**Ref: GJF/2018/05/08**

# GJF LogoApproved Minutes

**Audit and Risk Committee Meeting**

**Thursday 15 February 2018 at 2pm**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Karen Kelly (KK) Chair of Audit and Risk Committee

Kay Harriman (KH) Non Executive Director

Stewart MacKinnon (SM) Interim Chair of the Board

**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  
Geroge Bell (GB) Manager, Pricewaterhouse Coopers

Michael Lavender (ML) Audit Manager, Scott-Moncrieff

**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   KK opened the meeting and welcomed members stating she was pleased to be chairing the Audit and Risk Committee and said that effective meetings rely on curious, courageous and reliable people which brings a tangible quality to the committee. KK stated that she expects everyone to have read the papers therefore only the key points will be highlighted.  
     
   KK welcomed George Bell from PwC to his first meeting and also thanked SM for attending today recognising that it is not entirely appropriate for the Chair of the Board to attend every Audit and Risk Committee meeting but useful to have his input for this meeting, given the current situation with members availability and taking into consideration this meeting has already been rescheduled it is important it goes ahead.
2. Apologies  
   Phil Cox (PC) Non Executive Director

Chris Brown (CB) Partner, Scott-Moncrieff   
Laura Langan-Riach (LLR) Head of Clinical Governance (Chief Risk Officer

1. **Declaration of Interests**There were no declarations of interest to note other than the auditors will be invited to leave the room for the second last agenda item.
2. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 7 November 2017 were endorsed and approved by members and will be presented to the next Board meeting.

1. **Matters Arising**  
   An update on outstanding actions was provided with full details recorded in the action log.
2. **Safe**

**6.1 External Audit Annual Plan**

ML advised members that this was Scott Moncrieff’s second five year appointment with the Golden Jubilee and proceeded to present the audit plan for 2017/18.   
Key points are highlighted below and full detail is contained within the report.

* Introduction describes overview, audit appointment and background which confirms compliance with Financial Reporting Council to ensure there are no significant risks.
* Confirmation of Independence covers all responsibilities when auditing.
* Wider scope audit work within the financial sector, audit are taking these factors into consideration and have concluded that they will apply the full wider scope audit, and this assessment takes into account the size, nature and risks of the Board.
* Value for money – resources will be used effectively.
* Board’s responsibilities are summarised at exhibit 2 in the document.
* Audit Strategy details source of information used and audit work in partnership with Audit Scotland.
* Audit of annual report – ML drew members’ attention to materiality and this section explains what it means.
* Key audit risks - the first three risks are presumed risks.
  + Fourth risk is in relation to consolidation of Endowment Funds as charity funds are increasing they may require to be consolidated into Board accounts, ML advised this is not difficult to do more it is more about the logistics of it and stated it will be monitored.
  + Fifth risk is in relation to the Golden Jubilee Conference Hotel due to the unique nature and for that reason audit will undertake a high level review.
* The Wider scope audit is detailed with one significant risk in relation to financial sustainability and longer term planning specifically related to the impact of the expansion project
* Consideration in regard to the wider scope audit is given to four dimensions: Financial Sustainability, Financial Management, Governance and Transparency and Value for Money.
* Audit outputs details all reports that will be submitted to Audit and Risk Committee.
* Audit timetable demonstrates dates for submission of reports.
* Audit fee is dictated by Audit Scotland, this year demonstrates a decrease in fee to £2,900 a reduction of 4%.
* Appendices details the audit team at Scott Moncrieff.
* Statement of Understanding finalises the report.

KK stated she welcomed the wider scope of audit work in the public sector, particularly in view of reported cases of governance failures in other sectors where the scope of the audit is much narrower. In view of the financial sector scope good standards were set now. KK asked if members were satisfied with materiality levels and risks outlined in the report. All agreed they were.  
  
Members were content with annual plan presented and the report was noted.

**6.2 Board Risk Register**KK advised that the Board Risk Register was discussed earlier at the Board meeting stating that it would normally be presented to this committee prior to the Board however due to timings and the change of the meeting date it has been presented to the Board meeting first in this instance  
  
JY noted that the visual presentation appendix of expansion risk profile was very helpful to see and risks will be escalated to the Strategic Risk Committee and Senior Management Team meeting who would then consider if any should be included in the Board risk register and/or in the Divisional risk registers..

