##### Ref: GJF/2017/12/10

##### GJF LogoApproved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 6 June 2017 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Jack Rae (JR) Interim Chair - Non Executive Director

Kay Harriman (KH) Non Executive Director  
Maire Whitehead (MW) 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  
Jennifer McKillop (JM) Manager, Pricewaterhouse Coopers  
Michael Lavender (ML) Audit Manager, Scott-Moncrieff   
Laura Langan-Riach (LLR) Head of Clinical Governance (Chief Risk Officer)Huw Roberts (HR) Cyber Security, Pricewaterhouse Coopers  
Sally Smith (SS) Head of eHealth  
  
**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   JR opened the meeting on behalf of PC and welcomed Sally Smith and Huw Roberts who were in attendance to present reports and answer questions on cyber security. JR also welcomed Maire Whitehead who was attending to ensure the committee was quorate.
2. **Apologies**Phil Cox (PC) Chair of Audit and Risk Committee  
   Chris Brown (CB) Partner, Scott-Moncrieff
3. **Declaration of Interests**JR invited members to declare any conflict of interests and there were none.
4. **Minutes of the last Audit and Risk Committee Meeting**

Minutes from the meeting held on 18 April 2017 were read for accuracy and approved.

1. **Matters Arising**  
   Progress on actions from the previous meeting was provided and is detailed in the action log.
2. **Safe**

**6.1 Internal Audit – Annual Report** **2016/17**  
MK presented the annual report advising that the annual opinion is based on work carried out for year ended 31 March 2017 and proceeded to provide highlights from the report.

* Audit input days were slightly higher than planned due to the Health and Safety review carry forward from the previous year.
* Overall audit opinion is ‘generally satisfactory with some improvements required’ MK explained that this is the second highest category of opinion type as shown in appendix 2.
* 10 internal audit reviews were completed within the year.
* Summary of findings of reviews were previously presented to the committee which set out type of work and recommendations from all audit reports.
* Follow up work was undertaken during the year on previously agreed actions and recommendations to ascertain whether actions had been addressed and audit found that whilst some had been progressed others were ongoing and outstanding with explanations provided.
* Trend analysis - not huge amount of emphasis is placed on this as it is a general indication.
* Cyber Security maturity assessment and workshop was delivered during the year.

KH asked MK if she is satisfied with the reasons given for actions not complete which are ongoing. MK responded that in some instances the target date is unrealistic and audit need to ascertain with management if it is achievable for actions to be completed by the target date. JC added that we may have to consider what external factors we are reliant on when agreeing management responses and this is worth noting as an example implementation of a national system. JC suggested that rather than wait 12 months for an update on progress we should present an interim report to the Committee at the 6 month period. The finance team will complete this.   
**Action: JC to add interim progress report on ongoing actions to the audit workplan for 2017/18.**JR thanked MK for this report which was noted by members.

**6.2 Internal Audit – Cyber Report**HR provided an overview of approach taken on Cyber Security Maturity Review which was undertaken in light of increasing ransomware attacks against the health sector.  
  
A series of workshops were held with eHealth management using the six cyber security domains to understand and assess the current and desired maturity, this was undertaken on a collaborative nature/approach which drives the action plan that has been produced and overall desired maturity, and then the actions will be revisited to ascertain progress made.  
  
As an organization the overall comment on the control environment is perceived to be more mature than other Boards this compares favourably as our Board is based on one site and therefore with perimeter and infrastructure it is easier to manage. How we responded to the recent ransomware attack is testament to the significant work undertaken on incident management previously which came into play on the weekend of the attack.  
  
This is a positive report and recommendations have been acknowledged by management with an action plan being developed.  
  
MW commented that it was a very readable report and asked how maturity levels were defined. HR replied it depends on each organisation and can range from greater than 3 which typically for example in the banking service would be the norm and demonstrates each cross sector comparison looks at maturity differently. HR confirmed that 3 would be a reasonable level for the Health sector.   
  
JR referred to the useful diagram on page 6 and asked how targets are set.  
SS stated through dialogue with HR each domain was considered and with appropriate challenge from HR and it was agreed that these would be the maturity levels we set.  
  
JY stated that at the SMT Enterprise Risk Management workshop a scoring exercise was undertaken and asked if there was any value of opening up a workshop outwith eHealth.  
SS felt that members would need to understand eHealth terminology to repeat this whole exercise.  
HR stated that it would be valuable however a lot of the questions are technically focused (20-25 questions sit behind that) however the people domain may be useful to do as this is a broader area and not technical focused.  
JC stated that LLR is looking at the Electronic Patient Record as a separate project which could potentially include the people domain within that.  
  
