

**APPROVED****NHS GRAMPIAN**

Minutes of Meeting of Audit and Risk Committee  
on Tuesday 10<sup>th</sup> December 2024 at 11.00  
Conference Room, Summerfield House

Board Meeting 10.04.25 Open Session Item 16.1
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<b>Present</b>	Mr Derick Murray	Chair, Non-Executive Board Member
	Dr Colette Backwell	Non-Executive Board Member
	Mr Bert Donald	Non-Executive Board Member
	Mr Ritchie Johnson	Non-Executive Board Member
	Mr Steven Lindsay	Vice Chair, Employee Director/Non-Executive Board Member
	Cllr Ian Yuill	Non-Executive Board Member
<b>Attending</b>	Ms Julie Anderson	Assistant Director of Finance
	Mr Robert Barr	Manager, PricewaterhouseCoopers LLP (PwC)
	Ms Gillian Collin	Director, PricewaterhouseCoopers LLP (PwC)
	Ms Sarah Duncan	Board Secretary
	Prof Nick Fluck	Medical Director and Executive Lead for Risk
	Mr Martin Innes	Chief Digital Officer (Item 7.2)
	Ms Jennifer Matthews	Corporate Risk Adviser (Item 9)
	Mr Gavin Payne	General Manager, Facilities and Estates (Item 9.2)
	Ms Angela Pieri	Audit Director, Grant Thornton
	Mr Dennis Robertson	Vice Chair, NHS Grampian
	Mr Alex Stephen	Director of Finance
	Mr David Walker	Head of Financial Services and Accounts (Item 8.2)
	Mr Andrew Wallace	Senior Audit Manager, Grant Thornton
	Ms Else Smaaskjaer	Senior Administrator (Minute)

**Apologies**     None

Item	Subject	Action
<b>1</b>	<b>Apologies</b>	
	Noted above.	
<b>2</b>	<b>Declarations of Interest</b>	
	There were no declaration of interest.	
<b>3</b>	<b>Chair's Welcome and Briefing</b>	
	Mr Murray thanked everyone for attending the meeting. He noted that this would be Professor Fluck's final meeting of the Committee as he retires from his role as Medical Director. The Committee recorded thanks for his contribution to the work of the Committee and for the significant progress made in reporting on matters relating to risk management.	
<b>4</b>	<b>Committee Forward Planner and Draft Annual Plan</b>	
	The draft Terms of Reference and forward planner for 2024 had been included with papers for the Committee.	

Item	Subject	Action
	<b>The Audit and Risk Committee reviewed the plan and noted the revised Terms of Reference for the Committee which are reviewed every two years. This will be presented to the meeting of NHS Grampian Board on 12<sup>th</sup> December for final approval.</b>	
<b>5</b>	<b>Minutes of Meeting on 10<sup>th</sup> September 2024</b>	
	The minute was approved as an accurate record.	
<b>6</b>	<b>Matters Arising</b>	
6.1	<b>Action Log of 10<sup>th</sup> September 2024</b>	
	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.	
	<ul style="list-style-type: none"> <li>Confirmed that progress had been made in escalating recommendations which are more than two years overdue to Chief Executive Team. <b>Action can be closed.</b></li> <li>Confirmed that internal audit reports will shared with CET on a quarterly basis ensuring that it will have sight of any issues which emerge. <b>Action can be closed.</b></li> <li>A revised format for updating the Committee on progress in relation to low and medium term recommendations had been circulated for this meeting. <b>Action can be closed.</b></li> <li>Progress against improvement actions in the Internal Audit External Assurance Review included at Item 7.4 on the agenda for this meeting.</li> <li>The Chief Officer from Moray IJB will be asked to provide updates on improvement plans to move from limited assurance for the next meeting of the Committee in March 2025.</li> </ul>	
	<b>The Audit and Risk Committee noted the update.</b>	
	Mr Murray advised that Cybersecurity and Ransomware had been considered at the Board Seminar in November. In addition Mr Murray and Mr Robertson had met with the Chief Digital Officer to discuss digital developments.	
6.2	<b>Any other matters arising not on the action log</b>	
	Item 7.1 Complaints Handling Follow Up – <b>Ms Anderson will report back on the outcome of the CET session 14<sup>th</sup> November 2024 which discussed feedback to patients, handling of complaints and benchmarking with other areas.</b>	<b>JA</b>
<b>7</b>	<b>Internal Audit</b>	
7.1	<b>Internal Audit Progress Report</b>	

