

NHS GRAMPIAN

Minutes of Meeting of Audit and Risk Committee
on Tuesday 27th June 2023 at 11.00
by Microsoft Teams

Board Meeting Open Session 05.10.23 Item 13.1
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Present	Ms Amy Anderson Mr Albert Donald Mr Steven Lindsay Mr Derick Murray Cllr Ian Yuill	Chair, Non-Executive Board Member Non-Executive Board Member Employee Director/Non-Executive Board Member Non-Executive Board Member Non-Executive Board Member
Attending	Ms Julie Anderson Mr Robert Barr Mr Grant Burt Ms Gillian Collin Ms Sarah Duncan Ms Alison Evison Mr Rudi Farmer Prof Caroline Hiscox Ms Jennifer Matthews Ms Nanret Ogala Mr Gavin Payne Ms Georgina Philp Ms Angela Pieri Mr Alex Stephen Ms Osa Udoh Mr David Walker Ms Else Smaaskjaer	Assistant Director of Finance Manager, PricewaterhouseCoopers LLP (PwC) Financial Governance Manager Director, PricewaterhouseCoopers LLP (PwC) Board Secretary Chair NHS Grampian Audit Manager, Grant Thornton Chief Executive Corporate Risk Adviser Financial Accountant General Manager Facilities and Estates (Item 8.1) Senior Audit Manager, Grant Thornton Audit Director, Grant Thornton Director of Finance Head of Financial Services and Accounting Senior Financial Accountant Senior Administrator (Minute)
Apologies	Cllr Tracy Colyer Prof Nick Fluck	Non-Executive Board Member Medical Director

Item	Subject	Action
1	Apologies	
	Noted above.	
2	Declarations of Interest	
	There were no declaration of interest. The following transparency statements were made:	
	Amy Anderson – is Chair of the Board of Trustees, Chest, Heart and Stroke Scotland	
	Ian Yuill – is a Board Member of Nestrans	
	Both confirmed this did not impact on their participation in the meeting.	
3	Chairman's Welcome and Briefing	
	Ms A Anderson welcomed everyone to this important meeting in the	

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	<p>Committee's calendar when members would be asked to consider the Annual Report and Accounts for 2022/23 and consider their recommendation to NHS Grampian Board for approval. To allow time for a full discussion in relation to the accounts the Strategic Risk Register will be considered at the next meeting of the Committee on 5th September 2023.</p> <p>The Chair reminded Committee members of the purpose of the Committee including the requirement to seek assurance on behalf of the Board that an appropriate system of internal control is in place to ensure that public money is safeguarded and properly accounted for.</p>	
4	Minutes of Meeting on 16th May 2023	
	The minute was approved as an accurate record.	
5	Matters Arising	
	5.1 Action Log of 16th May 2023	
	<p>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.</p> <p>Ms J Anderson noted progress made in the review of Standing Financial Instructions and confirmed this would include a proposed de-minimus level for single tender actions reported to the Committee. She also advised that an update on the arrangements around clinical negligence claims would be provided by the Medical Director and circulated after the meeting.</p>	
	5.2 Any other matters arising not on the action log	
	None	
6	Internal Audit	
	6.1 Internal Audit Progress Report	
	<p>Mr Barr presented the report which detailed progress on internal audit activity. Since the last meeting of the Committee five reports had been completed on Key Financial Controls, Ransomware Management, Smarter Working, Annual Governance Statement and Partnership Working. Mr Barr confirmed that the review of Portfolio Management will be deferred into the Internal Audit Plan for 2023/24 due to ongoing work regarding how it will rolled out across the system. At the time of reporting there were no open high risk findings from previous reviews.</p> <p><u>Key Financial Controls</u></p> <p>This annual report had identified one medium risk and one low risk recommendations. The review had assessed the design and</p>	

operating effectively of key financial controls with a focus on accounts payable and accounts receivable processes and payroll. The medium risk recommendation highlighted a disconnect between approval limits on PECOS and those held in the Operational Scheme of Delegation (OSD). It had recommended that work is undertaken to align OSD and PECOS approval levels. The low risk recommendation related to processes for starters and leavers and management had agreed to remind the eESS Team of the need to ensure that files and documents relating to staff engagement and termination evidence the appropriate approval processes.