JY stated that as a national Board we are depending on the scores of peer groups therefore does that mean we need added security as our current average cyber security maturity is 3.4 compared to 3.8.   
SS replied that due to our Board being a single domain we can disconnect firewalls and ensure barriers are more secure than other Boards as it is really tightly controlled.  
  
HR picked up the point about other Health Boards and asked how they are sharing data with us. SS assured him it was view only access and no data was being processed.  
  
JR thanked HR for this very interesting and encouraging report.

**6.3 Update on recent Cyber Attack**

SS provided a timeline of events on threats posed by the cyber attack incident on 12 May 2017 however noted that our Board was not directly affected.  
Work was previously undertaken with PwC to strengthen our reliance to manage potential cyber attacks which we put into practice with our instant response plan to withdraw from external mail by disconnecting from Scottish Wide Area Network (SWAN). We then started a process to initiate and apply patches with no services being disrupted – as an example of the low impact of this a transplant procedure went ahead as planned.  
  
A debrief was held, chaired by JC in her role as Senior Information Risk Officer to review timeline, actions taken and lessons learned. Risks arose around vulnerability of some medical equipment and risk assessments have been undertaken on Medical Physics devices and XP devices along with other risks fully detailed in the paper with actions agreed.  
  
MW referred to the human factor issue and staff opening phishing emails.  
SS stated that all staff need to be vigilant and communications are issued daily to staff making them aware of phishing/hoax emails and also an alert is issued weekly in eDigest. LB added that Counter Fraud Services have offered to give a presentation on cyber crimes to staff which she will organise.  
  
JR thanked SS and HR for these very helpful and positive reports stating that it was encouraging to read them and how we reacted to the potential cyber attack.  
  
SS and HR left the meeting at this point.

1. **Effective**

**7.1 Internal Audit Progress Report**Internal audit progress report is a formality at this stage with two pieces of work concluded since the last meeting on Cyber Security and Financial Controls: Financial Planning which identified one low risk recommendation in relation to documenting the financial planning process.   
MK wished to highlight that audit has concluded work for the year ended 31 March 2017 and will now focus on work for 2017/18.  
  
JR thanked MK for this report which the Committee noted.

**7.2 External Audit – Annual report on the 2016/17 Audit** ML presented 2016/17 annual report and highlighted the key messages:

* Unqualified audit opinion reported on the financial statements.
* Effective arrangements in place for financial management.
* Good practice shown in financial planning.
* Governance arrangements are appropriate.
* ML noted thanks to the finance team as it has been a challenging year due to changes in staffing.
* Financial Statements there were no matters to report by exception.
* Board has not consolidated endowment funds as agreed.
* Hotel gives rise to potential risk only due to the unique nature however this is a risk to auditor rather than the Board.
* Revenue recognition risk testing was carried out which did not identify any concerns.
* Materiality assessment was £2m which remained appropriate throughout audit.
* Minor disclosures were identified as audit would expect to see.
* Ageing of provisions - CNORIS is increasing each year
* Remuneration report minor adjustments advised by SPPA in relation to pension scheme.
* Overview of scope of audit did not identify any instances of irregular activity.

JR asked about the pressure on resources in the Finance department and asked are we in need of means of addressing those concerns. JY replied that resources and workload across the Board are constantly reviewed.  
ML added that there was a tight turnaround for accounts between compiling accounts and sign off.

* Financial Management – overall conclusion is the Board has effective arrangements in place and met all financial targets with Capital spend on target.
* Efficiency savings were beyond target.
* Slight underachievement of recurring efficiency savings however this is not a concern.

JR referred to the pie chart showing 18% efficiency savings in workforce and asked if this figure was high and if so what the impact was. JC confirmed that the percentage was not high and there was no impact on workforce.

* Financial Sustainability – effective arrangements are in place, audit identified one risk due to challenging economic environment.
* Good practice in financial planning for the expansion plan.
* JR referred to projections which states up to 2035 and felt this was a   
  long time for financial plan. It was clarified that this is in relation to  
  ophthalmology and orthopaedic services and is based on those services only.
* The Governance Statement complies with guidance and there is no recommendation however ML wished to highlight that the interim Chair of Audit and Risk Committee has been operating for some time which potentially poses a risk albeit it is not in our control as Scottish Government undertake the appointments process. MW agreed that as a Board we should address the issue of the interim Chair of Audit and Risk Committee.  
  JY advised that interviews are taking place this month for non executive director appointments and they will commence in August 2017. The Chairs appointment process will commence in October 2017.  
  ML will amend wording in this section to reflect these comments.
* Risk Management arrangement remains adequate and further strengthened by appointment of Chief Risk Officer.
* National Fraud Initiative exercise demonstrated that overall satisfactory arrangements are in place and all remaining recommended matches will be investigated by October 2017.
* Role of the Board – audit are satisfied with arrangements in place.
* Arrangements for scrutiny are appropriate.
* Performance management arrangements are appropriate in supporting value for money.
* Corporate Balanced Scorecards are in place which measure key performance indicators.

