

NHS GRAMPIANMinutes of Meeting of Audit and Risk Committee
on Tuesday 11th March 2025 at 11.00
Conference Room, Summerfield House

Present	Mr Derick Murray	Chair, Non-Executive Board Member
	Mr Ritchie Johnson	Non-Executive Board Member
	Mr Steven Lindsay	Vice Chair, Employee Director/Non-Executive Board Member
	Mr Denis Robertson	Non-Executive Board Member
Attending	Ms Julie Anderson	Assistant Director of Finance
	Mr Robert Barr	Manager, PricewaterhouseCoopers LLP (PwC)
	Dr Hugh Bishop	Medical Director and Executive Lead for Risk
	Ms Gillian Collin	Director, PricewaterhouseCoopers LLP (PwC)
	Ms Sarah Duncan	Board Secretary
	Mrs Alison Evison	Chair, NHS Grampian Board
	Mr Martin Innes	Chief Digital Officer (Item 7.2)
	Ms Jennifer Matthews	Corporate Risk Adviser (Item 9.1)
	Mr Gavin Payne	General Manager, Facilities and Estates (Item 9.2)
	Ms Angela Pieri	Audit Director, Grant Thornton
	Mr Alex Stephen	Director of Finance
Apologies	Mr David Walker	Head of Financial Services and Accounts
	Ms Else Smaaskjaer	Senior Administrator (Minute)
	Mr Bert Donald	Non-Executive Board Member
	Mr Andrew Wallace	Senior Audit Manager, Grant Thornton
	Cllr Ian Yuill	Non-Executive Board Member

Item	Subject	Action
1	Apologies	
	Noted above.	
2	Declarations of Interest	
	There were no declaration of interest.	
3	Chair's Welcome and Briefing	
	Mr Murray thanked everyone for attending the meeting. He also recorded thanks to Dr Backwell for her contribution to the Committee during her tenure and welcomed both Mr Robertson and Dr Bishop to their first meeting.	
4	Committee Forward Planner	
	The forward planner for 2024/2025 had been included with papers for the Committee.	

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	The Audit and Risk Committee noted that everything on the forward planner was on track.	
5	Minutes of Meeting on 10th December 2024	
	The minute was approved as an accurate record.	
6	Matters Arising	
6.1	Action Log of 10th December 2024	
	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"> The Committee had asked the Chief Officer from Moray IJB to provide updates on improvement plans to move from limited assurance to a future meeting of the Committee. Some initial feedback had been received and detailed on the action log. 	
	Action:	
	<ul style="list-style-type: none"> Request a full report. 	JA
	The Audit and Risk Committee noted the update.	
6.2	Any other matters arising not on the action log	
	None.	
7	Internal Audit	
7.1	Internal Audit Progress Report	
	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 Value and Sustainability Framework, Staff Engagement and Major Incident Planning had been completed. Scoping work had commenced for reviews of Backlog Maintenance Prioritisation and Key Financial Controls which will be reported to the Audit and Risk Committee in June.	
	The Audit and Risk Committee was updated on follow-up actions to monitor progress against the high risks identified in the IT Asset Management and Cyber Security audit report. A report from the Chief Digital Officer to be considered at item 7.2 on the agenda for this meeting.	
	Ms Collin confirmed that the internal audit plan is progressing as expected and the audit team had no areas of concern to report.	

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. It was noted that management actions agreed to mitigate risks against high risk findings will be monitored and progress reported to the Committee at each meeting.

7.1.1 Staff Engagement

This review had been undertaken to review the framework and the arrangements in place around engagement with staff across the organisation. It concluded that the governance structure is working well and good measures and processes are in place to track engagement activity. The report identified one medium risk recommendation in relation to the communication of actions taken in response to feedback provided in staff surveys and one low risk recommendation in relation to pulling together data from the various sources to provide a more holistic view. The report also included an advisory note that the Terms of Reference for the Culture and Staff Experience Oversight Group and the Board Intelligence Groups should be reviewed annually to ensure they align with current roles and objectives. Good practice was identified in having a structured framework for governance around staff engagement and collaborative working across various committees and groups.

There was some general discussion regarding communications and it was agreed that whilst data gathering is important but it is also key that communications and messaging is consistent and goes across the whole organisation.

The Audit and Risk Committee noted the report and the management actions agreed to address the recommendations.

