##### Approved Minutes

**  
Audit and Risk Committee Meeting**

**Tuesday 16 April 2019 at 2pm**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Karen Kelly Chair of Audit and Risk Committee

Phil Cox Non Executive Director

Kay Harriman Non Executive Director

Stephen McAllister Non Executive Director

**In attendance**

Jann Gardner Chief Executive

Julie Carter Director of Finance  
Joanne Brown Director, Grant Thornton  
John Boyd Senior Manager, Grant Thornton  
Laura Langan-Riach Head of Clinical Governance (Chief Risk Officer)   
Karen Jones Director, Scott-Moncrieff Julie Carter Claire

Sally Smith Head of eHealth

John Scott Programme Director

Robert Rankin Director, AECOM

**Attendees from Healthcare Improvement Scotland (HIS**)  
Mirian Morrison Clinical Governance Development Manager

Angela Wallace Nurse Director

Alan Ketchen Programme Manager

Sarah Pettie Project Officer

**Minutes**

Anne McQueen PA to Director of Finance

1. Chair’s Introductory Remarks  
   Karen Kelly opened the meeting and welcomed Health Improvement Scotland Quality of Care review team who were in attendance to observe the meeting.  
   Introductions were made round the table.
2. Apologies

Lily Bryson Assistant Director of Finance  
Chris Brown Director, Scott-Moncrieff  
  
Presentation on Expansion Programme  
Members heard a presentation from John Scott on the hospital expansion, he advised that the programme is in two phases and explained the governance structure around this. This is part of the deep dive into the Board key risks agreed by the Committee.

It was described that a Cost Control Group has been established to monitor all capital and non recurring revenue spend and to ensure that robust processes are in place for capital and revenue expenditure and financial risks.

Robert Rankin continued with the presentation providing background on Phase 1 and the framework explaining the competitive tendering process and how AECOM work on a fully open book approach with Kier to establish the final Target Cost.  
Also each specific project has its own tender process which again is through an open book process.  
  
AECOM have full access to Kier cost ledgers and timesheets and receive this information each month in valuation submissions. This includes all access to sub contractor’s costs and signed agreements and ensures that all costs being paid are valid under the contract and therefore not exceeding agreed cost limit.  
  
Management of Compensation Events were explained and a recent example was the discovery of a piling obstruction. This was explained in detail to the cost control group with a clear picture of spend profiles undertaken to ensure value for money.  
  
Karen Kelly asked if costs do not exceed target and there was a joint gain would we be alerted from that perspective. Robert Rankin confirmed that we would, he confirmed we can track every single pound at all times and can advise if a job is on track or slipping.  
  
Members asked about shared learning and John Scott advised that he is a member of the National Project Board on construction projects and confirmed that feedback around contract intelligence, shared learning etc would be relayed to us quickly.

He added that a Steering Group meeting was held that morning and we are on track as planned.  
  
Karen Kelly reflected on the report that was presented to the last meeting and asked members if they wished anything to be added to the report.  
  
Julie Carter suggested that we structure the report on the headings of risk, cost control and governance to demonstrate how we provide assurance to the Committee and Board.  
  
Karen Kelly asked if a simple timeline with key milestones and indications if targets are being achieved, could be included. Julie Carter agreed and stated these additions will be incorporated into the report for the next meeting.  
  
Jann Gardner advised that an integration report is being developed which will include expansion as she is keen that everyone has a comprehensive overview.  
  
Karen Kelly stated that the risk register for the expansion programme could be submitted to the next meeting. Laura Langan Riach stated that this was timely.  
  
Karen Kelly thanked John Scott and Robert Rankin for this informative presentation.

1. **Declaration of Interests**There were none to note.
2. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 5 February 2019 were approved subject to the following amendments:  
  
Page 1, third paragraph – amend to read ‘giving prominence’.  
Page 8, first paragraph – amend to read ‘external audit undertake an audit of analysis of staff costs, numbers and exit packages, anything else in relation to remuneration is not audited’.

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

1. **Person Centred**

**5.1 Audit Scotland Reports**

Gender Pay Gap report was presented for information only, there are no actions for the Committee to take forward.

**5.2 Prevention of Fraud Update 2019/20**There were noparticular issues of fraud within the Board to note, a formal report will be presented to the next committee meeting.