Item	Subject	Action
	<p>A report was presented which provided a summary of the reviews included in the annual plan and detailed progress on internal audit activity to date. Since the last meeting of the Committee reports on Risk Management Reporting and Fraud Governance had been completed. Terms of Reference had also been agreed for the reviews of The Value and Sustainability Framework, Business Continuity Arrangements and Backlog Maintenance.</p> <p>The Audit and Risk Committee had previously agreed to use the budget allocated for a review of the Health Equity Plan and were informed this resource would be redirected to focus on the financial risk to the organisation in the reviews of Key Financial Controls and the Value and Sustainability Framework included in the Internal Audit Annual Plan.</p> <p>The Committee was informed that meetings in relation to the review of Mental Health Governance had concluded there would be limited value in completing this review due to potential overlap with an Aberdeen City IJB internal review of Hosted Services. The time allocated will be 'held' pending agreement on where it should be redirected. It was agreed that given the complex landscape across Local Authorities, IJBs and NHS Grampian, and the many associated committees, arrangements which reduce duplication should be welcomed.</p> <p><b>The Audit and Risk Committee were content with the information provided in the Internal Audit Progress Report and confirmed that it provided assurance that the risks identified are being managed appropriately.</b></p>	
	<b>Action: Confirm reporting route to the Audit and Risk Committee for the Aberdeen City IJB internal review of Hosted Services.</b>	<b>JA</b>

#### 7.1.1 Fraud Arrangements

This review had been undertaken in conjunction with IJB colleagues who carried out similar reviews. A consolidated report will be presented at the next meeting of the Committee in March 2025 and will provide an opportunity to explore any similarities or differences in emerging themes and trends across Grampian. The report had looked at the governance structure around managing fraudulent activity and had identified two low risk recommendations in relation to the tracking of fraud and corruption training which is non-mandatory and that some policy documents were out of date. The report highlighted that the processes around reporting, recording and managing fraud are well established across NHS Grampian. The clear remit of the Counter Fraud Steering Group demonstrated good practice, as did the recording of fraudulent activity along with supporting evidence of investigations carried out and decisions made. The Assistant Director of Finance confirmed that the policy documents are under review.

Item	Subject	Action
	<p>It was queried whether training should become mandatory in the context of using NHS Grampian devices. This had been proposed at a GAPF Sub-Group which reviews training and it had been agreed that increasing the requirement for mandatory training can often reduce levels of compliance. Work will continue to raise awareness of fraud, and encourage uptake of the modules available on TURAS, targeting specific groups of staff such as procurement and pharmacy.</p> <p><b>The Audit and Risk Committee noted the report.</b></p>	
7.1.2	<p><b>Risk Management</b></p> <p>This report had looked at how operational risks are managed across the organisation. Strategic risk was not within the scope of the review but it had assessed how operational risk management supports the overall risk framework of NHS Grampian Board. The review had identified three medium risk recommendations in relation to embedding practices which should be understood and driven locally by risk holders, the absence of complete mapping of operational risks from Datix to strategic risk register and the wide range of documents around this rather than one consolidated risk management framework which would be easier to review and keep up to date. Good practice had been identified in clear timescales for updating the operational risk register, regular overview by the Chief Executive Team, weekly consideration of operational risks at the weekly Clinical Risk Meeting and availability of clear guidance on how to use Datix. The Corporate Risk Advisor acknowledged the work required to address the recommendations and confirmed that a robust action plan had been agreed.</p> <p>The Committee had a general discussion regarding the lack of confidence expressed by some staff in Datix as a system and disappointment that when events are entered there is no actions to mitigate or feedback to those who had recorded the incident. Acknowledged that there is more work to progress in terms of risk management but improvements had been made. Identifying risk leads across directorates had been useful and had increased understanding and oversight of risks. There will be continued focus on embedding a risk management culture and extending this from strategic level to operational level and further improving the ongoing movement from recording risks to managing risks.</p> <p><b>The Audit and Risk Committee noted the review</b></p> <p><b>Action: Chair of the Committee to meet with the Corporate Risk Adviser to discuss risk awareness and risk culture across the organisation.</b></p>	DM
7.1.3	<p><b>Ransomware</b></p> <p>The Committee were provided with an update on previous discussions regarding the high risk recommendations highlighted in</p>	

an internal audit report in June 2023 and the progress made to mitigate the risks highlighted in that report. The position at November 2024 is that progress had been made to strengthen the controls in place to manage the cyber security risk and of the four original high risk recommendations one had been reduced to a medium level risk. It was noted that cyber security presents a high risk across all organisations and it is unlikely it will ever be low but progress is being made within NHS Grampian and its inclusion in the strategic risk register provides some assurance that it is reviewed and monitored regularly at an appropriate level.

**The Audit and Risk Committee noted the update.**

## 7.2 High Risk Findings - Cybersecurity Audit and IT Asset Management – Follow Up

The Committee considered an update from the Chief Digital Officer detailed improvement made including changes to management and leadership in relation to cybersecurity, investment in a project management tool to support oversight of progress against the actions points identified from the internal audit recommendations, and regular meetings with staff members responsible for this area of work. Policies had been drafted which will progress through the agreed reporting framework, including the Digital Board.