Recommendation was agreed to remove risks S5 and S6 and they will be devolved to division risk register. Risk S10 was discussed and likelihood has increased from 1 to 3 taking this to a medium rating. This summarises the main movements in the risk register.  
  
KH asked in general who is responsible for data protection and security in the organisation. JY replied that there are different aspects for security; the Medical Director is the Caldicott Guardian, the Director of Finance is the Senior Information Risk Officer and the Head of eHealth is responsible for Cyber Resilience and they all report through Senior Management Team and escalate to relevant committees as appropriate.  
  
KH asked if there are any changes in relation to new legislation for General Data Protection Regulation (GDPR). JY stated a presentation was given to SMT on state of readiness assessment for compliance with GDPR which will be enforced on 25 May 2018 and no significant issues arose.   
  
Members noted the mitigating controls in the Board risk register and endorsed the proposed amendments to the Board register and noted the risk update in relation to the expansion risks.

* 1. **Risk Appetite Statement**JC advised that following the outcome at the recent Board workshop measures were developed which LLR had compiled into the risk appetite statement which is the basis of the Board Risk Register.

KH stated that she feels that the statement accurately reflects the views of the directors on the day of the workshop. SM agreed that it was the mood of the meeting that day however it is a moveable feast and a good basis to work on.  
  
KH queried why safety in Research and Development was recorded as cautious as she could not recall the reason why. JY thought it was because we also do clinical trials.   
  
Thanks were noted to PwC colleagues for their assistance in facilitating this workshop.  
  
JC stated it is planned to take a similar approach with the Senior Management Team to ascertain if their risk appetite is the same and if there is a gap. JC commented that the clinicians who have been involved in some specific projects are fully engaged with risk appetite, which is very helpful.  
  
Members approved Risk Appetite Statement which will be presented to the Board for final sign off.

1. **Effective**

**7.1 Internal Audit Progress Report**GB presented the internal audit progress report.  
  
Two reviews have been finalised; the Expansion Project and Business Continuity which will be reported on later.  
  
There are four reviews in progress or still to be initiated;

* Endowment funds- awaiting sight of training documents.
* Workforce Planning progressing as planned.
* Gifts and Hospitality will be reviewed next week.
* Risk Management – it is proposed to shift emphasis onto a review of divisional risk registers and audit are therefore seeking committee approval to amend the audit plan. JC stated it was felt that given we have recently taken the Board through a workshop there was no added value in undertaking Enterprise Risk audit, therefore we thought it would be more appropriate to go to the next level down and review how ready divisions are for enterprise risk and review controls in place to manage risks. Also this area has not been reviewed for some time. KH stated she can see the merit in that.   
  Members agreed amendment to audit plan as discussed.  
  **Action: Audit Plan to be amended accordingly.**  
    
  MK advised internal audit have been asked to facilitate training for members of finance team on NHS financial reporting at the end of the month.   
  KK confirmed that non executive director materials have been circulated to members for information; however feedback from non executives to PWC was that seminars are not held in Scotland, which was unfortunate.  
    
  MK stated that Key Performance Indicators have been discussed frequently to drive out a smooth way of working with management. Over the last quarter a real effort with a team emphasis has been made and with one exception due to a manager being on leave there was only one close out meeting that did not go ahead, the remainder 50% was achieved.  
    
  GB proceeded to provide an update on findings of reviews:
* **Project Management Expansion Project**  
  This review identified one medium finding and three low rating findings.  
    
  Construction risk was classed as a medium risk as the expansion risk register does not include construction risks.   
    
  Key person dependencies was rated a low risk as there is a need for deputies to be named for management for contingency purposes in the event that key roles should move off the project, management are working on this to ensure there are deputies in place with relevant experience.

Project Initiation Document (PID) was rated as a low risk and the reason for this was it did not include any assumptions or dependencies.  
  
  
Terms of Reference for Workstreams was classed as a low risk mainly due to there not being terms of reference set for each workstream of the programme, however management have now taken action to address this.  
  
GB invited members to raise any questions.  
  
SM asked in relation to the construction risks are these not included in within the PSCP risk register. JY confirmed that they were however all risks will be brought into an overarching risk register for the expansion project.  
  
KK commented in relation to the Project Initiation Document that she was surprised it did not include elements of interdependencies and thought that assumptions were standard. GB stated that the document did attempt to highlight some constraints.  
JC clarified that this is an internal document only with most of the team already understanding the current dependencies. LB added that there is no requirement within guidance that states we must do a PID.  
  
