

NHS GRAMPIAN

Minutes of Meeting of Audit and Risk Committee
on Tuesday 25th June 2024 at 11.00
by Microsoft Teams

Board Meeting Open Session 10.10.2024 Item 12.1
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Present	Mr Derick Murray	Chair, Non-Executive Board Member
	Dr Colette Backwell	Non-Executive Board Member
	Cllr Tracy Colyer	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
Attending	Ms Julie Anderson	Assistant Director of Finance
	Mr Robert Barr	Manager, PricewaterhouseCoopers LLP (PwC)
	Mr Grant Burt	Financial Governance Manager
	Ms Gillian Collin	Director, PricewaterhouseCoopers LLP (PwC)
	Ms Faye Dale	Interim HR Manager (Item 10.3)
	Ms Alison Evison	Chair, NHS Grampian
	Ms Rebecca Lister	Senior Audit Manager, Grant Thornton
	Ms Jennifer Matthews	Corporate Risk Adviser (Item 9)
	Ms Angela Pieri	Audit Director, Grant Thornton
	Mr Alex Stephen	Director of Finance
	Ms Else Smaaskjaer	Senior Administrator (Minute)
Observing	Ms Linda Anderson	Assistant Accountant
	Ms Emma Louise Gowie	Assistant Financial Accountant
	Ms Nanret Ogala	Financial Accountant
	Lorraine Stickney	Financial Systems Business Manager
	Mr David Walker	Head of Financial Services and Accounting
Apologies	Prof Nick Fluck	Medical Director and Executive Lead for Risk

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 welcomed Dr Colette Backwell and Mr Ritchie Johnson, newly appointed Non-Executive Board Members, as members of the Audit and Risk Committee and wished Cllr Tracy Colyer well in her move across to the Population Health Committee He thanked her for her contribution during her time on this	

Item	Subject	Action
	Committee. Mr Murray noted the Development Session scheduled for 10 th September 2024 which will refresh understanding on the role of Internal Audit and External Audit and the duties of the Audit and Risk Committee.	
4	Committee Forward Planner and Draft Annual Plan	
	The draft annual plan and forward planner for 2024 had been included with papers for the Committee. Ms Anderson confirmed that the plan had been shared with relevant colleagues/groups and no dissent indicated.	
	The Audit and Risk Committee agreed the recommendation to approve the content and structure of the proposed cyclical annual plan attached as Appendix 1 to the report.	
5	Minutes of Meeting on 12th March 2024	
	Following amendment to a typing error the minute was approved as an accurate record.	
6	Matters Arising	
	6.1 Action Log of 12th March 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.	
	The Audit and Risk Committee noted the update.	
	6.2 Any other matters arising not on the action log	
	Following some concerns, noted at the meeting on 12 th March 2024, regarding Counter Fraud and Compliance matters Mr Murray reported an update.	
	Mr Murray and Mr Donald had met with Ms Anderson and Mr Burt and were assured that appropriate Counter Fraud processes are in place. Discussions will continue regarding whether there is a need for an Inspection Officer to remove some of the workload from service managers in investigating concerns raised. Mr Murray and Mr Donald also met with Mr Payne and were content with the ongoing work to re-energise the Compliance Group.	
7	Internal Audit	
	7.1 Internal Audit Progress Report	
	A report was presented which detailed progress on internal audit activity. Since the last meeting of the Committee five reports on Complaints Handling, Portfolio Governance, Key Financial Controls, Capital Procurement and IT Asset Management had been	

Item	Subject	Action
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finalised with management actions agreed. It was confirmed that the programme of work for 2023/24 had been completed.

A further update on the high risk findings identified in the report on Ransomware will be reported to the Committee at its meeting on 10th September 2024.

7.1.1 Complaints Handling

The review had taken the format of a thematic report bringing together two pieces of work. Complaints Handling at NHS Grampian carried out by PwC and an Assurance Review of Complaints Handling carried out by Aberdeen City IJB. Both reports concluded that the IJB and NHS Grampian had established processes to manage complaints.