It was suggested that it would be useful for the Chief Digital Officer to link in with Internal Audit colleagues to ensure that all actions are included for review and are delivered within the timescales required to close off the recommendation. The financial impact will impact on some actions but there should be assurance to the Audit and Risk Committee and NHS Grampian Board that all the action points are being progressed within the resources available. Agreed that progress will be reported regularly to the Committee

**The Audit and Risk Committee noted assurance from the update on progress against actions identified in the earlier review and requested that the Chief Digital Officer provide regular updates to future meetings of the Committee.**

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## 7.3 Progress Report – Medium and Low Risk Recommendations

A paper detailed the progress made against the open medium and low risk recommendations across NHS Grampian.

Six low risk recommendations are pending closure and will be discussed with internal audit colleagues to ensure they are comfortable with the assessment that the recommendations are ready for closure.

Ten recommendations were noted as overdue their target date and discussion will continue with managers for progress updates. There will be continued monitoring to ensure they are progressed in a timely manner.

**Following review of the paper the Audit and Risk Committee were content that it provided assurance that internal audit recommendations are being actioned by management in response to audit findings.**

#### 7.4 IJB - Internal Audit Update

The Committee considered a report which provided an update on the status of internal audit plans of IJBs for 2024/25. The full details of the reports presented to Aberdeen City and Moray during the last quarter are available on the IJB website.

**The Audit and Risk Committee noted the contents of the report and the Internal Auditors' Assurance Reports and Opinion to inform its assessment of the system of internal controls of the IJBs.**

### 8 External Audit

#### 8.1 Update from Grant Thornton

Ms Pieri highlighted that the audit opinion for Health Boards which end the financial year in a deficit position, with no additional brokerage available from the Scottish Government, will be modified. Mr Stephen confirmed that the Committee and NHS Grampian Board will be updated and kept informed of the implications.

Mr Andrew Wallace reported on the external audit planning process for 2024/25. Planning work had commenced with reviews of IT systems and business processes to confirm no weaknesses in key controls relating to the preparation of the final accounts. Interim testing will commence in January 2025 over key areas. Recent budget monitoring reports will be reviewed to ensure appropriate financial management, governance and transparency regarding the financial position of the organisation.

**The Audit and Risk Committee thanked Grant Thornton for the update and noted the Annual Audit Plan will be presented to the next meeting of the Committee on 11<sup>th</sup> March 2025.**

#### 8.2 Progress Report – External Audit Recommendations

Mr Walker reported on progress made against the implementation of external audit recommendations highlighted by Grant Thornton in their 2022/23 and 2023/24 Annual Audit reports.

Of the 28 actions identified across the two financial years 12 had been closed and good progress on the remaining 16 was confirmed in the Appendix to the report. Six of these are considered complete, ready for external audit review and sign off. There is one action which can only be closed off following the annual accounts process.

Item	Subject	Action
	<p><b>The Audit and Risk Committee agreed it was assured that good progress had been in relation to the implementation of external audit recommendations highlighted by Grant Thornton in their 2022/23 and 2023/24 Annual Audit Reports.</b></p>	
8.3	<p><b>Audit Scotland: Annual Report</b></p> <p>Ms Anderson presented the annual report published on 3<sup>rd</sup> December 2024 by Audit Scotland 'NHS in Scotland 2024: Finance and Performance'. The report included recommendations for Boards and the Scottish Government. Boards were recommended to identify realistic and recurring savings to work towards a balanced financial position over the next three years.</p> <p>The Committee discussed challenges in improving on efficiencies in the context of a lower funding settlement than that allocated to other Boards. It also considered the impact of savings in one part of the system on other parts. Mr Stephen confirmed that work is ongoing to pull together savings across NHS Grampian and IJBs.</p> <p><b>The Audit and Risk Committee noted:</b></p> <ul style="list-style-type: none"> <li>• <b>the content of the Audit Scotland report 'NHS in Scotland 2024: Finance and Performance'.</b></li> <li>• <b>the recommendation made to NHS Boards in Scotland and considered the appropriate channel for consideration under the NHS Grampian Board Assurance Framework.</b></li> </ul>	
9	<p><b>Risk and Compliance</b></p>	
9.1	<p><b>Strategic Risk Management Update</b></p> <p>Ms Matthews presented a report and updated the Committee on the current position of risks in the Strategic Risk Register. Risks are currently rated as 4 very high, 5 high and 1 medium. The risk relating to service deviations had moved from high to very high.</p> <p>The report highlighted the heightened risk exposure experienced during the winter period. A number of strategic risks were reported as breaching the acceptable risk tolerance level and due to the current operating environment and resource restrictions it is difficult to implement improvements and some risks are predicted to worsen. A report outlining the situation will be presented to NHS Grampian Board on 12<sup>th</sup> December 2024 with a recommendation to have a broader discussion at a Board Seminar in January 2025.</p> <p>The Board Seminar will provide an opportunity to review risk tolerance, where risks are aligned for oversight and the level of detail required by Board Committees. It was agreed that the Audit and Risk Committee needs high level information which provides assurance that the process is correct and risks are being managed appropriately.</p> <p><b>Action: Mr Murray and Ms Matthews to discuss the layout of</b></p>	

tables presented in the report.

