##### Approved MinutesGJF RGB WITHOUT STRAPLINE.jpg

 **Audit and Risk Committee Meeting**

**Tuesday 5 February 2019 at 10.30am**

**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**

Julie Carter Director of Finance
Lily Bryson Assistant Director of Finance
Susan Douglas-Scott Chair of Board

Georgina Philp Scott Moncrieff
Joanne Brown Director, Grant Thornton
John Boyd Senior Manager, Grant Thornton
Laura Langan-Riach Head of Clinical Governance (Chief Risk Officer)
Claire Sweeney Director, Audit Scotland
Fiona Watson Audit Manager, Audit Scotland

**Minutes**

Anne McQueen PA to Director of Finance

1. Chair’s Introductory Remarks
Karen Kelly opened the meeting and welcomed Claire Sweeney and Fiona Watson from Audit Scotland who were in attendance to give a presentation on the NHS in Scotland report.

NHS Overview Report
Claire Sweeney thanked the Chair for inviting Audit Scotland to the meeting stating it is always helpful to meet members and hear their thoughts.

Claire presented the key findings from the NHS Overview Report – NHS in Scotland 2018.

Claire also noted that going forward into 2019/20 the Audit Scotland focus will be on transformation and giving prominence to National Boards.

Future work will also focus on what can make a difference such as ensuring strong effective leadership, clarifying governance and being more open about challenges in the future.

Karen Kelly stated that as a committee we consider recommendations from Audit Scotland reports and are clear about actions required, however, she asked what happens at a national level.

Claire Sweeney reported that a significant amount of work happens around reports. Formally all Audit General reports are presented to Parliament and they decide if Boards should be invited to answer questions and report on what action is being taken.

In addition audit teams follow up to ensure action is being taken and she assured the committee that a process is in place to ensure recommendations are followed.

If in the event of any serious concerns raised in the audit of one of the public bodies annual accounts then Section 22 report is prepared by the Auditor General and the accounts are brought to the attention of parliament.

Claire Sweeney stated it would be beneficial for Audit Scotland to come back and talk to the teams at the Golden Jubilee in consideration of their national role and the potential to include case studies. .

Phil Cox asked if Audit Scotland are able to go back 10-15 years to when strategies were set and undertake a looking backwards exercise. He added this might be helpful to understand what the horizon may look like in 10 years time.

Claire Sweeney responded that it would be a mammoth task to track every policy, however, if a particular policy merits concern this would be looked at separately.

The Chair thanked Claire and Fiona for this helpful and enlightening presentation and stated the Committee will consider the NHS Overview report in more detail later on the agenda. Also, she would like to take Audit Scotland up on their offer to come back and said there was an opportunity to highlight some of the work the Golden Jubilee has been doing in terms of transformation and national contribution.

1. Apologies

Jann Gardner Chief Executive
Karen Jones Director, Scott-Moncrieff
Chris Brown Director, Scott-Moncrieff

1. **Declaration of Interests**Karen Kelly noted that she has been co-opted to NHS Tayside Audit and Risk Committee as a professional advisor for two days per month for six months.

Joanne Brown noted that she has been seconded to Scottish Government for two days per week to work on the Blueprint for Good Governance work.
2. **Minutes of the previous Audit and Risk Committee Meeting**

Minutes from the meeting held on 23 October 2018 were endorsed and approved by members. The approved minutes will be presented to the next Board meeting.

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

1. **Person Centred**

**5.1 Handbook Update
Terms of Reference**

Following discussion at the previous meeting the terms of reference have been updated in line with guidelines from the Audit and Assurance Committee Handbook, with agreed changes highlighted in yellow.

Karen Kelly noted a few corrections to the terms of reference which will be actioned.
Susan Douglas Scott highlighted that the report needs to be numbered and left justified.

Kay Harriman asked what the purpose was of signing a formal declaration.
Julie Carter advised that the Audit Handbook states it is best practice and helps members understand their role and acknowledge their governance responsibility as a committee member.

Kay Harriman asked if dates have been scheduled for annual accounts training.
Julie Carter advised not as yet as she is working through the detail of the training with National Education Scotland and when ready training will be open to all Board members.

Joanne Brown suggested under the section ‘Access’ the sentence is strengthened to read ‘Meetings will be arranged’ rather than maybe.

Members approved updated terms of reference subject to further amendments discussed and will be presented to the Board for approval.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 050219/01 | Formal letter of declaration to be circulated to members for signing. | Lily Bryson | New |

**5.2 Audit Scotland Reports**Audit Scotland Reports recently published were presented with the following actions noted by members.

* NHS Tayside Report – Office of the Scottish Charity Regulator (OSCR) report has now been published on the outcome of the NHS Tayside Endowment Fund review; this will be included in the committee’s horizon scanning and will be presented to the Endowments Sub Committee. Training is being arranged for Trustees which will be facilitated by the Charity’s external auditors.
* Health and Social Care Integration Report will be presented to the Senior Management Team.
* NHS in Scotland 2018 – it was agreed it would be beneficial to obtain some case study reports for inclusion in future Audit Scotland reports and also to use in our annual report.
* Withdrawal from the European Union Report - a paper is being prepared for the Board on EU Withdrawal.