Points made:

- Discussions indicate that the use of the DATIX system is not as effective as it could be.
- The time taken to deal with complaints exceed that agreed as good practice and it would be useful to review whether there should be more rigour in ensuring compliance with timescales or whether the timescales are unrealistic. There was evidence of good engagement with complainants regarding progress.
- To ensure that investigations are reliable training to improve experience/knowledge should be considered.

The Audit and Risk Committee noted the review and requested that the Executive Nurse Director should attend a future meeting to provide an update.

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7.1.2 Portfolio Governance

The review had been undertaken to establish if there is a cohesive cross-portfolio change management and governance model. It had focused on two projects, the Bed Base Review and the Moray Maternity Review to transform maternity services across NHS Grampian and Highland. The review had identified three areas of risk as advisory findings. These were in relation to project management capability, consistency and quality of artefacts and reports and the consistency and the quality of risk management and reporting. Good practice noted in relation to the successful delivery of initial implementation of change, establishment of governance boards with clearly defined terms of reference, the NHSG standardised risk management policy and protocol and effective communication and stakeholder engagement workstreams for both projects.

Points made:

- The Committee was informed that the Chief Executive Team are actively considering how to allocate resources and identify capacity for Project Management. This is currently internally

resourced with responsibilities absorbed into existing roles and the need to identify support and ensure appropriate skills are in place had been acknowledged.

The Committee noted the review

7.1.3 Key Financial Controls

This annual report had identified two medium risk and two low risk recommendations. The review had assessed the design and operating effectiveness of key financial controls with a focus on the handling of cash and valuables, debt recovery activities and supplier maintenance in the accounts payable process. It identified that the controls in place for supplier maintenance processes were well designed and effective. The medium risk recommendations highlighted that procedures are not consistently followed for the handling and storage of patient cash and valuables, and the lack of documented metrics, KPIs or targets in place to monitor NHS Tayside's performance of the debt recovery process. The low risk recommendations related to incomplete records and processes for the handling, counting and reconciliation of catering cash and the lack of a consistent approach to version controls of process documents.

The review had also noted areas of good practice including the segregation of duties within the supplier maintenance process and the low use of high risk overseas suppliers.

The Committee noted the report and the management actions agreed to respond to the recommendations. Progress will be reported to the Committee in the annual update on low and medium risk recommendations.

7.1.4 Capital Procurement

The objective of the review had been to confirm that capital procurement processes across NHS Grampian, delegated to the Asset Management Group, were compliant with NHSG Schedule of Reserved Decisions (SORD) and Standing Financial Instructions (SFI). The review had identified one medium risk recommendation highlighting that appropriate recording of approval for expenditure on capital projects could be improved. Three low risk recommendation were identified in relation the need for a more regular review of the AMG terms of reference and capital procurement policies, inadequate action monitoring of decisions made at meetings of the AMG and the need to update the SORD and authority matrix. The review had identified two areas of risk in relation to the escalation process for higher risk issues identified at AMG meetings as advisory findings. Good practice was noted in the scheduling of minuted monthly meetings of the AMG, the establishment of Project Boards for all major projects, a clearly defined governance and assurance structure and the use of the PECOS system.

The Committee noted the report.

7.1.5 IT Asset Management

The purpose of the audit had been to review the control design and operating effectiveness in relation to the Board's IT end user asset management process. The review had identified one high risk recommendation regarding the practice of line managers to withhold IT assets when employees leave the organisation. Four medium risk recommendations were highlighted in relation to the lack of a defined IT Asset Management Strategy, the lack of central oversight of network and infrastructure assets, risk over the security of information transferred from MobileIron to Microsoft Intune and the lack of evidence to support IT asset acquisition and disposal. Two low risk recommendations were identified in relation to key person dependency in the IT Asset Management process and an outdated mobile phones policy. Good practice was noted in the processes around completion of an accurate IT Asset Inventory.

