

NHS GRAMPIAN

Minutes of Meeting of Audit and Risk Committee
on Tuesday 12th March 2024 at 11.00
by Microsoft Teams

Present	Mr Derick Murray	Chair, Non-Executive Board Member
	Cllr Tracy Colyer	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 Alison Evison	Chair, NHS Grampian
	Prof Nick Fluck	Medical Director and Executive Lead for Risk (Item 9.1)
	Mr Martin Innes	Chief Digital Officer, NHSG (Item 8.2)
	Ms Rebecca Lister	Senior Audit Manager, Grant Thornton
	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
Ms Else Smaaskjaer	Senior Administrator (Minute)	
Apologies	Mr Bert Donald	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 welcomed everyone and thanked them for attending the meeting. He noted the requirement in the Terms of Reference for the Audit and Risk Committee that there should be a nominated Vice Chair for the Committee and confirmed that Mr Steven Lindsay, Employee Director and Non-Executive Board Member had agreed to take up the position.	

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4	<p data-bbox="277 241 1356 389">Committee Forward Planner</p> <p data-bbox="277 241 1356 389">This had been circulated to reflect good practice in the information provided to Board Committees. The Assistant Director of Finance advised that the planner aligned to the annual programme of work previously agreed by the Committee and it will be updated and reported at each committee cycle.</p> <p data-bbox="277 430 1356 577">It was noted that although there are peaks and troughs in the programme of work, particularly in relation to the preparation of the annual accounts, other items included in the forward planner are scheduled across the year and should not impose an unmanageable workload on staff.</p> <p data-bbox="277 609 1356 716">It was agreed that Committee members, when asking for additional reports, should ensure that staff capacity and the time required are taken into account.</p>	
5	<p data-bbox="277 757 1356 801">Minutes of Meeting on 12th December 2023</p> <p data-bbox="277 833 1356 869">The minute was approved as an accurate record.</p>	
6	<p data-bbox="277 900 1356 945">Matters Arising</p> <p data-bbox="277 976 1356 1021">6.1 Action Log of 12th December 2023</p> <p data-bbox="392 1052 1356 1200">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 following items were highlighted:</p> <p data-bbox="392 1232 1356 1312">Item 1: Data Sharing Protocols. It was confirmed that these are now signed and in place.</p> <p data-bbox="392 1344 1356 1491">Item 2: External Review of Internal Audit. Following agreement that a review of Internal Audit should be undertaken by an external party arrangements are now in place to deliver this review and it will be reported to the Committee in June 2024.</p> <p data-bbox="392 1523 1356 1644">Item 5: Operation Garda Update. This had been deferred to meeting of the Committee in June 2024 when it is expected a final report will be available.</p> <p data-bbox="392 1675 1356 1711">The Audit and Risk Committee noted progress to date.</p> <p data-bbox="277 1747 1356 1792">6.2 Any other matters arising not on the action log</p> <p data-bbox="392 1823 1356 1859">None.</p>	
7.	<p data-bbox="277 1890 1356 1935">External Audit</p> <p data-bbox="277 1966 1356 2047">7.1 Informing the Audit Risk Assessment for NHS Grampian 2023/24</p> <p data-bbox="392 2078 1356 2110">A report had been provided to inform the Committee on the audit</p>	

risk assessment undertaken by Grant Thornton and completed by NHS Grampian to comply with auditing standards and support the external audit of NHS Grampian for 2023/24.

Based on responses from key stakeholders, the risk assessment template had been completed by NHSG Finance Department on behalf of the Board and the Committee were asked to confirm that the responses in the report were consistent with its understanding or whether there were any further comments it wished to make.

The Audit and Risk Committee confirmed it had reviewed the Informing the Audit Risk Assessment template and were content it would inform and support the external audit of NHS Grampian for 2023/24.

Action:

- **Check that the management responses detailed in the document fully answer the questions set.**

JA

7.2 External Audit Fee

The Committee were informed that the external audit fee for Health Boards is set by Audit Scotland and for 2023/24 they had put forward an uplift of 6%. Grant Thornton had also proposed a further increase of £6,000 to the base fee to take account of additional work due to a larger volume of amendments and recommendations to be checked. This is under discussion and additional information had been asked for to support the request.