	1. **Prevention of Fraud Update 2019/20**

 Lily Bryson presented an update on work being undertaken on fraud prevention within the Board and work ongoing with Counter Fraud Services (CFS).

There are currently no reactive issues relating to the Board to report and proactive work is being undertaken with the final pro-active report to be submitted to the April committee

CFS Partnership Agreement is out for consultation which provides an opportunity for members to comment; the final agreement will be presented to this committee.
Lily Bryson advised that the agreement is in the same vein as the past six years and works well with a Memorandum of Understanding with the unions, human resources and partnership forum underpinning it.

* 1. **National Fraud Initiative (NFI) Checklist**

The checklist was presented which demonstrates that the Board places importance of the work undertaken as part of the NFI exercise. Assurance was given that payroll matches released have been reviewed and are similar to last year with most in relation to bank staff; there were no concerns to note.
Karen Kelly asked if we publicised fraudulent cases internally to staff to raise awareness. Lily Bryson responded she is liaising with Communications department about issuing an update on external cases that have resulted in prosecution.

CFS publish a newsletter once a month and it was agreed it would be interesting for members to read therefore it will be circulated for information.

Georgina Philp noted that publishing fraudulent cases is helpful and recognises that we have controls in place at this Board to mitigate fraudulence.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 050219/02 | CFS Newsletter to be uploaded to Admin Control for members. | Lily Bryson | New |

* 1. **Expansion Update Cost Control**This paper was presented to provide members with detail of how spend is being managed in different areas of the expansion project.

	Karen Kelly asked members to consider as a Committee if this report provides sufficient assurance.

	Kay Harriman asked what happens in the event of an unplanned overspend.
	Julie Carter confirmed that we would access contingencies and assured members that the project was not overspent at this point and the current forecast is fairly positive.

	Kay Harriman asked for clarification if contingency funding was at risk.
	Julie Carter explained that a good example is that recently during piling works (inserting large amounts of concrete into the soil of the ground) it was discovered that an underground pipe was in the wrong place and services diversion was required, therefore additional work and cost had to take place where it was risk assessed and contingency was agreed. Assurance was given that there are no significant risks emerging at this stage.

	Julie Carter stated that she will reconsider how the paper is written and suggested bullet points highlighting the key messages.

She also offered for members to hear from the Programme Director and the Cost Advisor who can provide assurance on the expansion project internal controls on cost containment and management. Members agreed this would be useful and Julie Carter agreed to organise this for the next meeting.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 050219/03 | Invite John Scott and Robert Rankin to next Audit and Risk Committee meeting to provide a detailed update on cost control and containment | Julie Carter | New |

* 1. **Financial Risk Appraisal – Construction Industry** **Cost Control**It was agreed that in light of recent construction companies facing insolvency a detailed risk and financial appraisal would be undertaken on various companies to provide the Board with some assurance on the company contracted to undertake the hospital expansion work.

	A press release was presented showing share prices, and analysis of share price of the Group demonstrated that theirs was healthy.
	It is proposed to set up a tolerance level of 50% on original value of share price as this would be an indicator of financial difficulty and a trigger point of when we would take action, in addition the Board will continue to monitor the company’s share price for the duration of the project

	Phil Cox advised members that McGill who are a Scottish based facilities company have just gone into administration and asked if Kier Group are subcontracting any work to them. Julie Carter stated this would be investigated.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 050219/04 | To check if Kier Group have any involvement with McGill | Lily Bryson |  |

1. **Safe**

**6.1 Board Risk Register and Enterprise Risk Update**

Laura Langan Riach presented the revised Risk Register for consideration and the following risks were discussed.

Clinical Waste is a new risk added at medium level due to the inability to sustain services in the absence of a national contract. Arrangements in place are working well with no issues to date, however we are being cautious as we are running with interim arrangements. The clinical waste group will meet again in few weeks to ascertain how long this arrangement can be sustained for.

Electronic Patient Record remains at medium risk level and will be further reviewed when the internal audit has been completed which will give assurance and members can then reflect on level of risk.

EU Withdrawal has been raised from a medium level risk to a high level risk following discussion at the Senior Management Team meeting. Contingencies are in place with regard to goods and supplies and medicines stock. It was proposed to increase level of risk as there may be a delay with deliveries during this period of uncertainty.

Julie Carter stated these comments will be incorporated to the risk register and presented to the Board for their decision on level of risk.

Kay Harriman asked if the committee agreed to move to a high risk level what action would be taken. Julie Carter explained an internal escalation process would commence to ensure we have the risk covered and that assurances are in place.

Karen Kelly summarised and the committee agreed to recommend raising the EU Withdrawal risk and presenting to the Board with an update for final decision.

Members were content with arrangements discussed and proposed risk levels.

