**Ref: GJF/2017/06/10**

# GJF LogoApproved Minutes

**Audit and Risk Committee Meeting**

**Tuesday 18 April 2017 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Phil Cox (PC) Chair of Audit and Risk Committee  
Jack Rae (JR) Non Executive Director

Kay Harriman (KH) 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) **Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   PC welcomed all to the meeting.
2. **Apologies**Chris Brown (CB) Partner, Scott-Moncrieff
3. **Declaration of Interests**PC invited members to declare any conflict of interests.  
   ML noted agenda item 7.4 was in relation to appointment of external auditors for the charity and it was agreed that he would leave the meeting for this item.
4. **Minutes of the last Audit and Risk Committee Meeting**

Minutes from the meeting held on 7 February 2017 were read for accuracy and approved subject to the following amendment by ML:  
Page 3, second bullet point add ‘value for money’ and fourth bullet point add  
‘financial sustainability’.

1. **Matters Arising**  
   Progress on actions were updated and closed.   
   Refer to action log for detail of update.
2. **Safe**

**6.1 Board Risk Register**LLR highlightedchanges to section 2 and 3 on the register which were made following review of the risk register at the Strategic Risk Committee and Senior Management Team meetings.   
It was agreed the specific risk around ‘gifts and hospitality’ did not need to be included on the register at this current time given the assurance provided by the review.

The risks in S4 and S8 have been re-assigned to the new Director of Quality, Innovation & People and remain at target. There will be further review over the coming months with the new risk owner to assess progress of the actions.

A review was undertaken on risks S5 and S6 and in particular the SACCS risk score has reduced from 12 to 9 and is reflected in audit work, the impact of this is risk has been reduced from level 4 to level 3. This reflects the update on the current controls and takes the risk to target level medium.  
  
It was agreed to reduce risk S13 Clinical Education to low and remove from risk register as it was in relation to inability to manage and monitor clinical staff training needs, however given the significant amount of work to date and monitoring in place it is proposed that this risk is now a low risk and is removed from the risk register  
  
PC asked LLR for her early observations as Chief Risk Officer. LLR stated it was going well and she will have a better view of risks around expansion project as this develops. JY added that a specific half day Board workshop has been scheduled which will be dedicated to expansion and there will be detailed stocktake paper submitted to every Board meeting and also added that the new Programme Director takes up post soon.  
  
Committee were satisfied with changes to the risk register.  
  
**Annual Reports**

**6.2 Draft Audit and Risk Committee Annual Report**PC presented the annual report for the Audit and Risk Committee for comments and observations noting that he had no substantive opinion and was content with the narrative.  
  
LLR asked for clarity on reporting period. LB clarified that committees report on financial year 2016/17.  
  
ML referred to page 8 point 4 which states a quorum shall consist of 3 members and he understood that it was discussed at a previous meeting to amend quorum to 2 members in the interim. JC stated this was an interesting point and asked members if they thought we should reduce quorum or invite another non executive Director to join. JR and KH indicated that their preference was to remain with a quorum of 3 members.  
  
There was discussion around the next meeting not being quorate and it was suggested that we can either invite the interim Chair of the Board or another non executive Director. ML noted that it is not recommended that the Chair of the Board sits as a member of the Audit and Risk Committee. In that case JC stated she will invite a non executive Director.  
  
Committee endorsed Audit and Risk annual report to be presented to the Board.

**6.3 Draft Person Centred Committee Annual Report**JR highlighted areas the committee addressed over the year such as Values, iMatters, KSF and staff training. The membership will be updated for the June meeting to include the new Director of Quality, Innovation and People.  
JY noted that the meeting on 18 October 2016 was not quorate however it went ahead without any decisions being made therefore this should be referenced in the annual report.  
**Action: LB to make amendment to report**Committee were content to note the Person Centred Committee annual report.

**6.4 Draft Clinical Governance Committee Annual Report**PC presented the annual report for Clinical Governance committee for noting and any comments.  
LLRstated that she had made revisions to the terms of reference in relation to membership however now that she realizes that this does not change until end of financial year she will revert to original membership for 2016-17.  
  
