##### Approved Minutes

**GJF/2018/03/17**

**Audit and Risk Committee Meeting**

**Tuesday 7 November 2017 at 10.30am**

**Boardroom, Level 5**

**Golden Jubilee National Hospital**

### Present

Phil Cox Chair of Audit and Risk Committee

Kay Harriman (KH) Non Executive Director  
Karen Kelly (KK) Non Executive Director

**In attendance**

Julie Carter (JC) Director of Finance  
Lily Bryson (LB) Assistant Director of Finance  
Margaret Kerr (MK) Director, Pricewaterhouse Coopers  
Chris Brown (CB) Partner, Scott-Moncrieff   
Laura Langan-Riach (LLR) Head of Clinical Governance (Chief Risk Officer)  
**Minutes**

Anne McQueen (AM) PA to Director of Finance

1. Chair’s Introductory Remarks  
   PC opened the meeting and welcomed members stating that there were interesting topics on the agenda to discuss with cyber security amongst them which we need to be rigorous about. PC suggested at the end of the meeting members reflect on what the papers being presented seek to achieve.
2. **Apologies**Jill Young (JY) Chief Executive  
   Jennifer McKillop (JM) Manager, Pricewaterhouse Coopers  
   Michael Lavender (ML) Audit Manager, Scott-Moncrieff
3. **Declaration of Interests**There were no declarations of interest to note.
4. **Minutes of the last Audit and Risk Committee Meeting**

Minutes from the meeting held on 6 June 2017 were endorsed and approved by members and will be presented to the 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**CB provided a verbal update advising members that Audit Scotland released audit guidance for this year which will be presented to the next Audit and Risk Committee meeting with the external audit plan. CB advised that he has met with Karen Kelly the Boards newly appointed non executive director.

**6.2 Conflicts of Interest Policy Update**PC invited members to note work being undertaken with regard to the Conflicts of Interest Policy and to approve the anti bribery statement stating that he had no substantial comments to make.  
  
KK referred to the section of the anti bribery statement which states’ ‘We will not work with others who do not share our commitment to preventing bribery and corruption’ and asked if this is checked through our procurement department. JC responded that it was and a detailed paper which will identify what is proposed and the supporting guidance will be submitted to the SMT meeting in December and presented to the next Audit and Risk Committee.

PC questioned approving the anti bribery statement before the policy as we cannot have a statement before a policy. JC stated that both will be linked to ensure the policy is aligned to the statement.  
  
Members approved the anti bribery statement subject to the final policy being presented to the next Audit and Risk Committee meeting.

**6.3 Accounting Standards Update (IFRS16)**LB invited members to note the update to the International Financial Reporting Standards in regard to leases.  
LB advised that she consulted with our external auditor to ensure we are following guidelines and noted that the significant fundamental changes being flagged at this point are potential financial risks only.  
KH asked what the financial rationale is behind this. CB advised that it has taken a long time for these changes which means leased assets can now be taken off the balance sheet.

PC stated we need to understand the risks that will emerge and the Board will ensure that current and future developments are followed.  
JC added that we also need to ensure we are following risks in a much more practical and pragmatic way which will be described in the financial plan.  
  
The timeline for the above work to be completed will be March 2018 and the action plan and progress update will be presented at the Audit and Risk Committee.

**6.4 Cyber Security Update**JC invited members to note the Cyber Security Update.  
Following a presentation to the Audit and Risk Committee in June on the events following the cyber attack alert in May 2017 and the PwC Cyber security maturity report, members are asked to note work undertaken to provide assurance of the controls in place to manage future cyber threats and risk.The eHealth team have produced a detailed action plan and risks have been added to the risk register. Overall progress is going well with this work which is reviewed and monitored rregularly by the eHealth Steering Group and SMT.  
PC commented that this should be core business and members can take comfort from this comprehensive report that checks and balances are in place   
  
KK referred to the first two risks noted in the paper regarding XP devices and asked if the intention is to replace this software. JC replied that it is not always possible therefore we look at how we can protect devices and mitigate risks as much as we can.