**5.3 National Fraud Initiative**Outcome from the counter fraud initiative exercise highlighted that all payroll matches have undergone an initial review. From this review no cases of fraud have been identified, future updates will identify work undertaken to progress the matches and be brought to the next meeting.   
It was noted that external audit also undertake a review of the matches.  
Karen Jones advised that Audit Scotland have issued a questionnaire which should be completed by the end of June.

1. **Safe**

**6.1 Board Risk Register and Enterprise Risk Update**Laura Langan Riachpresented the Board risk register highlighting EU withdrawal as a high risk due to the uncertainty of the national situation.  
An expansion risk workshop for phase two development is being held at the end of April to formally review the risks and will be provided in an update to the next Committee meeting.  
The charity risk register was discussed at the Endowments Sub Committee and was well received by members. It was agreed that the Charity risk register and risk appetite would be kept separate from the Board risk register but reported regularly through the Audit and Risk Committee and the Endowments Sub Committee and Trustees meeting.

**6.2 Accounting Policies**Julie Carter presented the accounting policies which will be used in the preparation for the 2018/19 accounts and advised that there were no major changes from the previous accounting policies and asked members if they had any questions.  
  
  
Karen Kelly referred to note 23 and asked what corresponding amounts meant. Julie Carter explained it was a prior year comparator.  
  
The Director of Finance has arranged training sessions for the Annual Accounts for all Board members which will give them an insight to the detail contained within the accounts and explained in non technical language. This also gives an opportunity for detailed questions and scrutiny by the Board.   
  
Members approved the accounting policies to be used for 2018/19 accounts.

**7 Effective**

**7.1 Internal Audit Progress Report**Joanne Brown advised the committee that the audit plan was on track with two reviews due to be completed in June for Consultant Job Planning and Electronic Patient Records Phase 2; this will conclude the audit programme for 2018/19.  
  
John Boyd presented the following completed audit reviews:

* **Cash Management**  
  Key financial controls in place were reviewed with audit predominantly focussing on hotel restaurant, canteen, cash office and a sample of hospital wards. Overall significant assurance with some improvement required was reported, reflecting one medium recommendation which was in respect of hospital wards treatment of donations which were found to be inconsistent; and one low recommendation in relation to cash count forms in the canteen as there was not always clear documentation to create an audit trail.  
  Julie Carter noted a significant amount of work has been undertaken with nursing staff in regard to receiving donations within the ward and there is now a clear operational process. She proposed that a flowchart be displayed in wards that all staff can refer to. Jann Gardner stated the electronic kiosk approach which is being developed will help to remove this risk going forward.
* **Hotel Risk Review**  
  Objective of this audit was to review risks across the hotel in particular risk management approach and scrutiny and how risks are raised and dealt with.  
  Overall audit delivered a verdict of partial assurance with improvement required with one medium and two low recommendations.   
     
  Both Phil Cox and Kay Harriman referred to the comment ‘oversight and reporting through non executives could be enhanced’ and felt this was not the case as they do see key risks at the Board and confirmed that they are fully appraised of hotel risks. They asked that this comment be reconsidered. Kay Harriman added that it would have been helpful if audit had spoken with a non executive director.  
    
  John Boyd stated it was about how risks are escalated to non executives and there is evidence that the escalation pathway is there.  
    
  Jann Gardner stated there is an effective structure however it can be embedded within other documents.  
    
  Joanne Brown agreed to reflect on the language in the report to better reflect todays conversation and will reflect on wording and rating and re-circulate the report.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/04 | Audit to reconsider wording and rating of review to reflect above discussion. | Grant Thornton |  |

* **General Data Protection Regulation (GDPR)**Compliance came into effect in May 2018 in the form of a self assessment tool in line with Information Commission Office (ICO) guidance in preparing for GDPR. Audit highlighted that it was important to note that compliance is a continuing process. Audit were pleased to report significant assurance with some improvement required with two low findings, the first one is in relation to information asset owners ensuring ownership and accountability of data and ongoing compliance is recommended to ensure the Board operates effectively.  
    