7.1.2 Value and Sustainability Framework

This report had looked at the performance of the Value and Sustainability Programme and its impact on the overall savings target across NHS Grampian. The audit had focused on five areas of spend where the potential for significant savings had been indicated. The review had identified two medium risk recommendations in relation to the recording and justification for additional hours worked and not following agreed authorisation processes for the engagement of nursing agency workers. There had also been a low risk recommendation in relation to not exploring all opportunities to maximise savings on transportation costs. Good practice had been identified in governance arrangements, reporting structures and project monitoring.

The Committee noted that, at the end of December 2024, the programme had achieved savings in excess of that targeted for the full financial year.

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	<p>It was queried whether there could be scope to explore options, such as direct employment, to make further savings on transport. Mr Stephen reported that this is a challenging area, particularly in relation to renal patients, which is being discussed by national groups. He also informed the Committee that there are local discussions around using NHSG mini-buses differently which could assist in speeding up patient discharge and achieve savings in other areas where transport is required.</p> <p>The Audit and Risk Committee noted the review and the management actions agreed to address the recommendations.</p>	
7.1.3	<p>Major Incident Planning</p> <p>This review had looked at the Business Continuity Management (BCM) Framework for NHS Grampian focusing on its structure, governance arrangements and implementation across the organisation. It had identified two high risk recommendations in relation to the absence of an action plan and timeline to embed the BCM Framework and the lack of business continuity exercises, including table top exercises, to ensure that all those involved are aware of their role. The review had also identified two medium risk recommendations in relation to the inadequate completion and monitoring of Business Continuity Planning (BCP) training and inconsistent use of the central repository established to store BCM documents from services and departments.</p> <p>Points discussed:</p> <ul style="list-style-type: none"> • Progress should be made to ensure that the BCM Framework in place is fully operationalised. • Work had been progressed but acknowledged that more needs to be done. • To provide assurance more scrutiny is required to evidence that BCPs are in place and tested across the organisation, particularly around critical services. <p>It was noted that updates on the high risk recommendations will be reported back at each meeting of the Audit and Risk Committee but there should be some consideration of where matters relating to business resilience sits in the Board Committee Structure.</p> <p>Action:</p> <ul style="list-style-type: none"> • Director of Finance to discuss with the Board Secretary and report back. <p>The Audit and Risk Committee noted the update and the management actions agreed to address the recommendations.</p>	
7.2	<p>Progress on High Risk Findings - Cybersecurity Audit and IT Asset Management – Follow Up</p>	

Item	Subject	Action
	<p>The Chief Digital Officer attended to provide an update to the Committee on the progress made against the action plan to address the high risk recommendations in the reviews of Cybersecurity and IT Asset Management. Key points highlighted:</p> <ul style="list-style-type: none"> • The sixteen actions due for completion within the current financial year are on track. • The server infrastructure had been improved through an ongoing replacement programme. • Recent testing had shown a significant improvement in password compliance. • Access to high risk tools such as ChatGPT and Deskseek had been blocked to improve protection. • There are ongoing discussion with third party colleagues to minimise the potential of a cyber-attack. • Governance around procurement had been improved to support security. • There is continuing learning in relation to what the digital team can do to improve protection. However, this is not restricted to digital colleagues and should be extended across the organisation. • Keeping all staff informed around IT Security requires repeated messaging. <p>The Committee welcomed the work that had been undertaken to date, especially in relation to password compliance and awareness of phishing attempts.</p> <p>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 meets monthly with internal audit colleagues and provides updates to future meetings of the Committee.</p>	

MI/PwC

7.3 Internal Audit Plan 2025/26

Ms Collin and Mr Barr provided an overview of the methodology used and the items considered in the development of the draft internal audit plan. The draft plan described the links between strategic risks to the Board and audit activity. There had been a meeting with the Chief Executive Team who had endorsed the content of the proposed plan.

Following discussion with IJB colleagues in relation to aligning work around a common area to provide a cross system view it is proposed to review the controls and processes in place around sickness absence across the system. It was requested that, although IJBs have their own consultation processes, this should be timed to allow for reporting from all parties before the end of the 2025/26 cycle.

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The Committee was pleased to note the relationship between the proposed internal audit plan and items included in the strategic risk register.

The Audit and Risk Committee agreed it had reviewed and scrutinised the internal audit plan and confirmed the reviews in 2025/26 are appropriate and that they cover the key risks and audit units of the organisation. The final Internal Audit plan for 2025/26 will be presented to the Audit and Risk Committee in June 2025 for final approval.