**6.5 Board Risk Register**LLR presented the Board Risk Register advising that the fullregister is appended to the paper and asked members to note the update to risks S5 (SNAFS) and S6 (SACCS) in relation to national services stating that detailed discussions have been held with both the Acting Medical Director and Associate Director of Operations agreeing that both risks are being managed at Divisional level therefore it is recommended that current risks are reduced and if agreed by SMT will be removed from the register and will be monitored within the division.

Discussion is ongoing regarding risk S10 (Waiting Times) and it was agreed to revise this risk; the Director of Nursing and Director of Operations will have a detailed discussion in this regard. PC asked if the risk is being raised what action is being taken. JC advised that a paper is being prepared for SMT regarding actions then a decision will be made.  
  
Risk appetite is being set for the expansion project and work is continuing regarding developing risks around the expansion project work. It has been agreed that there will be two separate registers developed for phase one and phase two as some issues will have different risk rating and mitigation at this stage.   
PC noted that it will be useful to see how linking one register to another will work.   
LLR stated detailed discussion is still to be had however this point has been acknowledged.  
  
Horizon Scanning work for DaVinci robot has been used to test the governance processes for robotics and a proposal is being presented to the Clinical Governance Risk Management Group in relation to this. There is no proposal at this stage to include this within the Board Risk Register.

Work continues to develop the Charity Risk Register with all objectives risk assessed and risk appetite considered. The risks will be formulated and presented to the Endowments Sub Committee for review.  
  
A meeting has been held with the Research and Development Manager regarding developing a risk register and it was agreed to await the full outcome of the research project governance audit before progressing.   
  
LLR invited members to provide any comments or views.  
  
KK stated in relation to risk S8 (Workforce) it strikes her that to address the gap is longer term therefore to what extent are we relying on Scottish Government.   
JC stated a significant amount of work on workforce is ongoing including training and involving colleges and academies as there is a risk on the expansion relating to workforce.JC added that Workforce Planning and Education Group have been asked to respond to the Audit Scotland report on workforce planning.  
In conclusion KK stated that we cannot expect to see this risk coming down soon.  
  
Members noted the Board Risk Register, reviewed changed risks and offered guidance.

**6.6 Enterprise Risk Update**

LLR presented an update on Enterprise Risk for members to note. Key points are the Strategic Risk Committee (SRC) is progressing well with good quality discussions prompting probing questions.  
  
Risk strategy is under review to reflect the ERM approach therefore the final strategy is being postponed until 2018.  
  
It was agreed to invite Head of eHealth to discuss Electronic Patient Record risks at the next SRC meeting.  
  
Discussions are taking place with Director of Global Developments and Director of Quality, Innovation and People regarding assessing implementation of the Innovation risk tool.  
  
PC asked LLR if she sets the questions for risk appetite. LLR replied that it starts with discussion around the table and completion of template with members which includes all executive directors and others are invited as and when required.

1. **Effective**

**7.1 Internal Audit Progress Report**MK presented the internal audit progress report which details all work being undertaken in this year’s plan.  
  
Two reviews have been completed which are being reported on today and the remaining reviews will take place over the next few months with work progressing as planned.  
  
Key Performance Indicators were discussed at the previous meeting and how effective they were and a paper is being presented today to gauge how we are working together. To date there has been good engagement however further challenge is required to improve performance of agreement of terms of reference, agree scoping meetings and management responses are not quite reaching the target. There will be a discussion point later on the agenda regarding this.

Summary of findings on completed reports are noted below:

* Research Project Governance report highlighted good practice in a number of areas with two medium risk findings; one was around the institute level risk management which should be brought to the fore to ensure it is actively considered.  
  PC asked if the staff involved have the experience, skills and understanding of what it is that is not getting done. MK replied it is evolution and not to do with experience or skills just that it is not formalised. JC stated that the Research and Development Steering Group will drive this forward which feeds into SMT. Second medium risk is in relation to data retention and archiving arrangements as the Institute have not performed a GDPR assessment, therefore it is recommended not to hold records longer than is necessary as archiving is important.  
  A Research Archiving Policy is being prepared by management and they are engaging with Iron Mountain to provide archiving facilities.  
  KH stated she was surprised that NHS do not have their own servers and that they outsource as each Board could end up with different arrangements as it is a local decision. KK stated that Scottish Government are considering collaborative IT storage and there maybe opportunity in future for this therefore it is important to have a disposal date.  
    