The review had also noted a number of areas of good practice including that invoices for pharmacy purchases were correctly checked, reconciled, approved for payment at an appropriate level and that all bills and debtors were correctly entered into eFinancials, checked against invoices and approved with no discrepancies noted.

The Committee noted the report.

Ransomware Management

The review looked at how NHS Grampian counters the potentially severe impacts of a successful ransomware attack. Four high risk findings were identified, highlighting management actions required across four key areas.

The Committee acknowledged that ransomware management is a difficult area across the public sector and were pleased to note the areas of good practice identified that support an effective programme to mitigate the risk of ransomware. Mr Barr advised that ransomware attacks happen and NHS Grampian should have a clear plan in the form of an agreed strategically led approach to ensure quick and effective recovery.

Mr Donald asked if the level of risk to NHS Grampian is comparable with other organisations. Mr Stephen and Professor Hiscox confirmed that this is a national issue which requires national support and funding and Executives will continue to discuss this with national colleagues. Ms Collin and Mr Barr informed the Committee that NHS Grampian were in a similar position to other organisations.

The Committee noted the report and requested that the Interim General Manager eHealth attend the next meeting on 5th September 2023 to provide an update on management actions and timescales.

JA

Smarter Working

The review had assessed the governance arrangements to implement and monitor the adoption of a smarter working model

and the associated policies in place across NHS Grampian. One medium risk finding was raised regarding improvement in monitoring staff feedback. A management action to streamline the feedback process had been agreed. This will help to provide assurance that the smarter working model is working in practice for staff and the organisation.

Good practice identified included clear and detailed procedures and guidelines in relation to smarter working and effective reporting through the Smarter Working Programme Board.

The Committee noted the report.

Annual Governance Statement

Mr Barr reported the review had assessed the arrangements in place to support the preparation of the NHS Grampian Governance Statement. He concluded that there were no significant items to draw to the attention of the Committee. Two advisory findings were made relation to a review of the terms of reference for the Compliance Group and the development of a checklist to evidence that all the required components of the Governance Statement had been addressed.

Good practice was noted in the well-established assurance framework within NHS Grampian that supports performance management, resource allocation and strategic development.

The Committee noted the report.

Partnership Working

A report was presented providing a high level summary and bringing together pieces of work in relation to a system wide view of data sharing protocols. The report included a table that outlined a summary of themes raised in the different reviews completed by Aberdeen City Internal Audit, Moray Council Internal Audit and the Information Commissioners Office audit of NHS Grampian.

The Committee noted the report and agreed that:

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| <ul style="list-style-type: none"> • Ms Collin should progress the sharing of this report with IJB Internal Audit colleagues. | PwC |
| <ul style="list-style-type: none"> • A process is developed to ensure that actions are implemented and timelines met in relation to IJB and NHS Grampian internal audit reviews. | JA/GB |
| <ul style="list-style-type: none"> • Mr Stephen should continue to progress data sharing protocols with the NHSG Information Governance Manager. | AS |

6.2 Internal Audit Annual Report and Opinion

Ms Collin presented the Internal Audit Annual Report for 2022/23. She informed the Committee that the internal audit work

undertaken had allowed an 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 2022/23. Ms Collin highlighted that management had demonstrated a commitment to addressing recommendations and no high risk recommendations were outstanding at 31st March 2023. The high risk recommendations identified at this meeting in the review of Ransomware Management will be taken forward by management and internal audit will report on progress to the Audit and Risk Committee. Ms Collin thanked all NHS Grampian staff for their cooperation with the Internal Audit Team.

Mr Stephen noted the emerging challenges for 2023/24 but advised that management and staff will continue to focus efforts towards the areas indicated in internal audit reviews and seek to make improvements as advised. He also noted appreciation for the support and advice provided by the Internal Audit team at PwC.

