##### GJF RGB WITHOUT STRAPLINE.jpgApproved Minutes

 **Audit and Risk Committee Meeting**

**Tuesday 23 October 2018 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Karen Kelly Chair of Audit and Risk Committee

Phil Cox Non Executive Director

Stephen McAllister Non Executive Director

**In attendance**

Julie Carter Director of Finance
Lily Bryson Assistant Director of Finance
Karen Jones Director, Scott-Moncrieff
Joanne Brown Director, Grant Thornton
John Boyd Senior Manager, Grant Thornton
Laura Langan-Riach Head of Clinical Governance (Chief Risk Officer)
Brian Laughland Head of Procurement
Sally Smith Head of eHealth

**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks
Karen Kelly opened the meeting and welcomed Stephen McAllister as a new Non Executive Board member and introductions were made round the table.
2. Apologies

Kay Harriman Non Executive Director

Jill Young Chief Executive

1. **Declaration of Interests**There were no declarations of interest to note.
2. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 12 June 2018 were endorsed and approved by members subject to the following amendments:

Page 4, paragraph 6, remove ‘will ensure we are not overlapping’
Page 8, paragraph 9, remove ’factual’

The approved minutes will be presented to the next Board meeting.

4.1 Matters Arising
An update on outstanding actions was provided with full details recorded in the action log.

1. **Person Centred**

**5.1 Procurement Strategy**Brian Laughland introduced the Procurement Strategy which covers a three year period which is subject to annual review, the strategy details the future vision of procurement with key priorities over the next three years, and the strategy follows Scottish Government guidelines. The Annual Procurement Report which was presented to the previous Audit and Risk Committee meeting details actions that have been achieved to date.

Members are being asked to review and note the strategy which will then be presented to the Senior Management Team (SMT) and finally to the Board.

Phil Cox stated the strategy should be concise and tight which it is. Karen Kelly agreed stating that it contains all the information she would expect to see.

Karen Kelly referred to Procurement and Commercial Improvement Programme and asked where our Board sits.
Brian Laughland advised that our Board’s score is in the upper quartile and added that we are one of the highest achieving Boards, although acknowledged that there are always areas for improvement.

The strategy is due for the next review in March 2019 and Brian Laughland stated that he is hoping to compile a combined strategy for NHS 24 and the Golden Jubilee Foundation, it maybe however that two separate reports are required. He added that he has attended NHS 24 Board meetings to answer queries.

Julie Carter advised that the 2019 procurement audit report will be presented to this committee.

Members noted the Procurement Strategy.

**5.2 National Boards Collaborative**

 **Target Operational Model (TOM)**Members were presented with the TOM report for information and asked to note the current status of the National Boards Collaborative Project and the work being undertaken. This work is at different stages as shown in the slides presented, the eight National Boards are exploring areas of working collaboratively for added value and considering what areas could potentially be aspired to. Members were invited to give their views on proposed areas.
Karen Kelly stated that this report is useful, nevertheless her experience of shared services is in a rational mind everyone agrees, however actually putting it into practice is different.

 Julie Carter responded that Boards are all at different timescales, for example the Directors of Finance are keen to progress as it increases efficiency and adds value, however some Boards are patient facing and some are not, this therefore presents challenges with different priorities and timescales.

Sally Smith advised that she is on the Programme Board that oversees this work and one of the barriers is IT infrastructure within Boards, eHealth leads are working together to see how this can be addressed whilst taking into consideration the risk involved and understand how each Board works. Nevertheless, there is a clear mandate and some good ways of working are emerging.

Brian Laughland also advised from a procurement perspective we now share one purchasing platform (PECOS) which is now live within the eight National Boards and we are moving to the same system for all remaining Boards, although two separate accounts are still required to log into systems and that needs to be resolved.

Phil Cox stated that payroll should share one platform and asked do we have a sense on how National Boards Collaboration are going to communicate to Boards.

Sally Smith stated that there is good partnership representation on the Programme Board who report into the National Board Programme Board where the Chief Executive(s) are members.

Julie Carter stated that we need to be thoughtful around when to communicate with staff as they may think decisions have already been made when in actual fact they have not, it is a case of trying to balance communication between Boards and staff.