7.4 IJB - Internal Audit Update

The Committee considered a report which provided an update on the status of internal audit plans for 2024/25 and outlined the key internal audit findings and recommendations reported to the relevant IJBs. Ms Anderson highlighted the joint work by Aberdeenshire and Aberdeen City in relation to fraud which showed that good processes are in place but there is also potential for more coordination between NHSG and the three IJBs to ensure everything is covered.

It was noted that reports to the IJBs in relation to Local Authority led health and social care services indicated limited assurance which could influence the overall audit opinion for 2024/25. The Chief Internal Auditor for each of the three IJBs will be asked to inform the Committee of their opinion in time for the next meeting in June 2025.

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.

7.5 Internal Audit External Assurance Review – Action Plan

A report was presented which provided the background to the external assessment by the Chartered Institute of Internal Auditors (CIIA) of internal audit services provided by PwC. The report from CIIA confirmed that the internal audit function generally conforms to internal audit standards and made some recommendations for improvement. Ms Anderson confirmed that progress against most actions had been completed and that work around assurance mapping across the organisation is in the remit of the NHSG Governance Framework Oversight Board.

It was agreed that this had been a helpful collaborative exercise to improve the work of internal audit colleagues and the Committee.

The Audit and Risk Committee was content that it had reviewed and scrutinised the information provided in the paper and the appended report and confirmed that it provides assurance that identified improvements to the Internal Audit arrangements have been implemented and are effective.

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8	External Audit	
8.1	<p>Informing the Audit Risk Assessment for NHS Grampian 2024/25</p> <p>Ms Anderson presented a paper which informed the Committee of the planning for the external audit for 2024/25. A report template included general enquiries across a range of topics and detailed the response prepared by the finance team which had informed Grant Thornton's external audit plan.</p> <p>The Committee asked Ms Anderson to include "Matters In Relation to Accounting Estimates" as an item for the Audit and Risk Committee development session in September 2025.</p> <p>The Audit and Risk Committee reviewed the content of the Informing the Audit Risk Assessment template and were content with the response provided.</p>	
8.2	<p>2024/25 Annual Audit Plan</p> <p>Ms Pieri presented the external audit plan which provided an overview of the planned scope and timing of the statutory audit of NHS Grampian. No requirement to make significant changes to the work carried out in previous years had been indicated. Planning had been completed in January and February and some early testing had been carried out. External auditors had met regularly with finance staff and no significant issues had been raised.</p> <p>Three key risks were identified which were the same as those for 2023/24:</p> <ol style="list-style-type: none"> 1. Management override of controls. 2. Valuation of land and buildings. 3. Risk of fraud in expenditure recognition. <p>It was acknowledged that the methodology around valuation of land and buildings is a challenging area and Ms Pieri confirmed that learning during the last two audits will help to ensure that this remains proportionate and focused.</p> <p>In terms of financial sustainability Grant Thornton will look beyond the bottom line and take into account the operational context and other financial challenges.</p> <p>Given the significant volume of work within very tight timescales, the final report may not be available seven days before the Committee meets in June but it will be provided three to five days prior to the meeting. In the meantime, the Committee will be advised before then if there are any emerging issues they should be aware of.</p> <p>The Audit and Risk Committee agreed it had discussed and noted the content of the External Audit Plan for 2024/25.</p>	

8.3 **Audit Opinion Briefing**

Ms Anderson presented a briefing report which explained the statutory duty on NHS bodies to breakeven against revenue expenditure and the risk to NHS Grampian that without brokerage from the Scottish Government it will have failed on that statutory duty. She informed the Committee that in those circumstances Grant Thornton are likely to issue a modified Audit Opinion and outlined the consequences of that.

There are ongoing discussions with the Scottish Government but the financial position for NHS Grampian is extremely challenging and it had been considered reasonable to make the Committee aware.

The Audit and Risk Committee noted it was assured as to the nature of external audit opinions.

8.4 **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 work is progressing to close off the remaining 16 as soon as possible. An update on progress against outstanding recommendations had been included as an appendix to the report.

It was queried whether there had been any ongoing learning in relation to the recommendation around the Baird and Anchor Project. Ms Anderson informed the Committee that there is review and scrutiny through the Project Board and the Project Team maintain a lessons learned register.

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.

