##### Approved Minutes

 **Audit and Risk Committee Meeting**

**Tuesday 16 February 2021 at 10.30am**

**By Microsoft Teams**

### Present

Morag Brown Non-Executive Director (in the Chair)

Elaine Cameron Non-Executive Director

Rob Moore Non-Executive Director
Jane Christie-Flight Non-Executive Director/Employee Director

**In attendance**

Jann Gardner Chief Executive

Colin Neil Director of Finance
Lily Bryson Assistant Director of Finance, Governance and
 Financial Accounting

Liane McGrath Head of Corporate Governance/Board Secretary

Laura Langan Head of Clinical Governance (Chief Risk Officer) Karen Jones Director, Azets Audit Services

Joanne Brown Partner, Grant Thornton UK LLP
Susan Douglas-Scott CBE Board Chair

**Minutes**

Anne McQueen PA to Director of Finance

1. Chair’s Introductory Remarks
Morag Brown opened the meeting via Microsoft Teams and welcomed members.
2. Apologies

Karen Kelly Non-Executive Director (Chair)

Stephen McAllister Non-Executive Director
Chris Brown Partner, Azets Audit Services

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 20 October 2020 were read for accuracy and approved.

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

5. Effective

**5.1**  **Board Risk Register**
Laura Langan presented the Board Risk Register advising that this represents outputs from the Board Seminar held on 17 December 2020 and is submitted today for further discussion and approval by the committee.

The Board high risks were discussed in detail at the seminar and an overview of the Board Risk Register is provided in the appendix. Mitigations for all risks have been updated and will continue to be regularly reviewed.

The Board Risk Appetite has been updated with a refreshed matrix and revised statement, no additional risks were identified at this time for escalation or addition to the Board register. The risk register will be updated regularly to remain live to current issues.

Members approved the Board Risk Register

**5.2 Accounting Policies**Colin Neil presented the accounting policies advising that it was a requirement that these are presented in advance of preparation of the Board’s annual accounts and they require to be approved. There are no material changes from prior year, however, one key point to note is adoption of IFRS 16 leases which has now been deferred to 2022/23. The proposal was that this standard would be implemented from 1 April 2020, however this was deferred nationally and the implementation date was deferred to April 2021.

Due to the impact of the pandemic HM Treasury gave public sector reporting bodies the option to defer this standard again to April 2022 and all Boards unanimously agreed to defer; as a consequence, 2021/22 will become the transitional year for standards to be implemented.

Approval is being sought from the committee to utilise accounting policies which are largely in line with last year.

Members approved the Accounting Policies.

**5.3 National Fraud Initiative 2020-21 Exercise**Lily Bryson presented the National Fraud Initiative paper advising that this Counter Fraud exercise is undertaken every two years across the public sector to identify potential fraudulent activity.

The report being presented today is the result of the exercise undertaken in September 2020. The results were reviewed and four high risk matches were identified in relation to HR which are primarily staff who have two contracts, these have been investigated and cleared by HR, other matches will be reviewed within the relevant time frames. It should be noted that historic matches from previous years have not been data cleansed hence increasing number is due to accumulation of matches.

Morag Brown relayed email message from Karen Kelly who passed on compliments to staff for the robust approach to this exercise.

Elaine Cameron asked for clarification of low risk in relation to duplication of 203 creditors. Lily Bryson explained the reason is due to matches being classified differently this year.

Colin Neil stated it was important to note that this was a belt and braces approach with permissible reasons for matches and he assured members that a number of other checks also take place.

Members noted the results of the National Fraud Initiative 2020-21 Exercise.

**5.4 Fraud Update**

Lily Bryson presented an update on the work of Counter Fraud Services.

There are no cases under investigation. CFS colleagues attended the Board in December which was very informative. Lily Bryson as the Board’s Fraud Liaison Officer attends quarterly meetings with Counter Fraud Services.

Due to high expenditure on IT equipment to facilitate remote working it is intended that an internal audit will be undertaken by the Financial Accounts team to ensure that all assets are tracked and to implement a system of verification of all items purchased, this is embryonic at the stage, however, the output of this audit will be available for external and internal auditors to review.

Susan Douglas-Scott welcomed the robustness behind this work and added it was helpful inviting Counter Fraud Services to the Board seminar and it would be beneficial to continue to do so on a cycle.

Members noted the Counter Fraud Services update with commitment that the eHealth Review will be reported at a future committee meeting.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 16022021/01 | Counter Fraud Audit - eHealth Assets Review to be reported at a future committee meeting. | Lily Bryson | New |

**5.5 Hospital Expansion Project Update**Colin Neil presented schedules on Phase 1 and Phase 2 of the hospital expansion programme.