Karen Kelly asked at what point the work will be costed. Julie Carter advised that it will be some time away; pump prime money has been invested however the costing model will not be known until later next year.

Members noted the current status of the National Boards Collaborative Project.

* 1. **Audit Scotland Reports**Audit Scotland Reports recently published were noted by members with no specific actions for the Committee to consider. The report on National Fraud Initiative will be discussed as a separate agenda item later in the meeting.
	2. **VAT Framework Outcome**

Lily Bryson presented the VAT Framework paper explaining that the previous contract for VAT services expired in March 2018, the tender process was followed and Ernst and Young as they were ranked number one were awarded the contract.

Karen Kelly asked if VAT Liaison were considered for consultancy work. It was advised that they only provide VAT services and as the Board have used Ernst and Young for a number of years and received a very good service and advice from them do not foresee the need to appoint an advisor for consultancy advice on VAT services. Should this position change then we would consider undertaking a mini-competition of the three suppliers now on the framework.

Members noted and approved selection of Ernst and Young as VAT advisors for the Board.

**5.5 Fraud Update 2018/19**

 Lily Bryson presented an update on work being undertaken on fraud prevention within the Board and work ongoing with Counter Fraud Services (CFS).

There are currently no reactive issues relating to the Board to report and proactive work being undertaken within the Board is noted below:

* Fraud Awareness Campaign being progressed with CFS and our Communications Department.
* Fraud Awareness Workshops being run by CFS including Investigatory skills training.
* Work being undertaken with CFS and Head of Procurement and Head of Estates in regard to fraud in estates projects and procurement.
* Specific request from the Board in regard to risk assess the hotel, a meeting has been scheduled for 1 November with CFS and Executive members.
* CFS annual visit has been scheduled for quarter four.
* Conflicts of Interest policy is now operational.
* Declaration of Gifts and Hospitality register has gone live and will be published on the Board’s website.
* Karen Kelly advised she attended a very interesting cyber crime workshop, further sessions have been scheduled throughout the year and all staff are encouraged to attend.

**5.7 National Fraud Initiative 2018/19 Exercise**National Fraud Initiative exercise for 2018/19 is now being undertaken which occurs every two years, matches will be investigated and outcomes will be presented in a report when available. It is proposed to use the Audit Scotland self assessment checklist to deliver this to ensure the most efficient process is being followed. Karen Jones encouraged the Board to use this checklist as the role of external audit in the NFI process will involve reviewing this checklist and conclusions from audit are used to inform NHS in Scotland reports.

Members noted the National Fraud Initiative exercise.

**5.8 Cost Control**

 The Cost Control report regarding the hospital expansion project was presented to give members assurance that the Expansion Cost Control Group are monitoring all capital and revenue spend on the project and to provide assurance that risks are being managed in line with the risk management plans. Julie Carter advised that she felt it would be helpful to give members oversight on what is happening within the expansion project and the controls that are in place to manage the cost.

Guidance in the Audit Handbook states members should be given assurance however she was conscious that members may not be receiving sufficient information to do so, therefore, if members felt they required further information it was not a problem to provide more detail.

Julie Carter added that cost packages for construction have been returned and have increased, a meeting is being held today to discuss this and to scrutinize costs on a line by line basis to ascertain what has driven the increase.

Karen Kelly asked for an explanation on the VAT situation and how much we can recover. Lily Bryson advised that a meeting is scheduled with our VAT advisors and a letter will be sent to HMRC including all costs and the programme for them to review and issue an agreed percentage recovery that the Board will be allowed to reclaim for VAT on construction.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 231018/01 | Karen Kelly asked members to give thought to discussion around hospital expansion assurance in the Audit Handbook and she will consider with Julie Carter. | Julie CarterKaren Kelly | NEW |

1. **Safe**

**6.1 Board Risk Register**Laura Langan-Riach presented the Board Risk Register which incorporated findings following the September workshop. Members agreed with two additional risks proposed in respect of impact of Brexit and the EPR programme. It was recommended to add that a deep dive into risks would be undertaken at future meetings, Julie Carter advised this will be added to the risk register before being presented to the Board.