9 **Risk and Compliance**

9.1 **Strategic Risk Management Update**

Ms Matthews presented a report and updated the Committee on the current position of risks in the Strategic Risk Register. She explained that the report outlined the areas of focus for reporting to the Audit and Risk Committee and to the Board and proposed that strategic risks should be reported to the aligned Committees (not the Audit and Risk Committee) twice each year.

Discussions had taken place at a Board Seminar and with the Chief Executive Team to consider the risk appetite of the organisation and

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the strategic risk process. A draft of the updated Risk Appetite Statement was attached to the report as Appendix 1. Some changes to the strategic risk reporting were proposed but the reporting route will remain as Chief Executive team to other Board Committees with consideration of the full Strategic Risk Profile at every meeting of the Audit and Risk Committee. Reporting to other Board Committees should take into account any work plans agreed for each Committee.

The Audit and Risk Committee confirmed that it had considered the revised proposals regarding Board Risk Appetite levels.

The Audit and Risk Committee endorsed the proposals regarding the Strategic Risk Management process, including:

- **Strategic Risks to be reported to aligned Board Committees (not including the Audit and Risk Committee) twice per year.**

9.2 **NHS Grampian Compliance Sub-Group – Update**

Mr Payne attended to provide an update from the NHSG Compliance Group. It was confirmed that the group now meets quarterly to consider exception reports and the report detailed the Compliance Topic Representatives appointed from all the key functional and operational areas across NHS Grampian. At this time there is no representative for MHLDS as management of this area is dispersed across the organisation and it had been difficult to identify one responsible person. Compliance for this area is managed through the individual Health and Social Care Partnerships. Mr Payne outlined the key notes and areas of concern highlighted at a recent meeting of the Compliance Group on 27th February 2025.

There was some discussion regarding the need to minimise any financial penalties resulting from non-compliance. This is mainly in relation to carbon emissions. NHS Grampian is compliant in reporting of emissions but is not compliant in meeting assigned targets which reduce each year. Acknowledged that to get within target, and avoid the gap increasing year on year, there is a need for significant capital investment in alternative energy supplies.

The Audit and Risk Committee reviewed the information provided in the report, and confirmed it provided assurance that the processes are working effectively.

The Committee thanked Mr Payne for the progress made.

10 **Financial Governance**

10.1 **Update to the Standing Financial Instructions (SFI) and Schedule of Reserved Decisions (SORD)**

Ms Anderson presented updated SFI and SORD for endorsement by the Committee. She highlighted the importance of monitoring and reviewing these annually to ensure they remain relevant, support the

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	<p>Board in meeting its strategic objectives and comply with regulatory and legislative requirements. The updates proposed were relatively minor. Key points included the introduction of the role of 'corporate landlord' with the NHS Grampian Asset Management Group taking oversight of arrangements, and updated documents in relation to some elements of financial processing such as cash handling. Awareness raising and training to be embedded across the organisation.</p> <p>The Audit and Risk Committee agreed:</p> <ul style="list-style-type: none"> • It had scrutinised and provided comment in relation to the draft updates to NHS Grampian's Schedule of Reserved Decisions and Standing Financial Instructions. • It will recommend for approval to the Board of NHS Grampian the updated Schedule of Reserved Decisions and Standing Financial Instructions set out in Appendix 1 and Appendix 2. 	
10.2	<p>Review and Approve Annual Audit and Risk Committee Assurance Report</p> <p>Ms Anderson presented a draft annual statement of assurance from the Audit and Risk Committee to confirm that it had fulfilled its remit during 2024/25. This will provide assurance to the Chief Executive, as the Accountable Officer for NHS Grampian, in preparation of the Governance Statement which will be included in the Annual Accounts.</p> <p>The Audit and Risk Committee agreed:</p> <ul style="list-style-type: none"> • It had scrutinised the information provided in the paper, and the appended draft statement of assurance, and confirmed it provides assurance of the business and activities of the Committee in the year. • To approve the signing of the draft document, by the Chair of the Committee, following updates to reflect the business of today's meeting. 	
10.3	<p>Counter Fraud Update</p> <p>Ms Anderson presented a report which provided an update in relation to Counter Fraud activity in NHS Grampian. The report included a summary of the three referrals which are under criminal consideration and the allegations which had not been identified as criminal but are being dealt with through intervention by HR and line managers. The Counter Fraud Services quarterly report for the period October to December 2024 had been included as an appendix.</p> <p>The Audit and Risk Committee was informed that work to update the Fraud Policy continues and should be completed in the coming weeks. Awareness raising and encouragement to undertake CFS assurance modules continues with staff across the organisation.</p>	

