##### Approved Minutes

**Item 10.4**

 **Audit and Risk Committee Meeting**

**Tuesday 22 October 2019 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Karen Kelly Non-Executive Director (Chair)

Stephen McAllister Non-Executive Director

Morag Brown Non-Executive Director

**In attendance**

Jann Gardner Chief Executive

Colin Neil Director of Finance
Lily Bryson Assistant Director of Finance
John Boyd Senior Manager, Grant Thornton
Karen Jones Director, Scott-Moncrieff

Liane McGrath Head of Corporate Governance/Board Secretary

**Minutes**

Anne McQueen PA to Director of Finance

1. Chair’s Introductory Remarks
Karen Kelly welcomed members to the meeting and introductions were made round the table.
2. Apologies

Laura Langan Head of Clinical Governance (Chief Risk Officer)

Joanne Brown Partner, Grant Thornton
Chris Brown Partner, Scott-Moncrieff

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

Minutes from the meeting held on 11 June 2019 were read for accuracy and approved subject to a typo on page 6, last bullet point - amend vest to read best.

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

1. **Person Centred**

**5.1 Prevention of Fraud Update 2019/20**Lily Bryson delivered a verbal update as follows:

* The fraud case previously discussed at committee meetings regarding allegations of the receipts of inappropriate hospitality from an IT company has now been resolved and the Board involved has prepared an action plan; our Board has been cleared of involvement in this case.
* Dates are to be agreed for the annual Counter Fraud Services (CFS) meeting at which they provide an update on their work and we consider what should be included in our proactive plan for the year. This year Lily Bryson will collate areas that are specific to our Board and request that CFS include updates on these areas.
* National Fraud Initiative final report has not been issued yet, once received it will be presented to this committee.
* For the benefit of new members Karen Kelly explained that she was the Counter Fraud Champion and she meets every year with CFS to discuss relevant issues and every other year CFS representatives attend one of our Board Workshops which is very beneficial for members; next session is due to be scheduled for next year.

1. **Safe**

**6.1 Board Risk Register and Enterprise Risk Update**Colin Neil advised members that a Board workshop is scheduled for 24 October for all Board members to review the risk appetite and align to the risk register. Laura Langan and her team have been working on this to ensure an interactive session at the forthcoming Board workshop.

CN guided members to updates on the risk register as follows:

* Clinical Waste - contract has been further delayed however contingency arrangements are in place till the end of year.
* Expansion and Outline Business Case for Phase 2 were discussed at a separate session and updated with no risks for escalation. On a positive note the OBC for Phase 2 was approved at the Capital Investment Group.
* EU Withdrawal - all contingencies as far as possible have been put into place with around £300k for financials consequences put aside. From Director of Finance view, he is content that the Board is doing everything they can in the circumstances. Recommendation is however to increase risk to high level, due to the elements of uncertainty.
* Waiting Times - will be reviewed and discussed in detail at the Board Workshop cutting into speciality areas to reflect risks as they vary depending on speciality, in particular Cardiac Waiting Times. Recommendation is to add as a new risk.
* ICD Support to Expansion Programme services has been added as high risk.
* HEAT Map demonstrates that tolerance levels are good.

Colin Neil advised the committee that Waiting Times funding has been agreed by Scottish Government albeit non-recurring. He also added that the Cardiology Strategy and Cath Lab 5 business case are being discussed at the West of Scotland Director of Finance meeting on 25 October, we are actively working on a solution.

Morag Brown asked if a deep dive could focus on workforce capacity and capability as it would be helpful to have information on training risks and staff risks. She asked in order to gain assurance if we are compliant with iMatter, statutory and mandatory training. Jann Gardner replied that through the Person Centred Committee iMatter and statutory training are reviewed, this is a live issue especially with increase in number of staff. She added that it will be useful to discuss these risks at the Board Workshop.

Stephen McAllister referred to microbiology support issue and asked if this has been captured in the risk register. Jann Gardner responded that this was a complex matter as there are two different issues; there is a live issue with the current service and a risk with the expansion resource, she believes we have a resolution therefore will not be seen as a separate risk. There is potentially one named person for the expansion and the Service Level Agreement with Greater Glasgow & Clyde is being reviewed for the current service. Assurance was given that this issue is being managed at the appropriate level.

Jann Gardner highlighted the culture discussion which runs as a theme through all risks, as if we were to lose positive culture on a risk there would be non-delivery, therefore we will bring out culture as a theme in the risk register.