The Director of Finance noted that the increase in the baseline fee had been subject to ongoing discussions between the Chief Executive of Audit Scotland and the national Directors of Finance group. Directors of Finance had written to challenge the level of uplift noting that Health Boards received a 2% uplift in core funding for 2023/24 and 0% for 2024/25. Audit Scotland had not changed its position and discussions will continue.

The Audit and Risk Committee agreed:

- **It was assured that the External Audit Fee proposed for the 2023/24 Audit by Grant Thornton is being subject to scrutiny and challenge prior to agreement.**

7.3 2023/24 Annual Audit Plan

The External Audit Plan for the financial year ending 31st March 2024 had been circulated to provide an overview of the planned scope and timing of the statutory audit of NHS Grampian.

This plan outlined the risk-based audit approach to be undertaken including detail of:

- Materiality;
- Significant financial statement risks identified;
- Wider scope / Best Value responsibilities;

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- Audit fees;
- Audit timetable and reporting; and
- Various other required matters.

Grant Thornton noted that materiality could be increased due to this being the second year as auditors and they now have a greater understanding of the organisation. The financial statement audit risks include risk of fraud in expenditure and the valuation of land and buildings.

The plan also summarised the responsibilities of the auditors and detailed the audit approach and the timeline leading to the meeting of this Committee on 25th June 2024 and NHS Grampian Board on 28th June 2024. Grant Thornton confirmed that early planning and risk assessment work had been undertaken during November/December 2023 and that interim testing is now underway.

The Audit and Risk Committee confirmed it had discussed and had the opportunity to feedback on the External Audit Plan for the 2023/24 financial year.

7.4 Progress Report – Management Actions

A paper was presented to the Committee to provide assurance that good progress had been made in the implementation of the recommendations highlighted by Grant Thornton in their external audit of NHS Grampian for 2022/23. 22 actions had been identified and good progress had been made on 16 of those with work ongoing to implement the remaining six. It is expected that the remaining recommendations will be closed off as the external audit for 2023/24 is progressed.

The issues which emerged at the later stages of the 2022/23 audit around land and building valuations had not been fully resolved. It was confirmed that Grant Thornton and NHS Grampian finance colleagues continue to work with the relevant organisations and it is expected that the approach taken by the District Valuers Office will be accepted. The Audit Director noted that a great deal of work had been carried out last year to break down the NHS Grampian estate and there would be no need to replicate that for the 2023/24 audit which should help to lighten the workload at year end.

The Audit and Risk Committee:

- **Confirmed it was assured and welcomed the good progress made in relation to the implementation of external audit recommendations highlighted by Grant Thornton in their 2022/23 Annual Audit Report.**

7.5 Audit Scotland – NHS in Scotland 2023

The Audit Scotland report “The NHS in Scotland 2023” had been shared to inform the Audit and Risk Committee of the implications to

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	<p>NHS Grampian’s corporate and financial objectives. The report highlights the significant financial and workforce challenges across Scotland and the risk of NHS Grampian failing to achieve its Strategic Corporate and Financial objectives.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Noted the contents of the cover paper and the risk to the NHS Grampian Board from the financial, workforce, and strategic challenges required as part of wider reform to the NHS in Scotland. • Noted the report recommendations made to NHS Boards in Scotland, and consider the appropriate channel for consideration under the NHS Grampian Boards’ Assurance Framework. 	

8 Internal Audit

8.1 Internal Audit Progress Report

A report was presented which detailed progress on internal audit activity. Since the last meeting of the Committee four reports on Performance Management, Unscheduled Care, Waiting Times and Complaints Handling had been finalised with management actions agreed. Terms of reference for the reviews of Key Financial Controls and IT Asset had been agreed with fieldwork scheduled to begin in March 2024.

There were four open high risk findings from the report on Ransomware finalised in June 2023. These will be reported on at Item 8.2.

No changes had been made to the agreed plan for 2023/24.

Performance Management (Final Report with Management Actions)

The review had centred on the effectiveness of the Integrated Performance, Assurance and Reporting Framework (IPARF) in reporting on performance against the priorities of the Plan for the Future and the NHS Grampian Delivery Plan. The review had identified one medium risk recommendations in relation to the tracking of KPIs and need to ensure that targets are reasonable, realistic and achievable. One low risk recommendations was identified in relation to having a timescale for the review of the IPARF to ensure it is operating as intended and remains fit for purpose. Good practice noted included the governance structure around this work and the defined KPIs for priority areas in the Delivery Plan. Management responses had noted the recommendations and confirmed mitigating actions.