Members were in agreement for the updated register to be presented to the Board.

Karen Kelly referred to appendix 1 overview commenting that she liked the format however queried the score on W5 risk and asked is that derived from what we think is our appetite. Laura Langan Riach explained that the target is about controls in place whilst being aware of the appetite.

John Boyd advised that from an audit perspective it is a fair articulation of risks and particularly the appetite is very good compared to other Boards.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 231018/02 | Deep dive of risks to be undertaken for future meetings starting with risks with a gap. | Julie CarterKaren Kelly | NEW |

**6.2 Enterprise Risk Update**Laura Langan Riach provided a brief update on Enterprise Risk advising that work is underway to progress the Enterprise Risk Management approach within the Board, the main focus has been on the Expansion Programme and the Electronic Patient Record Programme. A workshop was held with the Strategic Risk Committee focusing on horizon scanning which is attached as an appendix. Work has still to be undertaken on Research and Development and the Charity risk registers which is scheduled for next month.

**6.3 Cyber Update**Cyber Resilience update was presented by Sally Smith, Head of eHealth who advised that following the global cyber attack (Wannacry) in 2017 which affected the NHS significantly, the Scottish Government requested an action plan be implemented.

Assurance was given that measurements are in place to enhance cyber resilience for the Board and the Director of Finance, who is the Senior Information Risk Officer for the Board will take responsibility for delivery of the action plan and lead this implementation programme. In addition measures have been put in place to increase staff awareness and it is now mandatory for all staff to attend cyber security training. Regular communication is issued to all staff to raise awareness of potential threat in regard to malicious emails and disciplinary procedures are in place if a staff member continues to click on malicious emails.

The next step is to progress towards the further level of achievement of Cyber Essentials Plus accreditation and we are currently mapping out the activities which require to be undertaken to achieve this advanced level of accreditation. A resilience meeting is taking place this afternoon and a desk top exercise relating to cyber security will be undertaken, the outcome will be presented to Senior Management Team. Also, the business continuity programme will be reviewed to take account of a potential threat of another cyber attack.

Intelligence on the threat of a cyber attack in relation to Brexit may happen despite control measures and processes in place therefore on that basis it is recommended that this remains as a risk on the Board risk register.

Karen Kelly stated that this update gives members assurance that all necessary precautions are being undertaken to protect the Board.

Stephen McAllister asked about a cyber threat internally. Sally Smith advised that there are robust measures in place and as we are a single site it is easier to maintain and as soon as a staff member leaves the organisation their domain profile is closed down immediately.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 231018/03 | It was agreed that a six monthly update report would be presented to the Audit and Risk Committee in June 2019. | Sally Smith | NEW |

**6.4 New Audit Committee Handbook**

The Scottish Government have issued a new Audit Committee Handbook which Scott Moncrieff have reviewed and summarised the main changes for the Committees within a report.

One of the recommendations is in relation to a refresh of the terms of reference for this committee, however upon review there is more detail in the current terms of reference, therefore it is proposed not to amend the terms of reference if members are content with this proposal.

The second recommendation is in relation to developing an assurance framework and meetings are being arranged with Grant Thornton to review the assurance framework we used previously to produce an assurance framework that meets the Board’s requirements.

The third recommendation is to consider training required for committee members with regard to the assurance framework and the changes to the handbook which will be taken forward, especially as there are new members to the committee.

Karen Jones advised that Scott Moncrieff held a Non Executive forum on assurance mapping and circulated information from the session to give members a flavour around an example of assurance mapping. This can be an onerous process however the output should be helpful to give assurance that the committee are getting the right level of guarantees.

Karen Jones stated there is a subtle difference in training as it is different for Board members and Non Executive members, so rather than training being dictated by management members should specifically state what training non-executives feel is required.

Julie Carter stated members recently completed a self assessment and it was agreed that annual accounts training and an induction checklist would be put in place and added it is about being more definitive around training requirements.
John Boyd added that it is also about ensuring appropriate papers being presented to the committee are providing assurance and also ensuring that there are no duplicate updates being submitted to numerous committees.