Committee were content to note the Clinical Governance Committee annual report.

**6.5 Draft Information Governance Annual Report**JC presented the annual report for Information Governance advising that this is a summary of work undertaken on the information governance structure in place within the Board.

PC referred to page 3 and the total number of incidents recorded on Datix showed that none were high level however he could not offer a benchmark as he is not aware of the results from other Boards. JC confirmed that our Board is low compared to other Boards.  
  
KH referred to page 7 point 4 which states that 19 Freedom of Information requests were responded to outwith legislative timeframe and asked what caused the delay. JC responded it is a combination of factors one of which is obtaining the actual information and in some cases going back to requester to clarify what is required.   
JR asked if there were any incidences where we did not provide information. JC confirmed that there was not although JY added that there are certain circumstances where we would not divulge information under the Data Protection Act.  
  
Committee were content to note the Information Governance annual report.

**6.6 Draft Risk Management Annual Report**JC presented a summary of the Risk Management report and work that has been ongoing in this area and invited questions from members.  
  
Committee were content to note the Risk Management annual report.

**6.7 Draft Endowments Sub-Committee Annual Report**   
PC presented the annual report for the Endowments Sub Committee as submitted for members to note.  
  
JC highlighted that the Endowments Sub Committee meeting that was scheduled for today will either be rescheduled to before or after the Board meeting or Board workshop, or alternatively papers will be carried forward to the June meeting which is already scheduled in diaries.   
**Action: JC/AMcQ to reschedule ESC meeting.**  
KH highlighted that on page 3 the number of formal meetings held in 2016/17 was recorded as three however in light of today’s meeting being cancelled it should be amended to two. LB will amend wording to reflect that.  
**Action: LB to amend annual report to reflect above.**Subject to above amendment the committee were content to note the Endowments Sub Committee Annual Report.

1. **Effective**

7.1 Internal Audit – Progress Report

MK presented the internal audit report informing members this summarises progress and status of audit work to date.  
  
Section one notes all reports for the year with risk rating and three reports have been highlighted which JM will talk through findings of later in the meeting and there are two pieces of work which will be presented to the June meeting.  
  
Cyber Security Review has been completed however timescales were too tight for it to be submitted to this meeting.  
  
Key Performance Indicators (KPI’s) have been updated and audit are working through this with management to ensure we are working together and achieving these wherever possible.

JR asked if KPI’s must be included in the progress report. MK replied they were part of contract but if there were other areas that the committee would rather can be reviewed this can be considered. JC suggested that a tiered process could be considered.  
Action: JC/PwC  
  
Annual audit opinion is not complete as yet nevertheless it is sufficient to say the headline will be ‘generally satisfactory with some improvements required’ the final opinion will be presented to the June committee meeting.   
  
JM proceeded to guide members through three reports as detailed in appendices  
  
Treatment Times Guarantees Review  
Overall this was a positive review with examples of good practice being noted with waiting list audits being reported to Performance and Planning Committee.  
One minor finding was a formality in that the waiting list actions from the Cardiac and Thoracics meeting are not formally noted albeit individuals do note their own actions.  
  
Capacity Planning  
This review found one medium risk and five low risks. Cardiac and Orthopaedics specialities were reviewed and overall main findings were robust.  
Audit encourage management to ensure consistency as there are a number of different pathways therefore recommendation was to make improvements to capacity planning rota as it is not sufficiently restricted as 16 people have access to update it and there is no audit trail.  
  
Audit found that in two instances e-forms were not fully completed with expected duration field not complete and also the Opera scheduling functionality is not being fully utilised across all specialities which audit highlighted previously.  
Patient appointment reminder calls are not being routinely retained which should be done to minimise cancellations and did not attends. Lastly, patient scheduling measures are not being reported on a consistent basis.  
  
PC referred to the management comment and asked how the action plan which is being prepared to address the recommendations will be taken forward.  
JC gave assurance that the detailed action plan will be presented to Performance and Planning Committee who will monitor it.  
  