  Sally Smith recognised that a significant amount of work has gone into this new regulation and she has had a dedicated resource for twelve months to support introducing a process. This is reported into the Information Governance Group every six months. Work will continue to close down the seven outstanding work plans. The outcome will be brought back to this committee through the audit actions follow up report.  
    
  Karen Kelly asked Sally Smith to pass on thanks to her team on behalf of the Audit and Risk Committee.
* **Electronic Patient Records (EPR)**Karen Kelly highlighted to members that this was one of the deep dive areas that the committee asked audit to review and this is the start of this review.  
    
  John Boyd explained that this review is Phase one of a two phased piece of work. The first part focuses on operating effectiveness and risk management arrangements. Overall this review was classed as partial assurance with improvement required with one medium and four low recommendations.   
  Delay around implementation of the EPR programme and Ophthalmology pathway was identified as a risk which is included in the action plan. Sally Smith explained the reason for the delay was due to a change in approach of developing the workplan options through the supplier interface.  
    
  Julie Carter stated that this links into the second phase of the work and the deep dive into the risks aligned to dealing with a third party/commercial partner. It is important not to lose sight that we are working with a commercial company and the second phase work is looking to review the risks and controls in developing this strategic partnership.  
    
  John Boyd acknowledged that there are areas of good practice in place also.  
    
  Karen Kelly suggested that the risks are reviewed and an update reported back to this committee.

**7.2 Internal Audit Draft Plan 2019-20**Karen Kelly advised that she and Assistant Director of Finance had met with internal auditors and devised a draft plan which is being proposed today.  
  
Joanne Brown talked members through the plan and how they arrived at this end product stating that the plan is flexible. Key point today is to consider the areas highlighted with a tick √ as this is what is being proposed as potential reviews for the three year audit plan.  
Jann Gardner stated it would be helpful if use of the word regional could be changed to national as this would allow more scope.  
  
Joanne Brown asked the committee if there was any review in quarter one that can be agreed to allow audit to commence scoping. Members agreed that the Pharmacy review was more pressing for quarter one and Workforce review for quarter two.  
Following detailed discussion Joanne Brown advised that she will incorporate changes discussed and bring back outline scope to the June committee for final approval.

**7.3 External Audit Interim Report**

Karen Jones explained this interim update was different from previous years as Scott Moncrieff are changing the way they report albeit what they do has not changed. She asked if members were comfortable receiving a verbal update or would they rather receive a formal report/letter.  
  
Kay Harriman expressed her preference is to receive the report in writing.  
In that case Karen Jones explained it will be in the form of a letter which will be issued to the accountable officer which can then be circulated to members.  
  
Internal audit arrange planning visits and hold a series of meetings which are used to inform the audit plan. Auditors have reviewed key systems relevant to audit work and to date have not identified any significant findings.  
   
Karen Kelly thanked Karen Jones for the external audit update.

**7.4 Standing Committee Annual Reports (Draft)**Draft reports were presented for each of the governance committees.

**7.5 Audit and Risk Committee Annual Report**Annual report was presented and members were invited to raise any comments or concerns.  
Julie Cartersuggested that a paragraph regarding the deep dive risk approach on the three areas agreed, Expansion, EPR Phase 1 and Waiting Times Target be included in the annual report. A section will be added and the report circulated virtually to members.Members approved the Audit and Risk Committee annual report as an accurate summary of committee business.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/05 | Section on deep dive of risks to be added to annual report. | Julie Carter | New |

**7.6 Information Governance Annual Report**

Karen Kelly noted that reference was made within the report that Information Governance reports are submitted to the Audit and Risk Committee on a quarterly basis however this has not occurred. Julie Carter advised that the wording will be amended.  
  
John Boyd noted that GDPR audit was referenced within the report and asked if it is planned to submit the report to Information Governance Group. Julie Carter confirmed it will be and will also be presented to the Senior Management Team meeting.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/06 | GDPR audit report to be submitted to Senior Management Team. | Julie Carter | New |
| 160419/07 | GDPR audit report to be submitted to Information Governance Group. | Julie Carter | New |

Sally Smith advised of the two amber flags relating to (1) security for suppliers and stated if suppliers do not comply a decision will be made if we should continue to deal with them. In terms of (2) new contractors, they are already checked as being compliant. NSS are taking the lead in liaising with suppliers of national systems on information security requirements.

