

APPROVED

NHS GRAMPIAN

Board Meeting Open Session 07.12.23 Item 15.1
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Minutes of Meeting of Audit and Risk Committee
on Tuesday 5th September 2023 at 11.00
by Microsoft Teams

Present	Ms Amy Anderson Cllr Tracy Colyer Mr Steven Lindsay Mr Derick Murray	Chair, Non-Executive Board Member Non-Executive Board Member Employee Director/Non-Executive Board Member Non-Executive Board Member
Attending	Ms Julie Anderson Mr Robert Barr Mr Grant Burt Dr Adam Coldwells Ms Sarah Duncan Prof Nick Fluck Mr Preston Gan Mr Neil Gordon Ms Jennifer Matthews Ms Georgina Philp Ms Angela Pieri Ms Else Smaaskjaer Ms Diane Friskin Mr Alan Sharp Mr Paul Allen	Assistant Director of Finance Manager, PricewaterhouseCoopers LLP (PwC) Financial Governance Manager Deputy Chief Executive Board Secretary Medical Director and Executive Lead for Risk System Transformation Programme Manager (Item 10) Head of ICT Services (Item 6.5) Corporate Risk Adviser Senior Audit Manager, Grant Thornton Audit Director, Grant Thornton Senior Administrator (Minute) Administrator (Observing) Deputy Director of Finance (for A Stephen) Director of Infrastructure and Sustainability (Item 6.5)
Apologies	Mr Albert Donald Ms Alison Evison Mr Alex Stephen Cllr Ian Yuill	Non-Executive Board Member Chair, NHS Grampian Director of Finance Non-Executive Board Member

Item	Subject	Action
1	Apologies Noted above.	
2	Declarations of Interest There were no declaration of interest.	
3	Chairman's Welcome and Briefing Ms A Anderson welcomed everyone to the meeting. The Chair reminded Committee members of the purpose of the Committee including the requirement to seek assurance on behalf of the Board that an appropriate system of internal control is in place to ensure financial sustainability.	

Item	Subject	Action
4	Minutes of Meeting on 27th June 2023	
	The minute was approved as an accurate record.	
5	Matters Arising	
5.1	Action Log of 16th May 2023	
	The Committee reviewed the action log of items from previous meetings, noted the updates provided and that items were either complete, on the agenda for this meeting or scheduled for future meetings of the Committee.	
	The Assistant Director of Finance highlighted the following two items:	
	Item 6. Arrangements are now in place to share reports with IJB Internal Audit Colleagues.	
	Item 10. A clear audit opinion had been confirmed in relation to Patient Private Funds and was reported to NHS Grampian Board on 6 th July 2023. The Financial Governance Manger is working with staff at Royal Cornhill Hospital to increase their understanding of the audit process and to progress improvements in reporting.	
	It was agreed that both items should now be closed.	
5.2	Any other matters arising not on the action log	
	Item 7.5. It was confirmed that an unqualified audit opinion had been reported to NHS Grampian Board on 6 th July 2023 and the accounts submitted to the Scottish Government. A signed letter of representation had been returned to the external auditors, Grant Thornton UK LLP.	
	Item 5.1. Confirmed that the Medical Director had circulated the information requested around clinical negligence claims by email.	
	Item 10.1. No queries had been indicated and the annual plan for the Audit and Risk Committee will be progressed as outlined at the meeting on 27 th June 2023.	
6	Internal Audit	
6.1	Internal Audit Progress Report	
	A report was presented which detailed progress on internal audit activity. Since the last meeting of the Committee one report had been completed on Property Transaction Monitoring. The terms of reference for the review of Vacancy Management had been agreed and the review will be reported to the Committee in December 2023. Draft terms of reference for the reviews of Waiting Times and Unscheduled Care are in progress and scoping work had	

commenced for the review of Portfolio Governance carried forward from 2022/23. At the time of reporting there were four open high risk findings from the report on Ransomware finalised in June 2023. Management will provide an update on progress at Item 6.5 on the agenda with further updates provided by Internal Audit at future meetings. The findings are due for completion in December 2023.