  MK added that there were a number of low risk findings which were worked through with management who have agreed with the findings in the report and put in place actions to address the recommendations.
* Laboratories Service review highlighted a number of areas of good practice with good controls in place with two medium risk findings; one in relation to framework for business continuity and local contingency planning.  
  The second medium risk highlighted completeness of business continuity which is a realistic challenge for management on the ground as generally understanding the (UPS) power supply is not seen as part of their day job. LLR stated that issue around laboratories blood supplies storage is not critical as we can send tests to nearby labs if there was a power failure

**7.2 Internal Audit Charter**MK advised that the internal audit charter is being presented to members for approval. This charter sets out the relationship between Auditor and Board and it is good practice to present annually to the Audit and Risk Committee.  
MK noted that specific to NHS they do not undertake work on fraud related activities as this work is carried out by NHS Scotland Counter Fraud Services notwithstanding that, all other aspects are covered.  
  
Members approved the Internal Audit Charter

**7.3 Internal Audit Key Performance Indicators (KPI’s)**JC presented proposal for monitoring of KPI’s for members to note.  
This arose from a previous meeting whereby it was agreed that a paper would be prepared by management to take stock of the situation and actions proposed were agreed at SMT who supported this proposal.  
Performance targets for receipt of management comments was 14% and it was noted that this was unacceptable performance, maximum time from receipt of draft report should be 3 weeks which is the normal audit deadline.  
KK stated that three weeks should be ample time for management responses, the only difficulty would be annual leave and this should be noted in the planning stage.  
JC stated that a six month progress report will be presented to SMT and every three months thereafter to reiterate these points then reported to Audit and Risk Committee in February 2018.  
  
Members noted Internal Audit Key Performance Indicators report.

**7.4 Internal Audit Recommendations 6 month follow up report**LB advised that she commenced writing this follow up report for 2016-17 however it was taking longer than anticipated to receive feedback as she requested actual evidence therefore this report will be submitted to SMT in first instance then presented to the next Audit and Risk Committee meeting.  
**Carried forward to next meeting**

**7.5 Update on Property Asset Management Strategy (PAMS)**JC presented the update on PAMS for members to note as it was agreed by the Board that the Audit and Risk Committee would provide assurance that the strategy is being delivered. The Strategy was submitted in line with the timescales and a scrutiny review meeting with Scottish Government was held in September; positive feedback was received with two areas highlighted for improvement within the strategy.

KK stated she was not sure of the value of this exercise as it seems to be more about the document rather than delivery of the strategy.  
JC stated that the strategy feeds into the public document ‘State of the State Report’ and different elements of the Board assets feed into the strategy. The document provides assurance that the strategy is driven by the service delivery and Board objectives. The areas for improvement are smarter offices and environmental sustainability.  
  
KK asked in terms of remit do the Board agree on delivery of the strategy and are regular reports submitted. JC confirmed that the PAMS group report to SMT and regular reports are provided to the Board within the Audit and Risk committee update.  
  
Members noted the Property Asset Management Strategy update.

**7.6 Innovation Fund**

JC presented an update on the administration of the innovation fund for members to note. JC explained that the Board host the innovation fund for Scotland whereby we have now been involved in four Small Business Research Initiative (SBRI) projects, full detail of all projects are contained within the paper.  
  
Members noted the update on the administration of the innovation fund.

1. **Person Centred**

**8.1 Audit Scotland Reports**

Members are invited to note the national audit reports published by Audit Scotland  
 and to note the agreed Board actions; and to support the proposal for the Non Executive Directors to complete the checklist recommended within the NHS in Scotland 2017 report.  
  
JC will take the lead in ensuring that the action plans from the reports are progressed and submitted to relevant committees and aligned with follow up actions for audit.  
  
KH referred to the Audit Scotland report on Workforce Planning and asked if it was submitted to Person Centred Committee and JC confirmed that it was.  
  