JR suggested removing the text ‘in general’ from the management comment.  
  
Quality Framework Review  
This review demonstrated the Board has successfully developed a tool for standardising information and whilst the objective was met in as far as the tool was concerned and audit received good feedback from users, there were three medium risks highlighted:  
  
Improvement is required in relation to data governance arrangements and audit found there is a project management risk as the current project management policy does not include all processes and whilst audit can confirm a project management policy is in place more framework is required on projects going forward.  
  
Data collection process demonstrated issues with completeness of document and some inaccuracies of data, nevertheless data source sampled was found to be accurate, however there is potential for the possibility of data to be manipulated and this should be reviewed.  
  
A further two low risks were found with issues in closing of project and recording data errors.  
  
JR noted in terms of output there was nothing erroneous. JM stated that audit substantially checked data source and what they checked in sampling was accurate however flow of information should be reviewed.  
  
JY stated the policy is not one size fits all and policies require to be looked at individually. PC stated his concern is the resources required to undertake that work. JY stated we are about to progress into phase 2 and will increase indicators which will definitely require further resourcing.  
  
JC confirmed the detailed report will be submitted to the Quality and Innovation Group for discussion on how recommendations are going to be delivered.  
  
PC thanked MK and JM for this update on the progress report.

7.2 Internal Audit – Draft Annual Plan

MK presented the internal audit draft plan for 2017/18 stating that following discussion at the last Audit and Risk Committee meeting a detailed process was undertaken with the management team and the plan is being presented today for comment and approval.

* The audit approach sets out areas which audit have to report to the Board on.
* Number of days estimated for the internal audit service is 112 days.
* Internal audit work is in accordance and complies with Audit Standards.
* Internal Audit consider other sources of assurance and gather information to avoid duplication where appropriate.
* The Audit universe is demonstrated in the diagram on page 3 which includes all auditable units within our scope.
* Auditable units are set out in Section 3 based on audit’s understanding of the organisation and logic and this is mapped to corporate objectives and where risks lie however this is always a point in time as the plan is flexible and it can be reflected therein.
* Section 4 details the plan for the year giving an overview of areas to be reviewed using all information obtained together with a timeline of quarters when work will be undertaken.

MK paused at this point for comments from members and the following points were discussed.

* Workforce Planning/HR is driven by one of the risks and workforce pressures and it was felt this was an important area for review this year and have weighted it towards end of year. JY stated that NHS Scotland are about to issue workforce guidance in May 2017.
* Audit considered linking Business Continuity to Risk Management review, at pre-meeting PC wished this to be inextricably linked as it is useful to have them together.
* Corporate Governance/Gifts and Hospitality will be audited as there has been a requirement from Scottish Government to review this area; work is currently ongoing within the Board. JR noted that 10 days for this review seems excessive. MK replied that number of days is indicative and can be reviewed.
* Property Transaction Monitoring is a requirement for each year however there is a year lapse between transaction and audit. KH asked why we wait for a year to do an audit. LB clarified that the delay is due to Audit Scotland timelines and is a checklist process, however if the transaction is significant we can request that audit be involved from the start. MK stated she was happy to undertake the audit at an earlier stage when the transaction is complete as part of contingency days could be used for that purpose.
* Project Management review is a timely review particularly around expansion project.
* LB stated that Key Financial Controls review does not need to wait until quarter 4 and can be brought forward. MK stated she would be happy to do that as it would be useful.  
  Action: MK/LB
* Research Project Governance review initially covers audit looking at internal procedures from our perspective this will also consider third parties point of view.
* It is proposed to review Laboratories for the Service Review this year.
* JR asked auditors how they arrive at the total number of days to auditable units and ensure that no areas have been omitted.   
  MK advised that when the Audit Universe is being compiled audit review that process annually to ensure that an area has not been forgotten or an area is not being over audited.