Unscheduled Care (Final Report with Management Actions)

The review had centred on the arrangements in place to support

the management of the Unscheduled Care Improvement Plan. It was noted that the NHS Grampian Board is currently in the process of restructuring how this is managed and reported in line with guidance from the national Centre for Sustainable Delivery. The review had identified one medium risk recommendations in relation to no formal oversight of progress against the improvement plan at programme board meetings. Three low risk recommendations were identified in relation to the lack of clarity regarding the status of actions on the priority action plan, no fixed definitions around RAG ratings and a lack of a clear escalation process for delayed/overdue actions. Good practice was noted in the establishment of the Unscheduled Care Improvement Programme Board to take this work forward and the availability of a performance scorecard to show progress against the improvement plan. Management responses had noted the recommendations and confirmed mitigating actions.

Waiting Times (Final Report with Management Actions)

The objective of the review had been to assess the processes and controls in relation to governance arrangements reporting and training. The review had identified two medium risk recommendations in relation to the reporting and scrutiny of waiting times performance and the lack of formalised documentation of roles and responsibilities in the management of waiting times performance. One low risk recommendation was identified in relation to the need to update the NHSG Access Policy available on the website. Good practice was noted in the consistency of tracking and monitoring and the system tools in place to automate collation of patient data. Management responses had noted the recommendations and confirmed mitigating actions.

Complaints Handling (Final Report with Management Actions)

The review had centred on the arrangements in place to support the complaints handling process. The review had identified one medium risk recommendations in relation to no formal requirement in place for all staff involved in complaints handling to complete training on good practice. Two low risk recommendations were identified in relation to the need to update the complaints procedure to reflect current practice and to review the terms of reference for the Chief Executive Team and the Clinical Governance Committee. Good practice was noted in the use of DATIX and the governance structure in place around complaints handling.

The Audit and Risk Committee were content with the information provided and confirmed that the report provided assurance that the risks identified are being managed appropriately.

8.2 High Risk Finding Update - Ransomware

The Chief Digital Officer presented an update which outlined the

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actions taken recently against the management actions agreed following the internal audit review of Ransomware. Key points:

- The 20 management actions had been RAG rated with 12 rated as Green, 6 Amber and 2 Red. To maintain this position will require continued investment and resource. There is also a need to embed cultural change to ensure that improvements made are sustained.
- There will be discussions with the Chief Executive Team to agree the key areas prioritised for mass recovery.
- Recent cyber security testing had resulted in a 1.4% response to a simulated link circulated by email. This is much lower than the average response across similar organisations which indicates that there is good practice and training in place.
- There should be consideration within the Digital SLT to reach a better understanding of the disconnect between the findings in the Internal Audit Report and the Network and Information Systems Audit (NIS).
- There should be clarity regarding the risks around the management actions whilst mindful of the time and capacity to progress them.

The Committee acknowledged that the scale of the challenge reflects the complexity of the digital environment for all public sector organisations. It was confirmed that robust defences are in place which are regularly tested.

The Audit and Risk Committee thanked the Chief Digital Officer for the assurance provided and asked that an update is reported to a future meeting of the Committee.

Actions:

- **PwC and the Chief Digital Officer to discuss and agree a timeframe and plan to close down the management actions and report back to the Audit and Risk Committee.**
- **Corporate Risk Advisor and Chief Digital Officer to review cyber risks and ensure they are included in the strategic risk register.**

PwC/MI

JM/MI

8.3 Internal Audit Plan 2024/25

A report had been circulated which outlined the approach to preparing the internal audit plan for 2024/25 and highlighted the key risks that had been taken into account when identifying areas for review. The risks had been reviewed and updated to ensure they remain relevant. The plan’s agility was noted and it was confirmed that any risk which emerge during the year can be incorporated subject to approval from the Audit and Risk Committee. It was advised that the scope and focus for each review will be identified in conversation with Executive Leads during development and agreement of the Terms of Reference.

The proposed plan for 2024/25 outlines a total of 11 reviews including a joint assurance review of Fraud Governance Arrangements across NHS Grampian and the IJBs. Field work will take place across the system and reports to this committee will map with IJB reporting.