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

7 Annual Report and Financial Accounts and External Audit

7.1 Annual Report and Accounts

Ms J Anderson presented the 2022/23 annual report and accounts and highlighted the following:

- The Board had achieved the three financial targets set by the Scottish Government Health and Social Care Directorates (SGHSCD) for the year.
- Grant Thornton, the Board’s external auditors had indicated they expected to issue an unqualified audit opinion and their report would be presented to the Committee at agenda item 7.2.
- The Performance Report in Appendix 2 highlighted progress made to deliver the changes necessary to achieve the

ambitions set out in the NHS Grampian Strategy 'Plan for the Future'.

- The annual governance statement sets out the Board's system of internal controls, the evolving risk management arrangements and the governance arrangements in place throughout 2022/23. It also draws attention to any significant matters of internal control and high risk audit findings.
- Appendix 1 detailed a synopsis of the notes to the accounts.

Mr Murray asked if the Performance Analysis of Sustainability and Environment should reference the National Sustainability Strategy and the financial burden this places on individual Boards. Ms J Anderson agreed that this would be included in the final report.

The Committee noted thanks to the finance team and all colleagues who had contributed to closing the accounts within the timeframe allowed.

It was agreed that the recommendation to NHS Grampian Board to approve the accounts would be considered after the Committee had discussed Items 7.2, 7.3 and 7.4.

7.2 Annual Audit Report

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 2023. Ms Pieri reported the adjustments made since the first draft version of NHS Grampian's financial statement and informed the Committee that subject to the satisfactory completion of outstanding items, and based on the work to date, Grant Thornton would issue an unmodified opinion.

The Committee was briefed on emerging issues in relation to land and building valuations. Ms Pieri explained that auditors take assurance from valuers and Grant Thornton had some outstanding queries regarding the approach taken by the District Valuer Service in valuing the NHS Grampian facilities at the Aberdeen Royal Infirmary (ARI). It was confirmed that Grant Thornton and NHS Grampian finance colleagues would continue to work through the outstanding queries.

Ms Philp then guided the Committee through the wider scope of the audit and highlighted the key messages and findings included within the report.

Mr Stephen highlighted the recommendations in the report and advised that colleagues would use the comprehensive management action plan to strengthen the position of NHS Grampian going forward.

Ms Pieri noted thanks to NHS Grampian colleagues for their positive

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	<p>attitude and cooperation in ensuring access to officers and the documents requested to complete the audit. Mr Stephen was pleased to note the that an unqualified opinion was expected and thanked all those who had contributed to the audit process.</p> <p>The Audit and Risk Committee noted the report and thanked Ms Pieri, Ms Philp 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 asked Ms J Anderson to provide a briefing note to confirm the background and implications associated with external audit concerns in relation to the valuation of Aberdeen Royal Infirmary.</p>	
7.3	<p>Service Audits</p> <p>Ms J 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. These services hosted by NHS National Services Scotland (NHS NSS) and by NHS Ayrshire and Arran on behalf of NHS Grampian are subject to independent audit and considered by Grant Thornton as part of the NHS Grampian annual assurance process. Ms J Anderson asked the Audit and Risk Committee to note the reports and unqualified audit opinion of the independent service auditor for 2022/23</p> <p>The Audit and Risk Committee noted the report.</p>	JA
7.4	<p>Patient Private Funds – Abstract of Receipts and Payments</p> <p>Ms J Anderson presented the Abstract of Receipts and Payment and explained that NHS Grampian acts as custodian of personal funds held on behalf of long term patients. These balances do not form part of NHS Grampian’s statutory accounts and are subject to separate independent audit arrangements. Morris and Young are the newly appointed external auditors and an opinion from them is expected on 3rd July 2023.</p> <p>The Audit and Risk Committee agreed that subject to satisfactory conclusion of the Audit before 6th July 2023, the independent audit opinion would be sent out by email for review, prior to consideration by the Board. If no audit opinion is available for the Board Meeting on 6th July 2023 this item will be deferred and reported back to the next meeting of the Audit and Risk Committee on 5th September 2023.</p>	
7.5	<p>Recommendation to NHSG Board for Approval of the Accounts</p> <p>Following discussions under items 7.1, 7.2, 7.3 and 7.4, the Audit and Risk Committee confirmed that, subject to the satisfactory completion of outstanding items, including land</p>	

and building valuations, adequate confidence and assurance had been reached to recommend approval to the 2022/23 annual report and accounts to the NHS Grampian Board for approval.