**6.2 Draft Assurance Mapping**

First pass of the assurance mapping exercise was presented and members were asked if they were satisfied with the layout. Julie Carter stated that this is a three stage approach with questions around tasks taken from the audit handbook which she did not want to make overly complicated, it will then be overlayed against the Board key risks to ascertain any information gaps.

Karen Kelly stated that the questions are thought provoking and evidence of assurance would fit nicely into our governance statement at the end of the year.

**6.3 Governance Statement Guidance**Governance Statement Guidance was noted by the committee and it was agreed for consistency that a standard template for annual reports would be issued to all committees for populating in a timely manner.

Main changes within the statement from Scottish Government are in relation to Endowments which is now a specific category and publication of the Blueprint for Good Governance which has picked up on education, therefore clinical education and training assurance has been added to the statement.

Timetable for governance committee draft annual reports was provided. These are used to inform the governance statement and require to be collated and presented to the April committee meeting in order to meet the deadline for annual accounts.

**Effective**

**7.1 Internal Audit Progress Report**The Internal Audit Progress Report was presented by Joanne Brown who advised members that work was on track against the audit plan.

Following discussions with Management it was proposed to switch the number of days allocated for the Electronic Patient Records (EPR) review with the General Data Protection Regulation (GDPR) compliance review and approval was sought from the Audit and Risk Committee for this change in the plan. Members supported changes discussed.

The following two audit reviews were completed:

* Use of Estates – there were 3 low findings and recommendations from this review which management have accepted with no specific concerns to note.
* Capacity Planning – overall partial level of assurance was given on capacity planning processes. This was predominantly based on pressures facing the Board to meet targets, underlying issue is regional level challenges being faced.
There was one medium and one low finding and recommendations have been accepted by management. There were also some areas of good practice noted.

**7.2 Internal Audit Recommendations Follow up Report**John Boyd presented the internal audit recommendations follow up of management actions report advising it was in a new format and stated auditors would appreciate any feedback or comments on the substance of information.

A high level summary of the report was provided highlighting current status of actions and he noted overall good progress was made by the Board. Implementation dates have been revised to leave a three month period to allow controls to embed before closing the action.

Phil Cox stated the information was substantive however the narrow columns made it difficult to read and stated it would be easier if the report was presented landscape and left justified.

Karen Kelly liked the report and praised progress made on actions and added that this Board is fortunate that we do not have a significant amount of actions. She agreed that three month period to embed was wise and the implementation date provides a good chance to probe.

Overall this was report was well received by members.

**7.3 External Audit Plan for 2018/19**Georgina Philp presented the external audit work plan for 2019/20 with a detailed overview provided stating that auditors value members’ feedback.

The approach to the Audit Strategy is risk based and updated to take account of developments as they arise. Key risks in the financial statements will be reviewed by audit which are; Management Override, Revenue recognition, risk of fraud and the Golden Jubilee Conference Hotel which is unique to NHS.

Wider scope of audit will include financial sustainability, financial management, governance and transparency and value for money. There is a risk around financial sustainability however this is not unique to this Board and audit have not at this stage identified any significant risks in relation to the other dimensions.

Audit output, timetable and fees are all detailed within the plan and the fee is set at the expected level. Finally the audit management team, confirmation of independence and statement of understanding are all detailed at the end of the plan.

Georgina Philp summarised that there were no concerns to note at this stage.

Karen Kelly referred to paragraph 42 and which states ‘audit provide an opinion on the audited part of the remuneration report’ and asked for clarification on what the unaudited part is.
Auditor responded that an audit is undertaken of analysis of staff costs, numbers and exit packages, anything else in relation to remuneration is not audited.

* 1. **Review of Standing Orders**Review of the Standing Orders was presented with recommended amendments highlighted for members to note. Following discussion it was determined that there is significant work required to be undertaken to modernise these.

	Susan Douglas-Scott stated that there is a robust opportunity here to benchmark and give non executive directors an opportunity to discuss and comment on the document. Julie Carter stated she will review Standing Orders from other Boards and map over good practice where relevant.

Subject to discussion it was agreed to undertake relevant work to convert Standing Orders into an accessible format and useful document.

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| **Action No.** | **Action** | **Action by** | **Status** |
| 050219/05 | Standing Orders to be reviewed and compared to other NHS Board’s document | Lily BrysonJulie Carter | New |

1. **AOCB
Health Improvement Scotland (HIS) Visit**
Laura Langan Riach advised members that our Board have been selected by HIS to undergo a Quality of Care review as part of the final testing phase of the new technology. They are keen to test our approach on national quality framework, this links in with sharing and best practice. The visit will take place week beginning 15 April 2019 which is very timely for our organisation as it coincides with Audit and Risk, Clinical Governance and Person Centred Committee meetings therefore keen to involve all the committees.

**8.1 Horizon Scanning**The recently published OSCR report on NHS Tayside will be considered and the NHS Governance work at Scottish Government will also be on our radar, Karen Kelly is on this group so this will create a link.Karen Kelly stated that this concludes the business for today and thanked members for their contributions and closed the meeting at 1pm

1. **Date of next Meeting
16 April 2019**