The Audit and Risk Committee agreed that the Internal Audit Plan for 2024/25 should be taken forward as outlined in the report.

9 Risk and Compliance

9.1 Risk Management Update

A report was presented which provided the Committee with information and updates on the Strategic Risk Register. The Committee were reminded that the strategic risk register covers the risks central to achieving the strategic objectives in the Plan for the Future and the update sets out any changes to existing risks and any proposed new risks. The Corporate Risk Advisor noted that the recently agreed governance processes around the management of risks are robust but they will require time to become embedded.

The report focused on the management of Risk 3065 'The inability to deliver planned and unplanned care may lead to worsening health in the population of Grampian, potentially widening health inequalities' This had been considered by the Chief Executive Team and by the Clinical Governance Committee which had highlighted areas of concern but took assurance from the development of an action plan and the ongoing work to get strength and controls in place. It has since been suggested that the risk be divided as although planned and unscheduled care are linked there are many aspects of each which are distinct. Looking at situations separately could help to assess, manage and mitigate each to a better position. This proposal will be discussed by the Chief Executive Team and presented to the Audit and Risk Committee for scrutiny and approval.

A potential new risk had been identified regarding engagement with local communities to ensure that the health and care system meets local needs. It has been suggested that this could be approached in a similar way to the risks around inequalities and would thread across the strategic risk register to reflect the integrated approach to community engagement across the system. Discussions regarding this proposal will continue and any addition to the risk register will be subject to approval by the Audit and Risk Committee.

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:

- **Improvements are being made regarding the development and management of the Strategic Risk Register.**
- **Processes regarding the management, review and oversight**

of strategic risks are progressing towards a level of heightened assurance.

- Although assurance regarding the controls and mitigations concerning Risk 3065 are limited, there is planned work in the form of a long term action plan to improve the current level of risk exposure.

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

9.2 **NHS Grampian Compliance Group Update**

A report was presented which provided an update on the work of the NHS Grampian Compliance Group, which meets bi-monthly, and an oversight of compliance management activity. Key points:

- Robust arrangements are in place in relation to the processes around compliance management.
- The Compliance Group benefits from membership of subject matter experts who advise on the areas of compliance, the regulatory requirements for their area and ensure that any new regulations are included.
- Good practice and areas for improvement are discussed and shared.
- The summary of regulatory body compliance is monitored and reviewed at each meeting.
- Areas of lower compliance are highlighted and of the three items currently RAG rated as red, two refer to issues around lack of compliance with the standards in place rather than regulatory compliance. e.g. many buildings across the estate pre-date new standards and this is highlighted at meetings of the Compliance Group to demonstrate that any associated risks are being managed and mitigated appropriately.

The Audit and Risk Committee noted it had:

- **Reviewed and scrutinised the information in the report, and the accompanying summary of regulatory body compliance, and confirmed it was assured that the processes are working effectively.**

10 Financial Governance

10.1 **Updated Standing Financial Instructions (SFIs) and the Schedule of Reserved Decisions (SORDs)**

A report was presented to provide an overview of a comprehensive review and update of the Standing Financial Instructions and the Schedule of Reserved Decisions. The Audit and Risk Committee were reminded of their responsibility regarding oversight of the documents before commending them for approval to NHS Grampian Board. Two drop in sessions had been scheduled to allow an opportunity for Members of the Board to raise any queries or seek

clarification on any of the changes proposed – 11th March prior to this meeting, and 9th April prior to meeting of the Board on 11th April.

The revised documents had been reviewed by topic experts and named individuals who had commented on their areas of interest. The Committee was provided with an overview of the main changes to both documents including:

- ~ Refreshed format and language.
- ~ Realignment of responsibilities.
- ~ SORD - Confirmation of the role of a Senior Responsible Officer (SRO) for all major projects.
- ~ SORD - Formalisation of the arrangements regarding IJB Directions.
- ~ SFI – New section regarding subsidies and grants.
- ~ SFI – Review of Charity section.
- ~ SFI – Review of procurement and tender section.