The Committee were informed that a redesign of the Digital Directorate would be undertaken during the next 18-24 months and the Chief Digital Officer will attend the next meeting of the Committee on 10th September 2024 to provide an outline of the actions agreed in relation to the audit findings in this review.

High Risk Finding Update - Ransomware

The Committee considered an update which outlined progress against the management actions agreed following the internal audit review of Ransomware. Key points:

- PwC confirmed ongoing discussions with the NHSG Digital Directorate to review the actions and whether the timescales are realistic.
- The Corporate Risk Advisor confirmed that this had been taken into the Strategic Risk Register and the Chief Executive Team had asked for regular updates to inform its oversight of Cyber Security.
- Acknowledged that it is difficult to provide certainty around mitigation but it remains important to evidence that NHS Grampian is doing all it can to ensure digital security in a challenging environment.

The Audit and Risk Committee noted the review of IT Asset Management , the update on progress against actions identified in the earlier review of Ransomware.

Actions:

- **The Chief Digital Officer to attend the next meeting of the Committee on 10th September 2024 to provide an update.**

- **Report from the Chief Digital Officer should be provided to the Chair and Vice Chair of the Committee at an early stage to allow time to consider whether it provides the information required.**

7.1.6 **Governance Arrangements**

The purpose of the review had been to provide assurance that robust, accountable and transparent governance arrangements are in place for NHS Grampian Board and its assurance committees. The review had identified five low risk recommendations in areas where improvements could be made. These were establishing version control for the Assessment Framework and Committee Terms of Reference, improving action monitoring for each Committee, distributing papers in line with requirements of terms of reference, ensuring declarations of interest is included on each Committee agenda and ensuring formal performance evaluation across all Committees. Good practice was noted in provision of standard templates for terms of reference and minutes of committee meetings and the completion of a Board Skills Matrix.

The Audit and Risk Committee noted the review and welcomed the helpful comments.

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.

7.2 **Internal Audit Annual Report and Opinion**

Ms Collin presented the Internal Audit Annual Report for 2023/24. She informed the Committee that the internal audit work undertaken had allowed an unqualified opinion in relation to the adequacy and effectiveness of governance, risk management and control as “reasonable assurance/moderate assurance”. She noted this was a positive outcome based on the following:

Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness or non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvement are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The report detailed the key factors that contributed to the opinion and provided a summary of key findings from the programme of work completed during 2023/24 and Ms Collin thanked all NHS Grampian staff for their cooperation with the Internal Audit Team.

Item	Subject	Action
	<p>The Committee endorsed the Internal Audit Report and Opinion and agreed that the report provided an accurate reflection of internal audit activity throughout the year.</p>	
7.3	<p>Progress Internal Audit Low and Medium Recommendations</p> <p>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. The Committee was informed that monitoring, and engagement with managers, 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.</p> <p>The report detailed the rationale for closure of medium and low recommendations which had been closed off since previous update to the Committee. It also provided progress updates on recommendations which were past their target date.</p> <ul style="list-style-type: none"> • It was noted that targets in relation to the estates survey programme had not been met and suggested that given the longevity of the ongoing risk it could be considered as business as usual. • Confirmed that the update is not presented to the Chief Executive Team and is reported directly to the Audit and Risk Committee. • It would be helpful to include information on the reasons why some actions have exceeded agreed timescales. <p>The Committee agreed it had reviewed and scrutinised the information provided in this paper and confirmed that it provides assurance that recommendations are being actioned in response to medium and low internal audit findings by management.</p> <p>Action:</p> <ul style="list-style-type: none"> • Prioritise closing off recommendations which are more than two years beyond the target date, reporting to the Chief Executive Team for escalation if necessary. • It was confirmed that Internal Audit reports should be shared when issued with the Chief Executive Team for information. 	GB
7.4	<p>Internal Audit External Assurance Review</p> <p>Ms Collin presented a report which detailed the findings of the Chartered Institute of Internal Auditors (CIIA) following their external assessment of NHS Grampian’s internal audit function. There is a</p>	