8 Risk

8.1 Compliance Group Report

Mr Payne presented a report and highlighted the following points in relation to the NHS Grampian Compliance Group:

- Its purpose is to consider all matters relating to statutory and non-statutory regulations and provide linkage between performance, assurance, improvement, risk management and governance across NHS Grampian.
- It provides the Audit and Risk Committee with assurance that the requirements of regulatory bodies are met.
- There is system wide representation on the Group and meetings are attended by subject matter experts.
- It reviews and updates the Regulatory Body Compliance Summary Register to ensure that any new areas of compliance are taken into account.
- Topic exception reports focus attention on areas of lower compliance and higher risks.
- It provides a route for escalation to the Chief Executive Team regarding any items of concern.

Mr Murray asked if NHS Grampian had identified all the actions required to remain compliant with the national Sustainability Strategy. Mr Payne confirmed that NHS Grampian had submitted information on the actions it is committed to through the national sustainability audit tool and is mid-range in comparison with other Scottish Boards. This will continue to be monitored and reported to meetings of the Compliance Group.

Ms A Anderson asked how compliance issues come to the attention of the Compliance Group. Mr Payne advised that all items which require regulatory compliance are included on the Summary Register and there is also some ongoing work to identify what is reported to other Committees such as the Information Governance Group and the Clinical Governance Committee. Ms Hiscox noted that there is work ongoing to align Board Committees with strategic risks and it would be useful to review capacity to support this important piece of work.

The Audit and Risk Committee noted the information provided in the paper and confirmed it provided assurance that:

- **the Compliance group policies and processes are working effectively;**
- **any gaps have been identified and assessed and risks are being mitigated effectively; and**

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	<ul style="list-style-type: none"> • improvements to policies and processes are being made and appropriate evidence of these had been provided to the Committee's satisfaction. 	
9	Financial Governance	
	9.1 Counter Fraud Update	
	<p>Mr Burt presented a report which summarised the current status of ongoing investigation, progress against the national Counter Fraud Standards and the action plan for NHS Grampian. Mr Burt confirmed that work continues to progress the data matches under the National Fraud Initiative.</p> <p>Mr Donald asked if the table detailing number and sources of reports at Section 3.2 provided meaningful information and Mr Lindsay agreed that the layout of the table was confusing. Mr Lindsay advised that she would take this feedback to the Counter Fraud Service Annual Review meeting on 3rd July 2023. Ms A Anderson also asked that it would be useful to details timeframes against the remedial actions to meet the requirements of the Counter Fraud Standards.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Noted the report and the assurance provided in relation to the status of ongoing investigations. • Requested the final Annual Fraud Action Plan should be presented to the next meeting of the Committee on 5th September 2023. 	GB
10	Committee Arrangements	
	10.1 Audit and Risk Committee – Draft Annual Plan	
	<p>Ms J Anderson presented the Draft Annual Plan for the Audit and Risk Committee. This proposed that the Committee should meet in September, October, December, April and June and the items which should be considered at each meeting. She advised that a Risk Report would be presented at each meeting including a status and progress update in relation to the Strategic Risk Register.</p> <p>Mr Murray asked that meetings of all Board Committees should be co-ordinated to ensure that two meetings are not scheduled in the same week. Mr Stephen confirmed that scheduling of meetings is being reviewed by the Board Secretary.</p> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> • Approved the content and structure of the proposed cyclical annual plan; and • Approved the timing and nature of future meetings. <p>Members of the Committee were asked to raise any queries</p>	

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	with Ms J Anderson by Friday 14th July 2023.	ALL

10.2 Future Committee Meetings – Frequency and Duration

It was agreed that the annual cycle of committee meetings should comprise 5 meetings with each lasting 2.5 hours.

11 AOCB

None

Date of Next Meeting/Dates of Future Meetings

Date of Next Meeting

Tuesday 5th September 10.30 – 13.00 (Teams)

Future Meetings

Tuesday 24th October 10.30 – 13.00 (In Person) Conference Room
Followed by a Development Session for all Board Members.

Tuesday 12th December 10.30 – 13.00 (Teams)