MK stated that overall this was a positive report due to the number of low findings.  
  
Members were content to note this report.

* **Business Continuity Management**  
  GB advised that this report generated four medium findings.  
    
  The Board have undertaken a significant amount of work to ensure that a robust crisis management framework is in place however audit identified four opportunities where framework could be strengthened, which are:  
  Crisis Management, Business Impact Analysis, Business Continuity Management and Business continuity training.  
    
  Risks were identified in relation to gaps around protocol for crisis scenarios and action cards were not available that detail roles and responsibilities of incident team. Management have agreed an action plan to address recommendations with target date set for completion of this work.  
    
  JY highlighted that in relation to the first risk we do have action cards which are available electronically and in hard copy and in relation to the second risk the organisation have had a number of real life incidents that were dealt with successfully and we recovered well, therefore we have not placed importance on a test protocol.  
    
  MK responded that auditors were unable to gain sight of the action cards at the time of audit and with regards to real life scenarios she suggested that management stand back and look at what real life scenarios have not been tested and perhaps look to these areas. Review of document ranking of risks would ensure staff would be better informed.  
  Management acknowledged all recommendations and agreed on an action plan. Target date for this work is 31 May 2018.  
    
  Third finding was the need for NWTC business continuity policy to be formally approved and it was found there was inconsistency in using appropriate templates therefore version control was recommended.  
  Management agreed to action this by 31 August 2018.  
    
  Fourth finding was in regard to business continuity training and audit recommend formal training and development programme for new members of staff be introduced. Management agreed to complete training needs analysis.  
  JC stated this was an area that management felt was weaker and wanted to review therefore the Director of Nursing and LLR have established a group to take this work forward.  
    
  JC advised that all actions will be incorporated into the audit follow up report to ensure that actions have been undertaken.  
    
  Members were content to note the Internal Audit Progress Report.

**7.2 Governance Statement Guidance**JY presented Governance Statement guidance advising this was being presented to ensure members are comfortable with guidance and to note the timetable for completion of annual reports.  
  
ML stated that the Chair may wish to include in the Governance Statement why the Chair of the Board is attending the Audit and Risk Committee meeting today as it best practice for the Chair of the Board not to have the right to attend Audit and Risk Committee meetings however he may be invited as an observer.  
MK stated that is not uncommon for the Chair of the Board to attend a meeting but not to be a formal member.  
KK thanked ML for this advice and stated that this will be considered  
  
LB stated that the Audit Handbook states the Chair of the Board should not be a member of the Audit and Risk Committee.  
JY reiterated that SM is the Interim Chair of the Board and these were exceptional circumstances.  
  
It was agreed that appropriate wording will be inserted in the Governance Statement to reflect this discussion.  
  
Members noted the Governance Statement Guidance and timetable.

**7.3 Internal Audit Follow up report**

LB advised that within this report is a review of the recommendations made by PwC arising from internal audits in 2016-17 audit plan and the current status; this has identified that 66% of recommendations have been implemented with 9 recommendations not implemented with a revised implementation date of 31 March 2018. A dashboard has also been completed which is the second part of the work that demonstrates actions outstanding.  
  
This report has been presented to Senior Management Team meeting and going forward it will be reported quarterly and will incorporate actions from 2018-19 audits and any applicable recommendations from Audit Scotland.

KK referred to change to timescales from January to March 2018 for Quality Framework Application and asked what needs to happen to ensure we meet the revised deadline. JC replied that the Quality Framework indicators are being firmed up and Director of Nursing is liaising with the wards regarding data collection through the Nurse Directors Group.  
JY added that there is a tight deadline over next few months to transfer the Quality Framework platform which will ensure that timescales for actions will be met.  
JC stated that she will include wording to reflect comments above.  
  
Members were content with progress and format of dashboard and members noted position.

1. **Person Centred**

**8.1 Conflict of Interest Policy**

Conflict of Interest Policy and associated guidance with the anti-bribery statement are being presented for members’ approval before being submitted to the Board for final approval.  
  
LB advised that a national copy of the policy was submitted to the previous meeting which has now been adopted and converted for our Board together with the supplementary guidance to create a Golden Jubilee policy.

A short life working group has been established by Scottish Government to review this policy and to take forward across all sectors in Scotland.

Members were content to approve policy, guidance and anti-bribery statement to be submitted to the Board for approval.