Members agreed with changes proposed and updated Risk Register presented.

* 1. **National Review of Standing Orders**

LM provided a verbal update advising that there has not been a national review of a model for Standing Orders undertaken for some time, therefore it was agreed nationally that a review should be undertaken with input from the Board Secretary Group with a Once for Scotland approach. No timeline has been confirmed however it is anticipated that the model will be implemented by the end of the financial year.

Karen Kelly asked to what extent have we influenced this review. Liane McGrath advised that our Head of Communications had been involved in discussions.

 **6.3 CYBER update**

Colin Neil advised members that following previous discussions on Cyber Security at the Audit and Risk Committee it was agreed an update on the identified actions would be brought to the Committee to provide assurance, this is a brief narrative on actions taken:

* The Board has achieved Cyber Essentials Accreditation.
* Cyber Security training is in place with workshops held for staff with good attendance reported, 79% compliance has been achieved which is reasonable, nevertheless will look to build on that percentage. This training is mandatory for corporate staff.
* Threat Alerts - Golden Jubilee are part of Cyber Security Information Sharing Partnership and receive information on cyber threats in real time.
* NIS Directive was implemented at the same time as General Data Protection Regulations which requires staff who hold patient information to provide security assurances around that data. Director of Finance has written to staff who have not complied in order to reach full completion. The Board is currently compliant within Information Security Policy Framework.
* Given the nature of cyber security and taking into account current intelligence on the threat of cyber attack it is recommended that this will remain as a high risk on the Board Risk Register, despite positive action being taken in line with current guidance.

Members were satisfied to note update on Cyber security and agreed that this risk remains at the same rating.

**7 Effective**

**7.1 Internal Audit Progress Report**

 John Boyd presented a brief update on the Internal Audit Progress Report.

Fieldwork has been substantially completed on the Risk Management report which will be due out this week and findings can be incorporated into the risk workshop.

Views are being sought from members on suggested changes to the Audit Plan.
It is proposed to move the Commissioning and Elective Centres review which is scheduled for Quarter 4 in 2020 to Quarter 1 in 2021 and it is proposed to replace with a readiness review of International Financial Reporting Standards (IFRS 16) as there is a significant amount of work required for the implementation of this; The NHS has particular challenges as this is a complex standard with significant funding issues and audit want to provide assurance to the committee that all appropriate actions have been taken.

Karen Kelly asked what the impact would be on next year’s Audit Plan work.
John Boyd advised that the Internal Audit Plan is a three year indicative plan which will be reviewed in 2021, there are three days capacity if deemed appropriate and he assured the committee that the Audit Plan remains flexible.

Members agreed proposed changes to the Audit Plan and noted good progress otherwise.

**7.2 Internal Audit Recommendations Follow up Report**John Boyd presented the internal audit recommendations which have been separated into 2017/18 and 2018/19 and he was pleased to report good progress with all outstanding recommendations, in particular all actions from 2017/18 are now closed with 6 recommendations outstanding for 2018/19.

In relation to Electronic Record Programme (EPR) update Jann Gardner stated that her understanding was that we were recruiting to the Learning, Organisational and Development post, however there is a small time delay which she will need to clarify for the committee.
**Action: Jann Gardner to obtain clarity for the committee.**
Karen Kelly referred to the EPR Programme recommendation that states a non-executive director will be appointed as a Digital Champion and she is not aware if someone has been given this role. Colin Neil stated he is not aware of a non-executive being nominated yet.

Jann Gardner will speak to the Board Chair to ascertain the latest update regarding who has been given the role of Digital Champion.
**Action: Jann Gardner to discuss with Board Chair and advise the committee.**
Morag Brown referred to Hotel Risk Culture which noted the owner of the action was the Head of Clinical Governance and Director of Finance and asked if that goes beyond these two officers.

Colin Neil responded that the appropriateness for Head of Clinical Governance is correct as her role includes the risk register therefore it would be appropriate and the Director of Finance is the Senior Information Risk Officer (SIRO) hence overarching responsibility. It was agreed that responsibility incorporates other officers whilst the action was given to both to formally to progress.

Jann Gardner added that the Executive Team are reviewing how the hotel risk is drawn into the Board portfolio.

Morag Brown referred to the Endowment Fund review which she states can be complex and asked how the action regarding restricted income was being progressed.