Property Transaction Monitoring

This annual report had tested the four property transactions completed during 2022/23. No issues were reported and the Chief Executive had signed off final certification to indicate satisfaction that each transaction had been compliant with the NHS Scotland Property Transactions Handbook.

Vacancy Management (Terms of Reference)

The Chair asked if the report on Vacancy Management will include experiential feedback from onboarders and leavers. Confirmed that interviews will take place across the organisation to inform a review of how vacancies are identified and managed. It was noted that the approach to formal exit interviews across the organisation is variable and could be improved in some areas. The review will help to highlight inconsistencies in how processes are followed in relation to vacancy management.

The Committee noted the progress report and confirmed that it provided assurance that risks identified are being managed appropriately

6.2 Progress Low and Medium Risk Recommendations

The Financial Governance Manager presented a report which outlined the current status of the agreed actions arising from medium and low risk recommendations identified in previous internal audit reports.

Of the 24 open recommendations three had been noted as closed due to the recommendation becoming business as usual. 11 were overdue reported as either partially complete or in progress. Monitoring will continue to track progress on all open low and medium risk recommendations. High risk recommendations are monitored separately by internal audit colleagues at PwC.

The Chair noted that a number of risks were related to workforce matters and suggested the possible adverse impact on staff wellbeing should be included in the monitoring.

The Committee noted the Internal Audit Report and Opinion and agreed that the report provided an accurate reflection of internal audit activity throughout the year.

Item	Subject	Action
6.3	<p>Proposal to Review Effectiveness of Internal Audit</p> <p>The Assistant Director of Finance presented a paper which proposed that there should be an independent external assessment of the NHSG internal audit function. The should be undertaken through a third party and the Chartered Institute of Internal Auditors will be commissioned to undertake the review. The Committee were advised that the internal audit function of a public body should be subject to external assessment at least once every five years and the last external review took place in 2018. In addition, NHSG had been working with PwC since 2010 and it would be prudent to seek additional assurance that the arrangements in place remain robust and demonstrate an independent approach to internal audit reviews.</p> <p>It was confirmed that the review would not impact on the delivery of work in the 2023/24 audit plan.</p> <p>The Audit and Risk Committee agreed:</p> <ul style="list-style-type: none"> • That an external review be undertaken by an external party of the internal audit function to provide objective and independent assurance regarding the arrangements in place. • That progress should be reported to the Committee and a report detailing the outcome of the external review is provided at a future meeting. 	JA/GB
6.4	<p>IJB Internal Audit Summary Report</p> <p>Extracts from the minutes of the Integrated Joint Board (IJB) Audit Committees for Aberdeen City and Aberdeenshire were attached as appendices to the report distributed to the Committee. Moray IJB did not have an approved minute for the time period requested. The extracts had been provided following previous discussions regarding assurance to the Audit and Risk Committee that IJBs are monitoring recommendations from internal audit reports where there is an overlap with the activities of NHS Grampian. Points discussed:</p> <ul style="list-style-type: none"> • Although it could be helpful to request IJB Chief Financial Officers (CFOs) attend the Audit and Risk Committee to provide additional context it would be important to obtain assurance regarding the monitoring of recommendations without placing an additional burden on IJB colleagues. It is also important that the autonomy of IJBs is respected. • Suggested this could be considered by the group who are reviewing whole system governance. <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Noted the latest extracts relating to internal audit from the minutes of meeting of the Aberdeen City and Aberdeenshire Integration Joint Boards. • Agreed that the Board Secretary and the Assistant Director of Finance should discuss assurance in relation to internal 	SB/JA

