##### Ref: GJF/2018/06/17

##### GJF LogoApproved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 24 April 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  
Margaret Kerr (MK) Director, Pricewaterhouse Coopers  
George Bell (GB) Manager, Pricewaterhouse Coopers

Michael Lavender (ML) Audit Manager, Scott-Moncrieff

Laura Langan-Riach (LLR) Head of Clinical Governance (Chief Risk Officer)  
Robin McNaught (RM) Interim Director of Finance  
  
**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   KK opened the meeting and welcomed members and attendees including Robin McNaught from the State Hospital.
2. Apologies  
   Chris Brown (CB) Partner, Scott-Moncrieff
3. **Declaration of Interests**There were no declarations of interest to note other than the auditors will be invited to leave the room for the last agenda item.
4. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 15 February 2018 were endorsed and approved by members subject to minor amendment.  
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**

**6.1 Board Risk Register**LLR provided an update on the risk register which had been refreshed to reflect discussion at a recent Senior Management Team meeting.   
A new risk has been added in relation to the expansion programme which is rated high, however this is expected to be mitigated as work progresses. JY noted that the construction company maintains a separate risk register whilst we also have our own risk register in relation to expansion risks.  
KK queried the risk scores for S12 as the current risk target was higher than the risk score. LLR stated this has been entered the wrong way around and she will make necessary adjustments.  
**Action: LLR to amend figures for Risk S12**  
Members approved updated Board Risk Register.

**6.2 Review of Authorisation Limits**Members are being requested to approve authorised signatory responsibility for the Director of Global Development and Strategic Partnerships who will be given signing authority of £10k in terms of revenue items which is in line with existing governance arrangements. This responsibility is limited to relevant cost centres.  
Members agreed this was a logical recommendation and were content to approve.

**6.3 Draft Risk Management Annual Report**KK advised members they are being asked to note all the annual reports that are being presented today with exception of the Audit and Risk Committee report which is being presented for approval.  
  
Risk Management report reflects work undertaken throughout the year which has been approved by the Strategic Risk Committee. JY noted some formatting inconsistencies which will be amended before being presented to the Board for final approval.  
  
Members were content to note the Risk Management Annual Report.

**6.4 Draft Information Governance Annual Report**JC stated that this report provides assurance to the governance statement that appropriate safeguards are in place for protection of data.  
KK referred to Safe Information Handling module and asked if this applies to non executive directors also. JC confirmed that this mandatory training relates to all members of staff including Non Executives.  
  
Members were content to note the Information Governance Annual Report.

**6.6 Draft Clinical Governance Committee Annual Report**JY noted there were a few amendments around accuracies of dates, attendance and membership to be made. LLR advised that she has made necessary amendments and the final report will be presented correctly to the Board in June for final approval.

Members were content to note the Clinical Governance Annual Report.

1. **Effective**

**7.1 Internal Audit Progress Report**GB presented the internal audit progress report advising that there are three final reports being reported on today in respect of Gifts and Hospitality, Endowment Funds and Workforce Planning. There is one review still to be delivered which is currently underway and this will complete the internal audit work for 2017/18.

* **Gifts and Hospitality** **Review**This review identified two medium findings and one advisory finding as follows:  
    
  Lack of a formal register was noted albeit a binder is kept with all gifts and hospitality forms filed; it is therefore recommended that information is transferred to a formal electronic Register for Gifts and Hospitality.  
  Completed forms showed no audit trail of being reviewed by the Assistant Director of Finance with some forms being submitted outwith the 28 days timescale.  
    
  Management has the option to recommend that staff who are deemed in high risk areas ie; procurement, should be invited to complete an annual report.  
    
  JC confirmed that recommendations have been accepted by management and will be actioned during 2018/19.  
    
  JY stated with regard to timescales the gifts and hospitality forms are normally completed with expense forms at the end of the month therefore in some cases it maybe 30 days before the form is submitted. JC confirmed that the policy states 28 days. JY stated in that case staff must be alerted to this and she recommended that a communication be issued advising that gifts and hospitality forms must be submitted within 28 days of gift or hospitality being received. **Action: LB to circulate communication to staff.**
* **Endowment Fund**This review identified two low rated findings:  
    
  First finding was in relation to evidence of examples of training materials and guides which were issued to Trustees. The second recommendation was in relation to all funds being classed as restricted due to no clear guidelines stating these are unrestricted funds.   
  PC advised that this had been discussed at the previous Endowments Sub Committee meeting and it was agreed that a policy or process should be developed clearly stating what criteria constitutes classification of an unrestricted fund.   
  KK asked how management were responding in regard to the first finding because the event referred to is now in the past.   
  JC confirmed that training materials were sent by recorded delivery to Trustees however a hard copy was not retained for office files, noting this was a number of years ago.
* **Workforce Planning**This review identified two medium and two low risk findings as follows:  
    
  Clearer articulation to be documented in the workforce plan for future workforce requirements for each of the services is recommended. The second finding is in relation to longer term assessment for workforce demand and the third recommendation is a need for formal methodology for assessing capacity and demand at department level. The fourth recommendation is that there are no KPI’s in place to monitor recruitment activity.  
    