Phase 1 - final account will be agreed by the end of the financial year, once we have received this then we will ensure that the valuation and impairment values are correct. Feedback will be reported to the committee regarding final account and it is expected at that juncture to close Phase 1 reporting.

Phase 2 - is ongoing with final elements of assurance being worked through with Health Facility Scotland. A meeting was held with HFS regarding factual accuracy report and assurance given that this will be finalised and submitted to the Chair of the Capital Investment Group by end of this month. Linked in with finance colleagues at Scottish Government with approved level of £10.1m received which provides sufficient coverage.

Susan Douglas-Scott noted that the impact of Covid has delayed work and asked if that time will be recovered going forward. Colin Neil replied one element of work had as two piling machines were on site at one time to make up time, however, realistically there will be an element of slippage to the overall programme.

Morag Brown noted this positive report and stated we must remain vigilant.
Members noted the Hospital Expansion updates on Phase One and Phase Two.

**5.6 Project Bank Account**Lily Bryson presented this paper advising that it has become mandatory since 2019 to implement a project bank account which forms part of the approval process for the business case for Phase Two of the Hospital Expansion programme.

In line with guidance from Scottish Government a project bank account is being established with meetings being arranged with the local bank manager, Assistant Director of Finance (Governance and Financial Accounts) and Programme Director; following this a meeting will be held with personnel from Kiers as they are required to enter into the agreement.

Colin Neil echoed that this is a mandatory requirement and condition of all capital projects of that nature across the NHS.

A paper will be presented to the Board to define protocol for signing of the Trust Deed which must be approved by Trustees.

Susan Douglas-Scott stated she was satisfied that the Board are in control of the project bank account.

Members noted the introduction of a Project Bank Account for use in Phase Two Elective Centre Programme and agreed a further paper be presented to the Board in regard to the Trust Deed to be signed off by responsible officer.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 16022021/02 | Paper to be submitted to Board defining protocol for establishing Project Bank Account and signing of Trust Deed | Lily Bryson | New |

**5.7 Updated Credit Card Use**

Lily Bryson presented a paper on use of the Board’s credit card advising presently there is only one credit card with restricted use primarily for work permits for HR purposes.

It has become evident that to support marketing and recruitment purposes the credit card is required for digital marketing and social media therefore approval is being sought for the Communication department to have use of the credit card.

Colin Neil stated we need to tackle our recruitment ambitions from every route possible and these media platforms do not use invoicing. It is on trial at the moment however assurance was given that use of the credit card remains incredibly strict.
The trial will be reviewed at the end of the financial year.

Jann Gardner endorsed this new agile way of working and was assured of the robust process in place for checks and balances.

Karen Kelly noted by email that controls in place appear suitable to provide assurance.

Members approved credit card use and noted oversight and assurance in place.

**5.8 Provisions (Clinical Negligence and Other Risks Indemnity Scheme)**Colin Neil presented this paper to the committee for information. As Provisions form an integral part of the annual accounts and the level of provisions for claims has increased substantially in the past year he felt it was appropriate to inform the committee in advance of the accounts being presented; however it should be noted that there is no implication to the Board as our contribution to the scheme is £25k per claim which is the threshold and CNORIS cover any claim higher than this amount.

There is one significant claim which executive directors have been involved in.
Laura Langan gave assurance of robust process in place through Central Legal Office and Scottish Government involvement. Colin Neil stated for obvious reasons we cannot go into specific details of individual claims advising that these are discussed at the Clinical Governance Committee.
Members noted this update on Provisions

**5.9 Annual Accounts Timetable**Lily Bryson presented background to timetable for preparation of annual accounts for submission to the Board, adhering to this timetable will ensure sign off of annual accounts on 24 June 2021 for submission to Audit Scotland and the Scottish Government.

Due to the pandemic there are a few areas that require discussion due to restrictions.
These are valuation of land and buildings and discussion has taken place with the valuer and it has been agreed if restrictions are still in place a desktop exercise will be undertaken. The other area is year-end stock counts and virtual attendance will be considered for auditors to attend, also the wider scope audit may be more in depth than in prior years.

It is proposed to present the Governance Statement to the April committee therefore to enable this all draft reports from other governance committees must be submitted within this timescale.

Susan Douglas-Scott asked if Scottish Government are satisfied with audit undertaking a virtual/desk top exercise. Lily Bryson confirmed that the Technical Accounting Group have approved this.