PC thanked MK for this detailed report which the committee were content with and endorsed the internal audit plan for 2017/18

7.3 External Audit – Interim Audit  
ML presented a brief external audit plan and proceeded to provide an update on audit work to date.  
The Board’s key financial systems were reviewed and found to be operating effectively, this is a positive output which is the reason for a short report which was kept focussed and sharp as possible. Taking into consideration internal audit on the whole this is a good positive outcome.  
  
PC thanked ML for this update and asked him to leave the meeting at this point for the next agenda item.

**7.4 Appointment of External Auditors for Charity**

JC informed the committee that an advert was placed for appointment of external auditors for the charity and two candidates who met the criteria were interviewed and following the scoring process it was decided to appoint Scott Moncrieff as the charity external auditors for the next five years with a three year review.  
JR referred to the bullet point in the paper ‘understanding of the role of the NHS’ and asked what this means. JC stated it is to ensure the company understands nuances of NHS charity and Scott Moncrieff have maturity in that regard with greater knowledge in NHS charities legislation.

Committee members were happy to endorse the decision made.  
  
ML joined the meeting for the rest of the agenda items.

**7.5 IR35 Regulations**IR35 is also known as ‘intermediaries’ legislation’. It’s a set of rules that affect tax and National Insurance payments when an individual is contracted to work for a client through an intermediary  
LB informed members that due to a change in HMRC regulations it is now the liability of the Board to ensure the correct rate of tax and National Insurance is paid for any company they contract with that has not implemented PAYE and we have identified what the next steps are with assurance from Ernst Young our tax advisors.  
  
JC added that we have gone through a rigorous process and we had already reviewed some areas where there were potential risks as we undertook a piece of work a few years ago with HMRC.

1. **Person Centred**

8.1 Draft Governance Statement  
JY invited questions or comments from members on the Governance Statement advising that the areas highlighted within the statement are sections that we cannot change in line with guidance.   
LLR suggested that it maybe worthwhile adding adverse incidents policy alongside the complaints policy. Members agreed to add this.  
Action: LB to amend statement accordingly  
  
Committee approved Governance Statement subject to above amendment.

**8.2 Audit Scotland Reports**JC presented this briefing paper for information advising that the NHS Workforce report will be reviewed by the new Director of Quality, Innovation and People and will be considered as part of the Board’s workforce plan.

**8.3 Fraud Update 2016/17**LB provided a verbal update on fraud activity as follows:  
  
Short Life Working Group has been established for Counter Fraud Services and they are working on a report to close off year end 2016/17 and are also working on 2017/18 plan which will be presented to the Audit and Risk Committee meeting in June.  
  
Discussion is taking place with Counter Fraud Services to arrange dates for more detailed workshops following the successful presentation at a recent Senior Management Team meeting and a communication will be issued to staff in due course.

8.4 Interests, Gifts and Hospitality  
LB presented a paper on the process for declaring interests, gifts and hospitality which is now a requirement under recent legislation that has been published.  
A Board register has been established for recording gifts and LB is the contact in the interim for maintaining this register. A policy is being developed however in the meantime there are effective controls are in place  
  
Committee were content to approve the process as detailed in the paper.

9. AOCB  
Robotics  
PC advised that he had recently attended a session in Stirling with other Chairs of Audit and Risk Committees and noted that Robotics was an area of significant interest given the implications that the technology is likely to impose within NHS Scotland and other public bodies. He asked if there is any Scottish Government information published around this as it is important on innovation and worth a strategic discussion on how we embrace it.  
JY replied that we can compile a progress paper on this as Da Vinci robots are being used in Glasgow to assist in operations and stores and a number of other areas and added that robots cover a huge spectrum, depending on category; National, Regional or Board planning forum. Internally we would take to the Quality and Innovation Group if investment is required then it would be discussed at SMT then the Board. JC suggested that we take this to Strategic Risk Committee and undertake a horizon scanning exercise   
Action: JC/LLR  
  
360 degree Reflection of meeting  
PC invited members to take a reflective account of the meeting and everyone confirmed that they were content with the papers and the content of the meeting.

PC thanked everyone for attending and closed the meeting at 12.05

1. **Date of next Meeting**6 June 2017