards website.  
  
PC referred to the section ‘provide community benefits as part of the delivery’ and asked if there was a ddefinition of community benefits.  
JY responded it is quite a wide scope which includes: links with local college, employing apprenticeships, advisory roles and stated it was more of an economic community benefit.  
   
KK asked if it was a public document. JC confirmed that it was and new regulation states it must be published on the Boards website and submitted to Scottish Ministers.

Members were content to approve the Procurement Annual Report.

**8.5 Fraud Update 2017/18**LB provided a verbal update on fraud for 2017/18.

* The pro-active plan for 2018/19 is in process of being finalised in conjunction with Counter Fraud Services (CFS) and will be circulated virtually when complete.
* Allegation issues regarding the IT company are ongoing and no information can be disclosed at this point other than to say the issue relevant to our Board is not being progressed.
* A monthly newsletter is published by CFS following the launch of the media campaign which can be downloaded to admin control for members to read if they wish. Procurement transformation project was included in the April newsletter.
* Board workshop is scheduled for 20 June 2018 with CFS attending to provide a presentation on their work together with session on Cyber and Anti Bribery.

**8.6 Statement of Assurance to the Board**Members were content to note the statement of assurance to be signed by the Chair of the Board. KK signed the statement of assurance to the Board on behalf of the Audit and Risk Committee.

9. AOCB

* **Horizon Scanning**  
  KK invited members to advise if they were aware of any issues on the horizon that may affect the Audit and Risk Committee.   
  Topics noted at the last meeting were; Financial Reporting, IFRS 16 and National Boards Governance. It was suggested that for the next meeting these will be included in a list as a reminder. LLR suggested a visual display of horizon scanning issues discussed would be helpful. Members agreed this would be useful.  
  **Action: List of potential issues on the horizon to be included for next meeting.**  
  CB asked if the Audit Committee Handbook had been highlighted as Scott-Moncrieff have just undertaken an assessment of changes which he can forward.  
  KK stated if these are specific changes we need to be aware of then the Audit Handbook could be downloaded onto admin control. CB offered to send his assessment of changes to JC and LB.   
  **Action: JC/LB to review changes to the Audit Committee Handbook and circulate to members if relevant**  
  Internal and external auditors left the meeting at this point.

**6.6 Tender Report Contract**

JC informed members of the process involved in appointment of internal auditors; The interview process was undertaken in conjunction with NHS Greater Glasgow and Clyde and NHS 24 to achieve best value for money as the idea was a consortium approach would result in a lower day rate therefore obtaining better value for money.  
  
KK highlighted a correction to be made on the cover paper - external audit services should read internal audit services. This amendment will be actioned before presenting to the Board.  
  
Members are being asked to approve appointment of Grant Thornton as the Boards new internal auditors.  
  
Members were satisfied to approve the appointment.

* **Reflection of meeting**KK stated that this concludes the business for today and thanked members for their contributions and closed the meeting at 11.50am
* **Self Assessment for Audit Committee**  
  KK invited members of the Audit and Risk Committee to remain in the room to complete the Audit Self Assessment Tool

10. Date of next Meeting  
23 October 2018 at 10.30am