**7.7 Risk Management Annual Report**

Laura Langan Riach presented the risk management report advising it included all the key developments and risk management activities undertaken during the year.  
An assessment on national resilience standards was undertaken and formal feedback is awaited from Scottish Government.

Joanne Brown highlighted the following amendments to the report:

* Reference is made to Audit Committee Handbook 2008 which is the old version; this should be amended to the new version.
* Reference is made to 2017/18 Workplan this should be 2018/19.  
    
  Laura Langan Riach will make the above amendments.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/08 | Amendments to the Risk Management Annual report:  Audit Committee Handbook 2008 amend to new version.  Workplan 2017/18 amend to 2018/19. | Laura Langan  Riach | New |

**7.8 Endowments Sub Committee Annual Report**

Phil Cox presented the annual report which was discussed and approved at the Endowments Sub Committee earlier today.

**7.9 Person Centred Committee Annual Report**Kay Harriman presented the report advising that it is being submitted for approval to the Person Centred Committee meeting the following day. A few amendments were noted.

* Membership to be updated to include dates when attendees left and new attendees commenced and
* Section 6 Conduct of Business to read “volunteer strategy and annual action plan”.
* Attendance record to be updated following meeting on 17 April 2019.

**7.10 Clinical Governance Committee Annual Report**Karen Kelly presented the annual report which was discussed and approved at the Clinical Governance Committee meeting this morning.

**7.11 Governance Statement**Jann Gardnerpresented the governance statement which clearly outlines work that has been undertaken this year and describes new approach for next year.  
The following amendment was noted at the 7th bullet point; replace “Committee” with “Workforce Planning”.  
Karen Jones suggested that the Chief Executive reflects on what assurance she received from the previous Chief Executive. Jann Gardner agreed this was a good idea and will add to the statement.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/09 | Chief Executive to include assurance received from the previous Chief Executive in the Governance Statement. | Jann Gardner | New |

Members approved the governance statement for inclusion in the annual accounts subject to above additions.

1. **AOCB**

**8.1 Horizon Scanning**.Phil Cox highlighted the timings of non executive tenures for himself and Kay Harriman which will expire in September 2019 at which point there will be two new non executive members on board and we should be prepare them through a good induction process. Also, it means that new Chairs will be required for the Endowments Sub Committee and the Person Centred Committee.  
Jann Gardner stated at that point the new Board Secretary will have been appointed who will be instrumental in taking this forward; also the new cycle of Board workshops will have commenced which will be held every second month and that time can also be used for induction of new non executives.  
  
  
  
**Reflection of Meeting**Karen Kelly summarised that today two deep dives of risks were undertaken, the Expansion Programme in the form of a presentational approach and the EPR as an audit review and asked members if they had any thoughts on how the Waiting Times Target deep dive should be approached.  
Jann Gardner stated that a presentation from relevant staff would help us to understand how it is done and what the rules are, a bottom up learning approach and then leading into risks and how they are being managed.

|  |  |  |  |
| --- | --- | --- | --- |
| **Action No.** | **Action** | **Action by** | **Status** |
| 160419/10 | Contact relevant staff to take part in presentation on Waiting Times Target. | Julie Carter | New |

**8.2 Quality of Care Review Team Health Improvement Scotland (HIS) Visit**Angela Wallace from the Quality of Care team thanked the committee for the privilege of allowing them to observe the meeting and commented they were fortunate to watch governance in action and finishing off with deep dives which is an important part of what we are looking at. We are the last Board for them to test the review process across Scotland and stated it was encouraging to see the links and expressed their thanks stating that feedback will be seen in reports when they are issued.  
  
Mirian Morrison asked about developing the risk register in Datix and asked what progress has been made reflecting on the discussions today.  
Laura Langan Riach replied that it was work in progress with Division and Board registers in the process of being migrated to the Datix system.   Development work was needed on the system to ensure it aligns to our process which has taken some time. Reports are still being tested but have HEAT map functionality and feel it will support the overall review of risk reports.

Karen Kelly stated that this concludes the business for today and thanked members for their contributions and closed the meeting at 3.45pm

1. **Date of next Meeting  
   11 June 2019 at 10.30am**