Item	Subject	Action
	<p align="center">audit recommendations with IJB Chief Officers and agree a way forward.</p>	
6.5	<p>Cybersecurity Audit – Follow Up</p> <p>At the meeting of the Audit and Risk Committee on 27th June 2023 it had been agreed that the Head of ICT Services should attend to provide an update on management actions and timescales in relation to the internal audit cybersecurity report.</p> <p>Mr Gordon provided a presentation which detailed:</p> <ul style="list-style-type: none"> • The high level principles and control objectives of the NHS Grampian cyber security framework. • The NHS Grampian cyber governance assurance framework. • The positive year on year improvement in meeting the Network and Information Systems KPI targets. • Management responses to each of the four recommendations in the internal audit report, including actions implemented and those planned. <p>The Director of Infrastructure and Sustainability highlighted the continuous improvement journey in mitigating the complexities across the cybersecurity landscape. He reported positive engagement with the Chief Executive Team and others. The Corporate Risk Advisor noted the progress and advised she would work with Mr Gordon to update the associated entries on DATIX. Mr Barr confirmed he would work with Mr Gordon and Mr Allen to close out the actions recommended in the internal audit report and report back to the Committee to provide assurance that the appropriate mitigations were in place.</p> <p>The Audit and Risk Committee thanked the Head of ICT Services for the presentation, acknowledged the complexities in relation to cybersecurity, and noted it would take assurance from his update.</p> <p>The Audit and Risk Committee asked for updates at future meetings on progress against the high risk recommendations in the internal audit report.</p>	
7	<p>External Audit</p>	PwC
7.1	<p>Progress on External Audit Recommendations</p> <p>The Assistant Director of Finance presented a report which confirmed that eight of the 22 recommendations highlighted by Grant Thornton in their Annual Audit Report for 2022/23 had been closed and good progress had been made on the other 14. One of the common themes identified had been the timeliness of handing over information and work is ongoing with Grant Thornton to align and streamline processes around that.</p>	

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	<p>There had been a very positive lessons learned exercise and both NHS Grampian and Grant Thornton had benefited from the opportunity to identify efficiencies and improvements in relation to the process for 2023/24.</p> <p>The issues which had emerged regarding the valuation of buildings is being addressed and updates from the District Valuers indicated a common understanding across organisations was likely to be confirmed. A meeting had been arranged between NHS Grampian and the Valuation Office in October.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Noted assurance that good progress has been made in relation to the implementation of external audit recommendations highlighted by Grant Thornton in their 2022/23 Annual Audit Report. • Agreed that future updates on progress should be reported at future meeting of the Committee. 	JA

8 Risk and Compliance

8.1 Risk Management Update

The Corporate Risk Advisor presented a paper that provided a comprehensive update on the current status of strategic risks and the steps taken since the last meeting of the Committee. The Committee was informed that the plan is to review strategic risks at each Chief Executive Team (CET) Performance Meeting and to take a focused look at individual risks during CET Critical Thinking Sessions. Each risk has a designated Executive Lead as the risk owner and each strategic risk will be aligned to individual Board Committees. The format and frequency of reporting to Board Committees will be agreed through ongoing discussions with Committee Chairs and Executive Leads. In addition to reporting on risks in a Committee's remit there will also be regular reporting on high risk items.

An appendix to the report outlined an overview of the risk categories and risk appetite levels that would inform a Risk Appetite Statement. When this is agreed it will be implemented into practice and reflect the risk which will be accepted to achieve the transformation required to meet the objectives set out in the Plan For The Future. It was noted that recent Board Seminars, where risk appetite had been considered, had been very useful for members of all Board Committees. Also acknowledged that failure to meet the objectives in the Plan For The Future will compromise the success of partnership working across the system.

The Audit and Risk Committee confirmed that the paper provided assurance that:

- **The processes regarding the management and maintenance of the Strategic Risk Register are either in place and robust,**

or improvements are being made and appropriate evidence of these has been provided to the Board's satisfaction.

- Improvements to the Board Committee Risk Processes are being made and appropriate evidence of these has been provided to the Board's satisfaction

The Audit and Risk Committee:

- Endorsed the proposals contained within the Draft Risk Appetite Statement

9 Financial Governance

9.1 Counter Fraud Update

The Financial Governance Manager had provided a report which summarised the current status of ongoing investigation, progress against the national Counter Fraud Standards and the annual fraud action plan for NHS Grampian. The Committee were advised that the annual fraud action plan had been discussed at a recent meeting of the NHS Grampian Counter Fraud Steering Group. It had been agreed subject to clarification from Counter Fraud Services regarding the target number of referrals as the steering group suggested it would be more useful to increase awareness of the type of activity that should be referred rather than encourage reporting to reach an arbitrary target.