  KH noted there is a workforce strategy and plan in place to deliver requirements however she questioned if there were any detailed points raised by Internal Audit. JC responded that this is a summary report presented at the meeting and a full detailed report will be submitted through relevant governance committees including, Person Centred Committee and a quarterly progress report on audit recommendations and actions is submitted to the Audit and Risk Committee and SMT.   
  JY noted that the only workforce planning tool available is for nursing staff however she assured members that we do compile our own algorithm for workforce planning.  
    
  Management have accepted recommendations and action plans have been put in place to address issues.

Members were content to note the internal audit progress report.

* 1. **External Audit – Interim Audit**ML proceeded to take members through the external audit interim report for 2017/18.  
       
     Audit work focuses on the Board’s key financial systems and in summary External Audit did not identify any concerns and considered the key financial systems to be well designed.  
       
     Two areas were identified for scope for improvement; Standing Financial Instructions were last reviewed in 2015 and due for review however this has not taken place yet. ML noted that a two year review timescale may not be appropriate.  
       
     Cash flow forecasting identified that one of the Board’s banking accounts was overdrawn for a very short period of time due to funds not being received from another Board, there were no implications or fines nevertheless this is could be a risk going forward. This was identified quickly and rectified immediately.   
     There is a risk that if adequate contingencies are not in place in relation to reliance on key individuals, it could result in the Board being overdrawn again; therefore a desktop procedure of what needs to happen should be put in place.  
       
     Review of Register of Interest forms identified that not all Board members were included and should be updated at the earliest opportunity.   
     JY gave reassurance that Register of Interests forms are updated annually for all Board members, however the website is not up to date and this is being addressed.  
       
     KH asked if there were any concerns that JC felt required attention. JC gave assurance that there were no issues.  
       
     KK congratulated the finance team on a good report which demonstrates a solid picture with robust controls in place and asked JC to pass this message onto the team.
  2. **Consolidation of Endowments Accounts**JC advised members that as the balance of endowment funds were now in excess of £2m it has been agreed with audit to consolidate the Endowment accounts into the Boards accounts; individual accounts will be signed off and approved at the relevant committees then merged together and submitted to the Board for approval. JC added that this is a fairly straightforward exercise.  
     ML stated that a number of other Boards undertake this process successfully and noted as discussed at previous meetings that it was only a matter of time before our Board had to consolidate accounts, he added that timing of committee meetings to sign off accounts is an important factor to take into consideration.  
       
     Members were content to note Consolidation of Endowment Accounts

**7.4 Accounting Policies for 2017/18**LB presented the accounting policies stating it is standard practice that these are presented to Audit and Risk Committee every year for approval as the basis for preparation of the accounts. The policies are updated each year and the most significant point to note this year is the consolidation of the charity accounts.   
ML and LB undertake a final check for any new guidance that is issued prior to submitting the annual accounts to the Board.  
  
Members were content to approve accounting policies for 2017/18.

**7.5 Draft Audit and Risk Committee Annual Report**JC presented the annual report for the Audit and Risk Committee which has been updated from previous year. LB informed members that the shaded areas will be updated once the internal audit opinion and final audit reports have been received.  
It has been referenced in the report that the Interim Chair of the Board attended a previous Audit and Risk Committee meeting and the reason has been noted. Terms of reference for the committee will be updated for 2018/19 for the June meeting.  
ML suggested the sentence within membership section referring to Chair of the Board attending meetings by virtue /ex-officio status should be removed.  
  
Members approved the draft Audit and Risk Committee annual report subject to above adjustments which will be actioned before the final report is submitted to the June meeting.  
  
**Action: LB to make adjustments to the annual report as discussed.**

**7.6 Draft Endowments Sub-Committee Annual Report**PC advised members that this report was approved at the previous Endowments Sub-Committee meeting and it was noted that there were a few inconsistencies within the report which will be amended before the final report is submitted to the Board of Trustees.  
  
Members were content to note the Endowments Sub-Committee annual report.

**7.7 Draft Governance Statement**JY highlighted that the draft governance statement guidance was presented to the last meeting for discussion and following updates this is now the statement that will be included in the annual report and accounts for 2017/18.  
KK asked members if they felt this was an accurate reflection and members confirmed they were content to approve the governance statement.

**7.8 NHS Tayside Issues**JC provided an update on the recent press issues in regard to NHS Tayside.  
JC advised that the first issue was around inappropriateuse of deferred income for use of e-Health equipment, Grant Thornton have prepared a report which has now been published which she intends to extract recommendations from and create an action plan, there are a few small issues we could learn from principally in terms of reporting and some minor improvements we could implement, however, there are no issues within our Board to highlight.  
  