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	<p>This is reflected in the number of allegations reported to CFS nationally. It was suggested that an increase in reporting is not as a result of increased activity but is due to more awareness of how/where to report. Very few allegations mature into criminal investigation.</p> <p>It was noted that NHS Grampian had a low response rate to the recent CFS Fraud Awareness Survey and, although this could be due to significant operational pressures, there will be increased activity in 2025 to encourage engagement with the annual survey.</p> <p>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.</p>	
10.4	<p>National Fraud Initiative (NFI) Update – including appraisal checklist</p> <p>Ms Anderson presented an update on the National Fraud Initiative for 2022/23 and the initial findings for the data matching exercise for 2024/25. Finance colleagues will review the 415 matches for NHS Grampian to determine whether fraudulent transactions have been identified. The previous matching exercise for 2022/23 did not identify any fraudulent activity or unauthorised payments. It did find 41 instances of duplicate payments to suppliers but recovery of those funds had made good progress and the outstanding balance had reduced to £5,323.</p> <p>The Audit and Risk Committee agreed the information in the report had been reviewed and scrutinised and that it provides assurance of counter fraud activities associated with the NFI exercise.</p>	
10.5	<p>Tender Waivers</p> <p>The Committee noted a report which provided a summary of single tender actions authorised from September 2024 to February 2025.</p> <p>It was confirmed that refinements to the single tender process had been introduced to improve the governance around financial scrutiny and procurement regulations.</p> <p>The Committee was informed that staff in finance and procurement review and monitor all single tender request and all direct awards are subject to due diligence, including a procurement risk assessment.</p> <p>Action:</p> <ul style="list-style-type: none"> Review item number 20 on the register and confirm whether this relates to rent for an island property and is reclaimed through the relevant Service Level Agreement. 	JA

Item	Subject	Action
	<p>The Audit and Risk Committee agreed the information in the report had been reviewed and scrutinised and that it provides assurance that the single tender actions are compliant with regulations and policies.</p>	
10.6	<p>Financial Recovery Framework – Financial Governance and Control – Update</p> <p>NHS Grampian Board, at its meeting on 12th September 2024, had delegated oversight of the organisations financial recovery package to the Audit and Risk Committee.</p> <p>Ms Anderson confirmed that three areas of scrutiny continue to be progressed and monitored in relation to the Financial Governance and Control Programme:</p> <ul style="list-style-type: none"> • Healthcare Financial Management Association’s Self-Assessment Tool on “NHS Financial Sustainability – Are You Getting The Basics Right? • The Scottish Government’s Support and Intervention Framework. • Internal Audit Plan Focus. <p>In relation to the HFMA Self-Assessment Tool 18 actions had been identified and of those 4 had been completed and 14 are in progress.</p> <p>The Scottish Government had advised NHS Grampian in January 2025 of escalation to Stage 3 of the Support and Intervention Framework. This reflects the deteriorating financial position across NHS Grampian and involves enhanced monitoring and increased oversight by the Financial Delivery Unit. The Committee was informed that escalation to Stage 4 remains a risk if the underlying financial position cannot be improved.</p> <p>The internal audit plan for 2025/26 considered at item 7.3 takes into account the requirement to focus on the financial risks faced by the Board.</p> <p>The Audit and Risk Committee agreed:</p> <ul style="list-style-type: none"> • It had reviewed and scrutinised the information set out in the report and confirmed it provides assurance that progress is being made. • To note that detailed progress on action associated with the HFMA Self-Assessment is provided every six months to the Committee. 	

11 AOCB

Annual Review of Committees Effectiveness

The Committee agreed that last year it had taken an introspective look at how it functioned and this year it would be helpful to carry

Item	Subject	Action
	<p>out a 360 degree review by seeking views from colleagues and others.</p> <p>Action:</p> <ul style="list-style-type: none"> • PwC to provide suggested questions based on work with other organisations. <p>Annual Report and Accounts – Regulatory and Accounting Policy Update</p> <p>Mr Walker reported the review of accounting policies undertaken and the proposed changes to note for 2024/25.</p>	PwC

Dates of Future Meetings (2025)

Tuesday 24 th June	11.00 – 13.30	By Teams
(recommend annual accounts to the Board for approval)		
Tuesday 16 th September	11.00 – 13.30	In Person
(followed by Development Session)		
Tuesday 9 th December	11.00 – 13.30	By Teams