It was noted that trend analysis is provided in the Counter Fraud Services quarterly report which was included as an Appendix to the update. This indicates that activity has increased across Scotland but it is difficult to benchmark nationally as the type of fraud activity reported for each Board varies based on local circumstances. It was confirmed that Counter Fraud issues are reviewed at the Counter Fraud Steering Group which reports to the Audit and Risk Committee to provide assurance that counter fraud activity is managed.

The Audit and Risk Committee:

- Confirmed it had reviewed and scrutinised the information provided in the paper and agreed that it provides assurance in relation to the status of the ongoing investigations within the Board and progress to Counter Fraud.
- Approved the final Annual Fraud Action Plan to ensure compliance with the Counter Fraud Standard and delegated to the Director of Finance, the authority to clarify with CFS, the basis on which increases to referrals be measured.

9.2 Single Tender Actions Report

The Financial Governance Manager reported on the single tender actions approved since May 2023. The meeting of the Audit and Risk Committee on 16th May 2023 had agreed that a de-minimis

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	<p>threshold should be considered for reporting single tender actions to the Committee. The paper provided the rationale for the following proposed thresholds:</p> <ul style="list-style-type: none"> • All Single Tender Actions > £25,000 to be reported to the Audit & Risk Committee excluding National Frameworks. • National Framework call offs / mini-competitions > £50,000 to be reported to the Audit and Risk Committee. <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Reviewed and scrutinised the information provided in the paper and confirmed that it provided assurance that the single tender actions are compliant with extant regulations and policies. • Agreed that the proposed de-minimis thresholds for reporting single tender waivers to the Audit and Risk committee are appropriate. 	
9.3	<p>Update on the Review of Financial Governance Arrangements</p> <p>The Assistant Director of Finance provided a report which updated the Audit and Risk Committee on the progress to date in updating a range of documents including the Board's Standing Financial Instructions, Standing Orders and the Schedule of Reserved Decisions. Feedback and input from a number of groups and forums is incorporated into the work and when complete a report will be presented to the Committee asking it to approve recommendations to NHS Grampian Board.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Reviewed and scrutinised the information provided in the paper and confirmed that it provided assurance on the approach taken to develop financial and wider governance arrangements. • Agreed that another report on this subject be brought back to the Committee meeting in early 2024 to confirm recommendations to the Board in relation to amendments to the Standing Orders, Schedule of Reserved Decisions and Standing Financial Instructions. 	JA/GB

10	<p>Draft Integrated Performance and Assurance Reporting Framework (IPARF)</p> <p>The System Transformation Programme Manager attended to present the Draft Integrated Performance and Assurance Reporting Framework (IPARF). This had been considered at a meeting of the Performance, Assurance, Finance and Infrastructure Committee (PAFIC) on 28th June 2023 and it had agreed that the framework should be presented to all Board Committees with a request that feedback is provided to the Director of Finance by 13th October 2023. A final draft of the Framework will then be presented to PAFIC for approval at its meeting on 14th November 2023.</p>
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Mr Gan explained that the draft framework had been developed to establish a robust structure to support performance reporting across NHS Grampian. The range of reporting requirements was noted and the framework will progress streamlining of clear processes around reporting to the Chief Executive Team, the Board, the Scottish Government and others. The sequencing and frequency of reporting will be monitored to ensure the pressures created through additional reporting are minimised.

The Committee discussed the benefits of reporting good performance as that could help staff to understand that there are advantages to reporting performance. It was confirmed that Chief Officers of IJBs and Portfolio Executive Leads had been involved in the development of the framework but until it has been embedded into practice it would be difficult to explore benchmarking with external organisations. In the meantime it was agreed that the framework demonstrates that performance reporting is moving forward in a positive direction.

The Audit and Risk Committee agreed:

- **To provide feedback on the content of the draft Integrated Performance and Reporting Framework to the Director of Finance by 13th October 2023 to allow preparation of a final draft for the meeting of PAFIC scheduled on 14th November 2023.**

11 AOCB

None

Dates of Future Meetings

Future Meetings

Tuesday 24th October 11.00 – 13.30 (In Person) Conference Room

Tuesday 28th November 14.00 – 16.00 (In Person) Development Session

Tuesday 12th December 11.00 – 13.30 (Teams)