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Item	Subject	Action
	<p>requirement under the Public Sector Internal Audit Standards that an external assessment is carried out at least once every five years.</p> <p>The review examined conformity and compliance with international standards and codes of ethics. It was delivered through informed discussions with the internal audit team, senior management in NHS Grampian and a review of internal audit documentation within the Board.</p> <p>The overall opinion provided by the CIAA confirms that the Internal Audit function for NHS Grampian ‘generally conforms’ to Internal Audit Standards. Recommendations were made for improvement actions in the report and timescales had been agreed to address these.</p> <ul style="list-style-type: none"> • It was confirmed that, to avoid duplication, the internal audit plan will not include audits similar to those proposed by other agencies. • It is planned to expand engagement with senior executives and managers in constructing the internal audit plan. • Some consideration will be given to raising awareness across the organisation regarding the purpose of internal audit. <p>The Committee welcomed the review, including its helpful contribution to organisational learning.</p> <p>The Committee was content to agree that:</p> <ul style="list-style-type: none"> • The Committee had reviewed and scrutinised the information provided in this paper and the appended report and confirmed that it provides assurance that the Internal Audit arrangements for NHS Grampian are effective. • Progress against improvement actions in the report will be provided at a future meeting of the Committee. 	JA/PwC

7.5 IJB Internal Audit Annual Opinion

Ms Collin reported that as part of regular reporting the annual internal audit opinions across Grampian IJBs are provided to the Audit and Risk Committee.

Aberdeen City IJB had considered its Internal Auditors Annual Report and Opinion on 4th June 2024. The opinion given was that internal audit is satisfied that sufficient audit and assurance work had been undertaken to allow a reasonable conclusion to be drawn to the adequacy and effectiveness of the Board’s framework for governance, risk management and control covering the period 1st April 2023 to 31st March 2024.

Aberdeenshire IJB will consider its Internal Auditors Annual Report and Opinion on 26 June 2024. The report will be shared with the Committee at its next meeting on 10th September 2024.

Moray IJB will consider their Internal Auditors Annual Report and Opinion on 27 June 2024. The report will be shared with the Committee at its next meeting on 10th September 2024.

The Audit and Risk Committee:

- **Noted the contents of this report and the Internal Auditors' assurance reports and opinion, to inform its assessment of the system of internal control of the IJBs.**

8 Annual Report and Accounts

8.1 Annual Report and Accounts

Ms J Anderson presented the 2023/24 annual report and accounts and highlighted the following:

- The Board had achieved two of the three financial targets set by the Scottish Government Health and Social Care Directorates (SGHSCD) for the year. The third target relates to revenue resource limit with the Board operating within its brokerage cap, this was following receipt of £24.8m additional revenue funding known from the Scottish Government. This reflects the underlying financial deficit of NHS Grampian.
- The results of each of the IJBs or the NHS Grampian Endowment Fund do not form part of the statutory targets.
- Grant Thornton, the Board's external auditors had issued an unqualified audit opinion and their report would be presented to the Committee at agenda item 8.2.
- The remuneration statement will be finalised and take account of the new approach required by the Scottish Public Pensions Agency.

Mr Murray noted that the Annual Report indicates increasing challenges in meeting performance targets and highlights pressures in relation to the volume of patient presentations and delayed discharges. Dr Coldwells highlighted ongoing work with Scottish Government to address issues around delayed discharges and reported he had met with the three local authority Chief Executives and three IJB Chief Officers to review measures which could be implemented across Grampian.

There was some discussion regarding national comparators and data sharing which had been encouraged at national meetings of Board Chairs. Suggested that main challenge would be assurance that data is validated and that between Boards it provides a like for like comparison.

The Committee noted thanks to the finance team, internal and external audit colleagues who had contributed to closing the accounts within the timeframe allowed.