Members were supportive of the three recommendations proposed and agreed a further review would be useful.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 231018/04 | Julie Carter and Karen Kelly will meet with the internal auditors to progress this work.  | Julie CarterKaren KellyLily Bryson | NEW |

1. **Effective**

**7.1 Internal Audit Progress Report**The Internal Audit Progress Report was presented by Joanne Brown who advised members that reasonable progress was being made as expected with four audit reports anticipated being completed for reporting to the February meeting.

John Boyd presented the Internal Audit Quality Plan for members to note which outlines the overall approach and the audit charter which sets out the internal audit process and also includes compliance with key performance indicators.

**7.2 Property Transaction Monitoring Report**Joanne Brown advised in accordance with the NHS Scotland Property Transaction Handbook a Property Transaction Monitoring review was undertaken and graded as categorisation ‘A’. Two housekeeping recommendations were noted in relation to documentation which management have accepted and implemented. It was noted that whilst our Board do not normally enter into this type of transaction a reminder was given that in the event of any future property transactions all supporting documentation should be retained in a central place.

* 1. **External Audit Update**Karen Jones provided a verbal update noting that at this point of the audit cycle there was no update other than to advise members that the external interim audit for 2018-2019 will commence on17 December 2018.
	2. **Internal Audit Recommendations Follow up Report**This report was presented in a condensed version as narrative has been removed as requested. Members noted that all 2016-17 recommendations were fully implemented and 28 recommendations from 2017-18 were on target to be implemented by their due date, there are 4 recommendations from 2017-18 which are due for implementation this month. Discussion has been held with the internal audit team to improve presentation of this report and work is in progress to make the report more graphical. The dashboard is helpful as it allows members to review progress from the previous report to the current report.

	Karen Kelly noted progress was good although amber rated recommendations could potentially be in the green zone and added that she was keen to see the original deadline date recorded in the report.

	Julie Carter advised this report will be presented quarterly rather than annually to the Senior Management Team which will be helpful to ensure that all actions are being progressed in a timely manner.
	3. **Update on Audit Plan**Julie Carter presented an update on the amendments to the internal Audit Plan and noted changes were in relation to alteration of the timings of the reviews for the General Data Protection Regulation and Electronic Patient Record reviews which have been deferred whilst other projects have been brought forward. Assurance was given that the full plan is on track to be delivered within the agreed timescales.
	4. **Standing Financial Instructions**Standing Financial Instructions were reviewed and members were asked to approve the update to the instructions on Purchasing; and Stores and Receipt of Goods. It was agreed that the section on formal tendering procedures should be expanded on and the updated sections will then be incorporated into the full document.

	It was noted that the Technical Accounting Group are in the process of updating accounts which will be brought to the next meeting in February for consideration as to when a full review will be undertaken.

	Members were content to approve amendments presented to the Standing Financial Instructions.
	5. **Review of Standing Orders**

Julie Carter advised that she would like members to note the Standing Orders at this stage as a housekeeping review is required. A full review of the Standing Orders will be undertaken and the updated document will be presented to the next Committee meeting for approval before being presented to the Board for formal approval.
Members were content to agree the process for change to the Standing Orders.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 231018/05 | Full review of Standing Orders will be undertaken and presented to the next meeting for approval before being presented to the Board for formal approval. | Lily Bryson | NEW |

1. **AOCB**

**8.1 Horizon Scanning**Karen Kelly asked members if they had anything to add to the horizon scanning list.
Topics discussed were assurance mapping, cyber security and Brexit which are all on our radar.

Joanne Brown advised that the NHS Overview report will be published soon and we should be mindful around leadership culture, whistleblowing and be aware of media attention.

Phil Cox suggested that Winter Planning be added as given the weather forecast for this year it maybe worth ensuring we have got messaging correct. Laura Langan-Riach advised that a Resilience Group meeting was scheduled for this afternoon and winter planning would be aligned to this and the report could be brought to this committee if helpful.

Karen Kelly stated that this concludes the business for today and thanked members for their contributions and closed the meeting at 12.15

1. **Date of next Meeting
5 February 2019**