**8.2 Cost Control for Expansion Programme**

JC highlighted key points noted from the cost control group which has been established to monitor spend on the hospital expansion project; overall revised costs for the Outline Business Case have not been finalised yet however £12.1m was the estimated amount which is likely to increase with the main element causing the fluctuation being the floor space/footprint and movement in indices. Cash flow project is broadly in line with the plan agreed. An equipment group will be established to look at medical equipment separately and will report back to the Cost Control group.   
  
With regards to the collapse of the construction firm Carillion, advice was sought from Keir’s and our cost advisor has informed us that there are no concerns or financial impact. In addition a formal statement was issued advising that there is limited risk to our organisation.

KK noted that the issue of the collapse of Carillion was raised at the Board and it would be helpful to circulate this paper to Board members for reassurance.  
**Action: Circulate extract from Keir document to Board members.**Members noted spend to date on the expansion project and key risks.

* 1. **Fraud Update 2017/18**LB reported that there have been no incidences of fraudulent reactive cases at the time of writing this report and work is progressing on the proactive plan for 2017/18.

Members are asked to approve the proposal to appoint KK to the role of counter fraud champion which is in line with Counter Fraud Service (CFS) guidance which recommends that the Chair of the Audit and Risk Committee is appointed to the role of Counter Fraud Champion.

The annual visit with the team from Counter Fraud Services is being arranged with the newly appointed Counter Fraud Champion.  
  
It was agreed to invite CFS to ARC to give a presentation on Bribery and Corruption and Cyber Security. JC/JY stated it would be more beneficial for CFS to attend a Board meeting and also for the Conflicts of Interest policy to be submitted to the Board.  
  
**Action: LB to invite CFS to next Board meeting to give a presentation on Bribery and Corruption and Cyber Security.**

* 1. **Appointment of Internal Auditors Update  
     KK asked the internal and external auditors to leave the room for this agenda item.**JC advised that tender specification for the internal audit service was issued on 14 February 2018 and closes on 26 March 2018 with start date of 5 May 2018 for appointment of internal auditors. The Board’s current contract for provision of internal audit services ends on 31 March 2018 therefore if new auditors do not commence until 5 May 2018 it is proposed that the existing contract is extended.   
       
     ‘Meet the Bidders’ day for potential bidders is scheduled for 1 March 2018 therefore timeframes for interviews are likely to be between 26 March and 5 May 2018 most probably it will be the end of April 2018. Interview panel will consist of the Directors of Finance and Chairs of Audit and Risk Committees from each Board.  
     JC asked members if they were content with the arrangements.  
        
     Members were content to note progress for awarding the Internal Audit Contract from April 2018.

**8.5 SAS-GJNH Collaboration  
Auditors rejoined the meeting.**

JC presented a paper on collaboration opportunity with Scottish Ambulance Service (SAS) and Golden Jubilee Foundation (GJF) and sought assurance from Audit and Risk Committee members that they are content with Director of Finance of GJF taking on, in an interim basis the Strategic Director of Finance role covering both the GJF and SAS.

Members noted the interim Director of Finance arrangements.

9. AOCB

* Public Bodies Board Members Finance Workshop  
  KK advised members that she attended a Scottish Government finance workshop on 30 January 2018 at Victoria Quay which was aimed at Finance and Audit members of public bodies and advised that there were interesting presentations, slides and materials which she will circulate to members for information.
* Reflection of Meeting  
  KK stated in line with Board values workshop she would like to ask non Board members for feedback on today’s meeting and give members the opportunity to offer their opinion/view and stated that reflection would be undertaken at the conclusion of future meetings.  
    
  JC commented that the meeting was good with positive challenge and if members felt that management need to do anything more please just to advise us and went on to say that following the previous meeting comments were taken on board regarding purpose of the papers and we are now indicating clearly at the beginning of each paper what is expected of members ie; to approve or note report.  
    
  MK noted that there were not too many questions which indicates that the papers were presented clearly.
* Audit Scotland  
  JC suggested that Audit Scotland be invited to a future meeting to present an overview on the NHS Scotland report as good feedback has been received from other Directors of Finance who have already done this.  
  Action: JC to invite Audit Scotland to a future meeting  
    
  MK suggested bringing in a member from a team within the organisation who is undertaking interesting work to explain work going on at ground level as this would send out a positive message.  
    
  KK thanked members and closed the meeting at 3.30pm

10. Date of next Meeting  
10 April 2018