Item	Subject	Action
	<p>The Committee agreed that the report provided assurance of the finance and governance arrangements in place during 2023/24.</p> <p>It was agreed that the recommendation to NHS Grampian Board to approve the accounts would be considered after the Committee had discussed Items 8.2, 8.3 and 8.4.</p>	
8.2	<p>Annual Audit Report</p> <p>Ms Pieri presented the Annual Audit Report and informed the Committee that Grant Thornton are proposing an unqualified audit opinion which provides assurance that financial statements are considered to give a true and fair representation of the Board's financial position as at 31st March 2024.</p> <p>The Committee was informed that some outstanding queries remain regarding the approach taken by the District Valuer Service in valuing the NHS Grampian facilities at the Aberdeen Royal Infirmary (ARI). Grant Thornton and NHS Grampian finance colleagues continue to work through these.</p> <p>Ms Lister highlighted the longer term risk to financial sustainability given the significant financial challenges faced by NHS Grampian. She also noted the recommendation that NHS Grampian conducts a lessons learned review in relation to the Baird and ANCHOR capital projects for presentation to a future meeting of the Audit and Risk Committee.</p> <p>Ms Pieri noted thanks to NHS Grampian colleagues for their positive attitude and cooperation in completion of the audit. She informed the Committee that all outstanding items will be resolved prior to the meeting of NHS Grampian Board on Friday 28th June 2024. Following the meeting the accounts will be ready for 'sign off' and submission to the Scottish Government.</p> <p>The Audit and Risk Committee noted the report, welcomed the unqualified audit opinion, and thanked Ms Pieri, Ms Lister and the Grant Thornton team for their professionalism in providing a comprehensive report for the Board's consideration.</p> <p>The Audit and Risk Committee requested Mr Stephen and Ms Anderson to discuss whether lesson learned reports in relation to the Baird and ANCHOR capital projects should be reported to the Audit and Risk Committee or to PAFIC.</p>	AS/JA
8.3	<p>Service Audits</p> <p>Ms Anderson presented a report which highlighted key points in relation to audit reports for Practitioner Services, National IT Services and National Single Instances of the Common Finance System. NHS National Services Scotland (NHS NSS) provide</p>	

services to NHS Grampian in support of the administration, processing and verification of payments to independent primary care contractors (Medical, Dental, Ophthalmic and Pharmaceutical) and also administration and support to a range of critical IT systems and services. NHS Ayrshire and Arran on behalf of NHS Grampian and other customer Health Boards host the national Single Instance of the common finance system used by all NHS Scotland Boards and directly manage the team who provide first and second line technical support to NHS Grampian.

Ms Pieri confirmed that these audit reports had been considered by Grant Thornton as part of the NHS Grampian annual assurance process.

The Audit and Risk Committee agreed that:

- **It had reviewed and scrutinised the information provided in this paper and the appended report, and confirmed it provided assurance in relation to the national shared service arrangements in place.**

8.4 Patients Private Funds

Ms J Anderson presented the Abstract of Receipts and Payment and explained that NHS Grampian is required to operate effective arrangements for the safeguarding and management of Private Patient Funds on behalf of adults who lack the capacity to do so themselves. An annual audited return of the Patient Funds extract must be submitted to the Scottish Government Health and Social Care Directorate. The appointed external auditors, Morris and Young, concluded the abstract of receipts and payments for 2023/24 provided a true and fair view of the funds administered by NHS Grampian and confirmed an unqualified audit opinion.

The Audit and Risk Committee agreed:

- **The 2023/24 abstract of receipts and payments for patient's private funds and the external auditor report had been reviewed and scrutinised to obtain assurance that Private Patient Funds had been operated in accordance with requirements.**
- **To endorse the abstract of receipts and payments for Patients Private Funds to NHS Grampian Board for approval.**

8.5 Recommendations to NHSG Board

Following discussions under items 8.1, 8.2, 8.3 and 8.4, the Audit and Risk Committee confirmed that, adequate confidence and assurance had been reached to recommend approval of the 2023/24 annual report and accounts to the NHS Grampian Board on 28th June 2024 for approval.