Colin Neil advised that over the past months’ endowments have been reviewed including the classification of all funds and their purpose. As a result all fund purposes are being reviewed and where it has been identified as appropriate, fund purpose will be clarified or amended with the agreement of identified fundholders; in addition the identified fundholders are being reviewed to ensure that they are up to date and appropriate. The outcome will be brought to the April Committee.

Jann Gardner stated as part of the wider endowments donations there will be change as we are considering an electronic method for patients and family to donate, this is a new initiative which would involve installing a charity kiosk and would allow donations to be as unrestricted as possible.

Karen Kelly noted good progress in closing off the actions to date.

* 1. **International Financial Reporting Standard (IFRS) 16 Implementation**LB provided an update on the implementation of IFRS 16 explaining that this is now being adopted for accounting periods commencing 1 April 2020 in the public sector.

	Fundamental reason for this change is it removes the distinction between operating and finance leases and with all assets requiring to be accounted for on the balance sheet, this requires all entities to be transparent. The Scottish Government have issued a template for the identification of leases and the finance involved for these, and it is intended to utilise some internal audit days to ensure that the Board are capturing all data and it is robust as this information will require to be included in the 2019/20 accounts. Karen Jones advised that external auditors will work collectively with internal auditors and the Board to validate the data.

	To enable this work a Short Life Working Group was established several months ago and work has been undertaken to identify all leases and all contracts where we have right of use of an asset. This information will be submitted to the Scottish Government by the end of the year and values will be included in annual accounts and fully implemented by April 2020.

	Lily Bryson advised that she had not identified a huge amount of leases for the Board, the most significant lease is the Managed Service contract for Theatres.

	Karen Kelly noted the key milestones will be the end of December at which point internal audit will review the template and external audit will undertake a final check. Colin Neil noted it was important to bring detail to the next Audit and Risk Committee as this new accounting standard will let members see the Boards assets and lease arrangements transparently in one primary statement in the accounts.

	Stephen McAllister asked what the difference was between an operational lease and finance leases. Colin Neil provided examples to show the distinction between these which provided the required clarity.

	Members were content to note work undertaken and to receive an update at the next Committee meeting.

**7.4 Authorised Signatories**Colin Neil informed members that the purpose of this paper arose broadly due to recent departures of senior management and the need to put interim signing authority in place. The committee are being asked to approve the interim arrangements for the noted posts.

The first request for Head of Procurement is straightforward as an interim replacement is in place and this is in line with Standing Financial Instructions.
The second request is for the Head of Estates and this was a situation whereby one person was the only signatory for the Estates department which is now not deemed appropriate, therefore it is proposed to allow two Estates Managers, one Manager and one Supervisor signing authority for emergency orders. Robust control measures will be maintained for this interim arrangement.

Next step is to consider authorised signatory arrangements across the Board to ensure they are appropriate and in line with the new management structure.

Members approved interim authorised signatory arrangements.

**8. AOCB**

**8.1 Horizon Scanning**Karen Kelly explained the purpose of this agenda item is to use the wider knowledge of internal and external auditors and non-executive directors to highlight if there are any issues they are aware of that may affect our organisation.

* Blueprint for Good Governance was previously identified, it was suggested that this is kept on the radar.
* Arrangements should be made to ensure training and development opportunities are made available for newly appointed Audit and Risk Committee members.
* NHS in Scotland Report is due to be published at the end of the month and it would be appropriate then to invite Audit Scotland to a future meeting.
* National Fraud Initiative Annual Report has been delayed, it is expected to be published in the next few months.
* Morag Brown asked in relation to Endowments and investment profile is there assurance that we are not investing in arms trade/deals in keeping with our Board values.

Lily Bryson stated our investments are held by NHS Greater Glasgow & Clyde (GG&C) and she believes that this has already been confirmed.

Members asked for endorsement that we are not investing in arms trade or arms deals and to obtain confirmation in writing to provide assurance to the Board.
Colin Neil stated he will take an action to clarify this with NHS GG&C.

Lily Bryson gave assurance that the Boards policy on acceptance of donations states there will be no investment in arms trade or drugs.

**Action: Colin Neil will obtain clarity from GG&C regarding criteria for investments for the Charity and feedback to the Committee.**
**Reflection of Meeting**

 Karen Kelly stated that this concludes the business for today and thanked members for their contributions and closed the meeting at 11.25am.

1. **Date of next Meeting**11 February 2020 at 10.30am