The Audit and Risk Committee confirmed that the assessment in Section 2.3 of the report and the details within the Strategic Risk Register provided assurance that:

- Work is ongoing in the development and management of Strategic Risk and that evidence of this had been provided to the Committees satisfaction.

The Audit and Risk Committee endorsed the updates contained within the Strategic Risk Register.

## 9.2 NHS Grampian Compliance Sub-Group – Update

Mr Payne attended to provide an update from the NHSG Compliance Group. He reported that following discussions the format and function of the group had been reviewed. The membership now comprises the Chair and appointed Topic Area Representatives or nominated deputies. This had resulted in a more structured format and discussions focused on compliance management and the sharing of good practice. The full range of statutory compliance had been reviewed at meetings in April, June and October where no significant issues, which would require escalation to the Committee, had been raised.

The Audit and Risk Committee reviewed the information provided in the report and Appendix 1 (A Snapshot of New Regulatory Compliance Summary), and confirmed it provided assurance that the processes are working effectively.

The Committee thanked Mr Payne for the significant progress made.

## 10 Financial Governance

### 10.1 Counter Fraud Update (including annual action plan)

Ms Anderson presented a report which provided details of Counter Fraud activity in NHS Grampian. The report included a summary of the allegations of fraud, embezzlement, corruption and other financial irregularities received since previous update to the Committee in September 2024. The Counter Fraud Services quarterly report had been included as an appendix.

The Committee were informed that as part of activities to raise fraud awareness three Counter Fraud Scotland TURAS modules had been submitted to GAPF for consideration but had not been approved as mandatory training at this time (discussed at item 7.1.1). Work will continue to raise awareness across the organisation.

Ms Anderson reported that staff continue to work through the matching exercise as part of the National Fraud Initiative and results



Item	Subject	Action
	will be reported to the Audit and Risk Committee for awareness.	
	It was confirmed that NHS Grampian is not fully compliant with all twelve Counter Fraud Standards. Work continues and some standards have been implemented whilst some require further action.	
	<b>The Audit and Risk Committee agreed the information in the report had been reviewed and scrutinised and that it provides assurance in relation to the status of ongoing investigations within the Board.</b>	
10.2	<b>Financial Recovery Framework – Financial Governance and Control – Review of Internal Controls</b>	
	NHS Grampian Board, at its meeting on 12 <sup>th</sup> September 2024, had delegated oversight of the organisations financial recovery package to the Audit and Risk Committee.	
	Ms Anderson confirmed that the Committee would be updated regularly and presented a report which outlined activity around the financial recovery framework and detailed the key findings and themes identified from undertaking self-assessments:	
	<ul style="list-style-type: none"> <li>• Healthcare Financial Management Association’s Self-Assessment Tool on “NHS Financial Sustainability – Are You Getting The Basics Right?”</li> <li>• Self-assessment of the Scottish Government - NHS Grampian Financial Escalation Assessment - September 2024</li> </ul>	
	Mr Stephen reported on discussion at Chief Executive Team weekly meetings which considers financial recovery, and the progress around ongoing work to establish a process in relation to finding balance.	
	<b>The Audit and Risk Committee agreed:</b>	
	<ul style="list-style-type: none"> <li>• It had reviewed and scrutinised the information in relation to Healthcare Financial Management Association’s Self-Assessment Tool on “NHS Financial Sustainability – Are You Getting The Basics Right?” (HFMA Self-Assessment) improvement plan and confirmed it provides assurance that good progress is being made.</li> <li>• To note the update on the Scottish Government’s Support and Intervention Framework – Financial Escalation Assessment and that NHS Grampian remains at level 2.</li> </ul>	
11	<b>AOCB</b>	
11.1	None.	

## Dates of Future Meetings (2025)

Item	Subject		Action
	Tuesday 11 <sup>th</sup> March	11.30 – 13.30	By Teams
	Tuesday 24 <sup>th</sup> June	11.30 – 13.30	By Teams
	(recommend annual accounts to the Board for approval)		
	Tuesday 16 <sup>th</sup> September	11.30 – 13.30	In Person
	(followed by Development Session)		
	Tuesday 9 <sup>th</sup> December	11.30 – 13.30	By Teams