Overall this was a positive report with no other concerns to report.  
JR thanked ML for this report which was approved by the Committee to be forwarded to the Board.

**7.3 Annual Report and Accounts**JC presented the annual report and accounts to the committee for approval advising that minor format changes have been made on ML’s advice however this does not alter the primary statements. JC invited members to comment on the accounts.

* JR referred to Hospital Acquired Pressure Ulcers Programme noting that it does not mention in the accounts whether there any and asked if this has an impact.  
  JY explained that we have full detail on pressure ulcers and this data is reported to three different groups and we know on a month to month basis how many we have and added that the figure for April was 6 which makes us one of the lowest.
* JR referred to ‘Governance Statement’ and advised that this is also presented to the Person Centred Committee. JC noted this and will make amendment to accounts.
* JR referred to scale of salaries and noted that in 2016 the figure earning over £200k was 11 which has now reduced to 6 in 2017 and asked what the reason was for this. JC advised that a significant amount of work has been undertaken around Waiting List Initiative payments and they have been refined, coupled with a few retirals of senior clinicians and their related distinction awards.
* JR referred to insurance claims stating that it seems higher than last year.  
  LB explained that one claim caused a specific increase and the impact of the change in the discount factor as we are informed how much we have to pay, however noted that in future we can pay in installments over a number of years.

Members approved annual accounts subject to minor amendments and will progress to the Board for approval.

**7.4 Audit and Risk Committee Annual Report**JC presented the final annual report for the Audit and Risk Committee which incorporated changes agreed at the last meeting.  
Members approved the annual report which will now be submitted to the Board

**7.5 Statement of Assurance to the Board**Statement of Assurance was presented to the committee with changes incorporated from the last meeting which members approved and was signed by JR who was acting as Chair of the Audit and Risk Committee in PC’s absence.  
Members approved the statement of assurance to the Board which will now be submitted to the Board.

**7.6 Work-plan 2017/18**The workplan for 2017/18 was presented to the committee for approval. The plan is laid out in the regular format of proposed agenda items in sequential order.  
It was agreed to add in expansion programme work to the Autumn meeting.  
KH asked if the hotel audit is planned for every 2 years.   
LB Advised that Hotel information is incorporated into a report which is presented to the Performance and Planning Committee on a monthly basis and with regard to the Food and Beverage audit for the hotel JC thought it was planned for every year however she will double check the actual workplan.  
  
**Action: JC to add interim follow up report on actions to the workplan.**  
Members approved the work plan for 2017/18 with above addition.

**7.7 Terms of Reference – Update**Updated terms of reference were presented to the committee for review.  
There was discussion around the quorum and it was agreed to amend the interim terms of reference to reflect a quorum of 3 non executive directors.   
**Action: JC to amend quorum to 3 members.**  
With that amendment members approved the interim terms of reference.

**7.8 Audit Scotland Improving the quality of NHS accounts** LB presented the Audit Scotland good practice note advising that it contains recommendations to assist Boards to streamline and improve quality of accounts to make them user friendly and reach best standards. This will be progressed next year with a short life working group to ascertain how we can consolidate accounts process; membership will include staff who gather information and we will consider using a template. LB asked if we should consider opening wider and JY suggested that it be discussed at the Senior Management Team meeting.  
Members noted the Audit Scotland report.

1. **Person Centred**

**8.1** **National Single Instance – Service Audit Report**JC advised members that this is a standard report on the National Single Finance system which is undertaken by NHS Ayrshire and Arran for all Boards across Scotland. This is a positive report which provides assurance with one minor recommendation for our Board.  
Members noted this report.

**8.2 National Fraud Initiative – Update and Checklist**LB advised members that this counter fraud exercise has been undertaken routinely for the past 10 years. In addition to three data sets, matches have been made to data from Companies House and where matches have been identified they will be investigated. The outcome and final report will be submitted to the next committee meeting and SMT. It was agreed to complete National Fraud Checklist for 2016/17 which is attached to this report at appendix 1.  
Members noted this report.

8.3 CFS 2017/18 – Proactive plan

LB provided a verbal update on the Counter Fraud pro-active plan for this year:

* Dates for the Bribery workshop to be arranged.
* Tiers of staff for Cyber workshop to be organised.
* Fraud Awareness Day to be arranged.
* Communications Plan to be produced which will be submitted to SMT and then to Audit and Risk Committee.

9. AOCB  
360 degree Reflection of meeting.

JR invited members to reflect on today’s meeting.  
KH acknowledged that there was a significant amount of information in the papers however they were easy to read and the standard of papers were good.  
JR thanked all for attending and closed the meeting at 12.20

1. **Date of next Meeting**7 November 2017