Members noted timetable for preparation of Annual Accounts.

**6. Auditor Reports**

**6.1 External Audit Annual Plan**Karen Jones presented the external audit plan which summarises the work plan for 2020/21 and drew the following points to the committee’s attention:

It is proposed that a remote audit will be undertaken as per previous year and arrangements are in place.

Consequences of remote audit are access to audit evidence such as valuation and stock counts which was touched on earlier.

Timescales and communication will be kept under review however the intention is to adhere to normal timescales and key to that will be communication and keeping the committee up to date with any issues that arise.

The plan is set out in dimensions of Financial Sustainability, Governance and Transparency, Financial Management and Value for Money.

Audit have concluded that application of the full wider scope is appropriate.

Financial Statements identify some audit risks that are treated as presumed risks and audit will review the Board’s accounting records in this respect.

Work will be undertaken on potential for fraud given significant number of staff are working remotely to ascertain if the process has been relaxed or enhanced.

Addendum to reporting manual allows for relaxation in front end of accounts requirements if the Board decides to do this.

External audit will take cognisance of work internal audit have undertaken to minimise duplication.

Timetable for annual accounts being submitted to Scottish Government and Audit Scotland is 30 June 2021 however this can be extended to 30 August 2021 with possibly a further extension to 30 September 2021 (if required), nonetheless it is audit’s intention to present to the June Board, this will be kept under review.

Audit Plan includes audit fee which is consistent with last year’s audit fees.

Karen Jones confirmed that Azets are compliant with the Financial Reporting Council Ethical Standards and audit process is independent.

Susan Douglas-Scott stated she was pleased with outlay of the audit plan and extremely keen to adhere to the June date for submission of annual accounts and does not foresee any barriers. Jann Gardner endorsed this and stated we will work towards this date and only exception will be due to changes in relation to the pandemic.

Members noted the External Audit Plan.

**6.2 Internal Audit Progress Report**
Joanne Brown presented the progress report advising overall auditors are on track to deliver the programme as agreed. Two internal audits have been completed for Governance and Financial Sustainability and scoping has been completed for Patient Pathways part one

There has been a slight delay arranging time with HR Director to scope the internal audit of Workforce; the audit team are aiming to deliver this audit in March 2021 and report to the June committee meeting.

Karen Kelly noted by email her concern that the Workforce audit was not progressing and stressed the importance of this audit being undertaken in the final quarter.

Colin Neil will take this forward and have discussion with Auditor and directly with HR Director as the focus around workforce plan is integral and will be his ultimate focus.

Susan Douglas-Scott noted as Chair she was concerned and would like feedback as to how it is progressing.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 17022021/03 | Meeting to be held with Director of Finance and HR director to progress the Workforce Audit.Chief Executive will feedback progress to the Agile Governance Group | Colin NeilJann Gardner | New |

**Governance Arrangements Review**Joanne Brown presented this report advising that audit reviewed agile governance and decision making in response to COVID-19 pandemic and reported that good governance and transparency was found to be in place and overall report was rated as reasonable assurance.

A short survey was undertaken with Non-Executive Directors on best practice which is included in appendix 2 and results demonstrated a positive report.

Elaine Cameron asked about the advisory comment on duplication of reporting. Joanne Brown explained when audit reviewed decision making potentially the performance report was being duplicated and noted this as a point of efficiency as it is sighted by a number of groups with the same members.

Jane Christie-Flight referred to agile governance structure and noted that there has been oversight as the Employee Director is part of the governance group, therefore this should be reflected that due governance has been followed.
Joanne Brown noted this point and will add in to report.

Karen Kelly noted by email her concern around progress of second phase of Patient Pathways audit. Joanne Brown replied that she is comfortable that they can focus on patient pathway with minor tweak to resolve issue with patient identifiable data.

**Financial Sustainability – Phase One**This review demonstrated that good controls were in place in reporting to Scottish Government on COVID spend. On minor advisory recommendation was found in relation to the approval tracker which is submitted to Scottish Government.

Members noted audit progress report and that the Workforce audit will be progressed and the importance of this piece of work being concluded.

**7. Any Other Competent Business**
Susan Douglas-Scott noted thanks to Morag Brown for stepping in as Chair and also to Rob Moore for attending at short notice.

**Items to be included in update to Board**Morag Brown summarised items to be included in the update to the Board.

Morag Brown thanked colleagues for their contribution and closed the meeting at 12 noon.

Date of next meeting: 20 April 2021 at 10.30am