The second issue is in relation to an endowments letter sent to all Boards from Scottish Government seeking explicit assurance that endowment funds have been allocated appropriately in line with the charity test and no retrospective awards have been permitted. It was initially understood this was the responsibility of the Trustees, however a subsequent letter was received from Scottish Government which clarified the response request should be signed off by the Chair of the Board, on behalf of the Board.  
  
The Board’s response letter was presented for discussion and it was agreed to strengthen wording around retrospective payments and to add that internal and external auditors are aware of the situation and they will ensure there is no inappropriate use of funds within our Board.  
  
JY stated she has briefed our new Chair and she is satisfied for the letter to be approved by the committee for her to sign and returned to Scottish Government by deadline of 30 April 2018.  
  
**Action: JC to present Grant Thornton report on e-Health issues at NHS Tayside to the June meeting.**

1. **Person Centred**

**8.1 Draft Person Centred Committee Annual Report**KH advised that this report is being presented for noting and it will be presented to the Person Centred Committee meeting this afternoon for approval.  
  
PC commented that all the annual reports are presented in a different format which makes it complex for reading. JY confirmed that all reports will be corrected and standardised before being presented to the Board. KK stated she was going to raise this point also and it would be beneficial if all reports were compiled in the same format.  
  
KH referred to terms of reference and asked if the executive lead may attend or is required to attend meetings. JY clarified that the executive director lead is required to attend all meetings.  
  
Members noted the Person Centred Committee annual report.

**8.2 Fraud Update 2017/18**.

LB advised the committee that there is no update on pro-active work at present in relation to Counter Fraud activity within the Board.  
  
The Conflicts of Interest Policy has been signed off within the Board, in addition a short-life working group has been established by Scottish Government to review this policy and take forward with the aim to implement across all Boards in Scotland  
  
The Counter Fraud Services annual review took place on 23 March 2018 with the Director from Counter Fraud Services, KK as the Boards Counter Fraud Champion, JC and LB. This was interesting and informative with some new processes being considered particularly in relation to projects presented to the Capital group.

A pro-active plan is being developed for next year which will be circulated in due course.  
  
LB informed members that Counter Fraud Services are in the process of undertaking a national re-active investigation, however due to the nature of this work we are unable to provide further detail at this point, when the investigation has concluded updates will be provided.

9. AOCB

* **Horizon Scanning**KK invited members to share any potential issues they are aware of that might arise in the future that may be of interest to the Audit and Risk Committee.  
    
  JC acknowledged IFRS 16 leases could potentially be included in balance sheet which would be a potential financial risk, it needs to be quantified.  
    
  Regional and national board’s governance is being discussed ie; combining capital and revenue budgets; albeit at very early discussions. JY stated there must be clarity around shared governance to ensure we are following same rules.  
    
  KK highlighted the Financial Reporting Council are undertaking a review, in part as a response to perceived governance failures in the private sector and noted it will be useful to reflect on the outcome.
* **Self Assessment for Audit Committee**JC advised members that Scottish Government have a good tool for self assessment which was used at a recent Scottish Ambulance Service Audit Committee; it consists of a list of questions to be scored on improvement leads. If this committee thought it would be useful she will circulate to members to complete at the end of the next meeting; this would constitute part of the Audit Scotland checklist.  
  RM stated this tool was endorsed at the State Hospital and they also found it very useful.  
  **Action: JC to circulate self assessment for completion by members at conclusion of next Audit and Risk Committee meeting**.
* **Reflection of meeting**

In general members were satisfied with the meeting and papers presented.  
  
KK noted that the inconsistencies between committee’s annual reports will be rectified going forward.  
  
KK referred to the internal audit report and limited information provided on the recommendations and actions and asked if going forward could we consider how much information we receive from internal audit, as part of this committee’s role is to provide assurance that audit recommendations are being discharged appropriately.  
JC stated members could be provided with full reports that contain complete detail of all the reviews undertaken; this will let members consider the recommendations and actions. It was agreed that it would be beneficial to have sight of full reports (as opposed to the summary version) being presented for discussion.  
  
Action: With immediate effect full audit reports/ reviews will be circulated with Audit and Risk Committee papers.

* Internal Audit Contract  
  Internal and external auditors left the room for this agenda item.  
  LB updated the committee on the outcome of the tender process for appointment of new auditors following the completion of the tender process for the internal audit contract; advising that as it has not been finally completed we are currently in the standstill period, therefore full detail cannot be disclosed at this point.  
  LB explained the process that was followed from interview to scoring to presentations from preferred bidders. Standstill letters have been issued to two sets of bidders which is a period for companies to challenge the outcome. Appointment of successful auditors will commence on 5 May 2018.  
    
  KK thanked members for their attendance and closed the meeting at 12 noon.

10. Date of next Meeting  
12 June 2018 at 10.30am