9 Risk and Compliance

Item	Subject	Action
9.1	<p>Strategic Risk Management Update</p> <p>Ms Matthews presented a report and updated the Committee on the progress made in the development of the Strategic Risk Register. She reported that the Chief Executive Team had scheduled bi-monthly meetings for the active management, scrutiny and overview of the Strategic Risk Register. The report detailed the risks considered by aligned Board Committees and the next meeting of the Clinical Governance Committee will consider the separation of the risks relating to Unscheduled Care and Planned Care.</p> <p>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:</p> <ul style="list-style-type: none"> • Improvements had been made regarding the development of the Strategic Risk Register. • Processes regarding the management, review and oversight of strategic risks are in place and are effective. <p>The Audit and Risk Committee endorsed the updates contained within the Strategic Risk Register.</p>	
9.2	<p>Annual Review – Effectiveness of Risk Management Arrangements</p> <p>Ms Matthews presented a report which provided an overview and assessment of risk management activity from April 2023 to March 2024. The report detailed key activities and priorities during 2023/24, training and development supported by the Corporate Risk Advisor and the objectives and priorities for 2024/25.</p> <p>The Audit and Risk Committee welcomed the report and agreed it provided assurance that:</p> <ul style="list-style-type: none"> • Improvements to NHS Grampian’s approach to the management of risk are being made, and appropriate evidence had been provided of key activities. 	
10	<p>Financial Governance</p>	
10.1	<p>Counter Fraud Update - Annual Review of Progress Fraud Action Plan</p> <p>Mr Burt presented the annual review report which provided details of Counter Fraud activity in NHS Grampian and an assessment of progress made towards meeting the Counter Fraud Standard. The report noted good practice and of the twelve standards nine had been met and three partially met.</p> <p>The Audit and Risk Committee welcomed the comprehensive and clear update and agreed:</p> <ul style="list-style-type: none"> • The information provided in the report had been reviewed and scrutinised and that it provided assurance of the 	

- **progress made against the Counter Fraud Standards and the Annual Action Plan to support meeting the Standard.**
- **The Counter Fraud progress update confirmed assurance in relation to counter fraud activities in NHS Grampian.**

10.2 **Losses and Special Payments**

Ms Anderson presented the routine annual report prepared to advise the Audit and Risk Committee with a summary of losses and special payments which NHS Grampian is required to submit to the Scottish Government Health and Social Care Directorate. A summary of receipts and payments was appended to the paper.

The Audit and Risk Committee agreed:

- **The content of the SFR 18 Losses and Special Payments return for 2023/24 had been scrutinised.**
- **The arrangements in relation to Scottish Government approval of an expected credit loss in relation to Lloyd Pharmacy of £254,339.10 were noted.**

10.3 **Operation Garda Update**

The Committee considered an update on the findings in the Assessment Report prepared by Counter Fraud Services which had identified inherent fraud risks relating to agency staff provision and payment. Good progress was reported against agreed actions with four of six actions complete and the remaining two actions will be progressed against an extended target date of February 2025 when the current contract for Locum Management System is due to be retendered.

The Audit and Risk Committee:

- **Confirmed it had reviewed and scrutinised the information provided in the paper and agreed that it provided assurance that progress is being made to address the inherent fraud risks relation to agency staffing provision and payment.**

11 **AOCB**

11.1 **Closed Session – Arrangements for Tendering**

Audit and Risk Committee members met in a closed session to confirm arrangements and the timeline in relation to tendering for Internal Audit services.

Dates of Future Meetings (By Teams)

Tuesday 10th September 11.00 – 13.30 Meeting
 Tuesday 10th September 14.00 – 17.00 Development Session
 (Both in Person in the Conference Room at Summerfield House)

Item	Subject	Action
	Tuesday 10 th December 11.00 – 13.30 (By Teams)	