JC advised that non-executive colleagues were invited to complete the check list which is within the NHS Scotland report.  
PC noted that the check list is there to assist non executive directors and would be helpful in early days however asked if it is necessary to report back on. JC stated that it is a choice, however if there were negative comments this would be a chance for the Board to review and improve.  
KH asked is this is a task that non executive directors should undertake individually or as a group. Members agreed to review as a group.  
PC suggested that a 15 minute period is set aside to undertake a review with a view as to timing and content and to form opinions as to how it might serve them and the Board once completed as this could be a powerful tool.  
PC will make recommendation to the Chair that the non executive directors propose to meet separately to discuss and complete checklist.  
  
CB asked if the committee undertake effectiveness. JC replied that we have a Board assessment tool for this purpose and this is also due for a review.  
  
**Action: PC to suggest to Chair that non executive directors meet 15 minutes prior to the next Board Workshop.**

**8.2 NHS 24 and Golden Jubilee Procurement Collaboration**JC asked members to note that as part of collaboration work with other Boards an opportunity arose for Head of Procurement at GJNH to take on a management role for the Procurement Services at NHS24 on a secondment period for two years. A number of meetings have been held to work through the detail and NHS 24 were keen to consider our model which seemed a sensible approach as it will add value to both parties.  
  
Members were content to note this initiative.

**8.3 National Fraud Initiative**

* **Progress Update**Members are asked to note the progress in relation to the outcomes from the National Fraud Initiative exercise which is an update on 2016 exercisewhich occurs every two years and is led by Audit Scotland.  
    
  The description of matches undertaken is detailed within the paper with 143 overall matches this year and the Board has investigated the recommended number of matches for potential fraud. LB stated that there had been an issue with matches due to an error by the company undertaking the work hence there was a delay

It was agreed that this exercise is hugely bureaucratic and it was asked who audits the validity of the company carrying out the data analysis. LB advised that this has always been an issue however she gave assurance that Audit Scotland normally undertakes an annual report on National Fraud Initiative.  
  
Members noted the National Fraud Initiative exercise.

* **Post legislative Scrutiny**LB advised members that this is first public audit on post legislative scrutiny on the National Fraud Initiative and is being presented to members for information.  
  A full copy of the report is provided at appendix one of the paper with summary of the recommendations.

**8.4 Fraud Update**LB presented the fraud update for members to note advising that this is in standard format with no reactive cases to report since the last committee meeting and to note work ongoing on the proactive plan for the Board for 2017/18 with key points noted below:

* Fraud Awareness Campaign is being progressed to raise fraud awareness within the Board.
* Counter Fraud Champion to be appointed then the CFS annual visit will be arranged for later in the year.
* Fraud Workshops have been held which were very successful with other workshops arranged to allow as many staff as possible to attend.

PC asked if the fraud awareness will be available through the eLearning package. LB advised that it would not be.

It was agreed that CFS should be invited to provide a presentation on Bribery Corruption and Cyber Security to the Board and Audit and Risk Committee.  
**Action: LB will arrange this**

**8.5 Internal Audit Contract**Both internal and external auditors left meeting for this agenda item.  
  
Members are asked to approve the proposal for renewal of the Internal Audit Contract from April 2018. It is proposed to undertake a joint tendering exercise which is articulated in the paper however to note the procurement process is expected to take approximately 6 months and the normal terms of the contract will run for three years.

LB highlighted that a potential risk could occur if a set of auditors were not appointed by 1 April 2018 however in this event we would extend the existing audit contract following the rigour required.  
  
Members approved proposal for the provision of renewal of internal audit services.

9. AOCB  
360 degree Reflection of meeting  
PC invited members to reflect on the meeting.  
KH stated that she had no issue with the way the papers were written however felt there were a substantial amount of papers to read through in all at once to fully scrutinise them.  
PC noted for future reference it would be helpful to have an accurate description at the top of the paper clarifying what is being requested from committee members ie; being asked to note or approve the paper and timelines involved.  
Members were satisfied with conduct of the meeting.  
  
JC thanked PC on behalf of the Audit and Risk Committee members for all his hard work, significant contribution and support over the past two years in his role as Interim Chair of the Audit and Risk Committee.  
  
PC thanked members and closed the meeting at 12.30

10. Date of next Meeting  
 6 February 2018