Points noted:

- Going forward the documents will be subject to annual review.
- The documents impact on a large number of staff and it will be important to communicate the content and ensure a wide understanding of what is required of individuals.
- Finance and Procurement are jointly working on a website refresh and developing a self-service system which will direct staff to relevant documents.
- A package will be prepared as part of the welcome pack provided to staff.
- Procurement staff will lead on monitoring and educating suppliers.

The Operational Scheme of Delegation (OSD) had also been reviewed with no change to financial limits proposed. Some refinements had been made to the form requesting access and a revised form had been provided as an Appendix to the report.

The Audit and Risk Committee:

- **Endorsed the updates to NHS Grampian’s Schedule of Reserved Decisions and Standing Financial Instructions.**
- **Agreed to recommend to the Board of NHS Grampian the updated Schedule of Reserved Decisions and Standing Financial Instructions set out in Appendices 2 and 4 of the report.**

The Committee acknowledged the substantial amount of work undertaken by the Assistant Director of Finance and the Financial Governance Manager to complete the comprehensive review of both documents.

10.2 **Annual Audit – Committee Assurance Report**

A report was presented which outlined the Chief Executive’s responsibility, as the Accountable Officer for NHS Grampian, to provide a Governance Statement as part of the Accountability Report included as part of the Annual Accounts. Each of the core standing governance committees of the Board are required to provide annual statements of assurance to confirm they have fulfilled their remit. The Audit and Risk Committee is asked to confirm that an appropriate system of internal control is in place and a proposed draft statement had been circulated as an appendix to the report.

It was noted that Ms A Anderson had resigned from the position of Chair of the Audit and Risk Committee in September 2023 but had remained as a Non-Executive Board member until the end of December 2023. It would also be helpful to emphasise that to ensure continuity Mr Murray had been a Committee member prior to taking up position as Chair of the Committee on 24th October 2023.

Subject to the comment above and a final proof read the Audit and Risk Committee:

- **Confirmed that the paper and the appended draft provided assurance of the business and activities of the Committee during 2023/24.**
- **Approved the signing of the draft statement by the Chair of the Audit and Risk Committee, following updates to reflect the business of today’s meeting.**

10.3 **Counter Fraud Update**

The Committee considered a report which summarised the current status of ongoing investigations and progress in relation to counter fraud activities in the current financial year.

Items highlighted:

- Development sessions had been scheduled with finance and procurement staff.
- A refreshed intranet page and revised Fraud Policy will be launched and communicated to staff.
- Ongoing work will raise awareness across the organisation and assist in managing the risk of fraud.
- There is also ongoing work to improve accessibility of information through appropriate signposting.

It was confirmed that HR will be invited to a future meeting of the Committee to provide assurance regarding the management of workforce fraud activity.

JA

Item	Subject	Action
	<p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> Confirmed it had reviewed and scrutinised the information provided in the paper and agreed that it provided assurance in relation to the status of the counter fraud investigations and counter fraud activities as part of the Board's annual action plan. 	
10.4	<p>National Fraud Initiative (NFI) Update</p> <p>A paper was presented which outlined the NFI counter fraud exercise to match electronic data across public and private sector bodies to prevent and detect fraud. The report provided an update on the good progress made in the recovery actions in relation to duplicate payments identified in the 2022/23 matching exercise.</p> <p>The NFI Self-Assessment Checklist had been circulated for comment and feedback.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> Noted the progress made on recoveries of duplicate payments identified. Endorsed the proposed comments for Part A to those charged with governance of the Audit Scotland NFI Checklist. Noted the comments in Part B for NFI key contacts and users, and the actions identified for improvement in future NFI exercises. 	
11	AOCB	
11.1	<p>Annual Review of Committee Effectiveness</p> <p>It was agreed that a short workshop would be scheduled to provide an opportunity for the Audit and Risk Committee to review a checklist and agree input.</p>	JA
11.2	<p>Information Bulletin</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> Noted the revised draft of the Accounting Policies for inclusion in the 2023/24 Annual Accounts and agreed it will be subject to review and agreement with the Board's external auditors as part of the annual audit of NHS Grampian's financial statements. Noted the change in timeframe for submission of the audited accounts and consolidation template to the Scottish Government. 	

Dates of Future Meetings (By Teams)

Tuesday 25th June 11.00 – 13.30

Item	Subject	Action
	Tuesday 10 th September	11.00 – 13.30 (in Person)
	Tuesday 10 th December	11.00 – 13.30