

A (M) 17/01 Minutes: 1 - 16

NHS Greater Glasgow and Clyde

**Minutes of a Meeting of the Audit Committee
held in the Board Room,
JB Russell House, Gartnavel Royal Hospital
on Tuesday, 14 March 2017 at 9:30am**

PRESENT

Mr A Macleod (Chair)
Mr S Carr (until minute 9)
Ms J Forbes
Dr D Lyons
Mr J Matthews
Mrs D McErlean
Ms A Monaghan
Dr R Reid

IN ATTENDANCE

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| Mr J Brown | NHS Board Chair |
| Mr R Calderwood | Chief Executive |
| Mr M White | Director of Finance |
| Mr M Gillman | Financial Governance Manager |
| Mr J Hamilton | Head of Board Administration |
| Ms S Johnston | Head of Civil Contingencies Planning (until minute 6) |
| Mr D Loudon | Director of Property, Procurement and Facilities Management |
| Mr C Morrison | Head of Operations, eHealth (until minute 5) |
| Mr A Barrie | PwC (until minute 14) |
| Ms M Kerr | PwC (until minute 14) |
| Mr K Wilson | PwC (until minute 14) |
| Mr H Roberts | PwC (until minute 14) |
| Mr D McConnell | Audit Scotland |
| Ms L Yule | Audit Scotland |

Action by

1. Welcome and apologies

Apologies were intimated on behalf of Mr R Finnie and Cllr M O'Donnell.

2. Declarations of Interest

No declarations of interest were intimated.

3. Minutes

The minutes of the meeting on 13 December 2016 (A(M)16/05) were approved as a correct record of the meeting. The notes from the Audit Committee Executive Group meeting on 22 February and minutes of the Risk Management Steering Group meeting on 31 January 2017 were noted.

4. Matters Arising/Rolling Action List

Mr Gillman updated the committee on the status of ongoing actions on both the rolling actions list and the audit actions update. Mr Macleod commented, and Mr Wilson agreed, that this was a useful tool which demonstrated that good progress was being made. In addition, Mr Gillman referred members to papers that had been prepared to cover points raised at previous meetings in respect of the cashier appointment and the governance process around visas and professional registrations.

Mr White summarised the progress being made towards implementing the recommendations made in the Information Commissioner's Office audit report. Mr Brown queried the reasonableness of the length of time that it was projected for actions to be implemented; Mr White replied that, given the financial restraints that the Board faces, that is the best that can be done. Mr Macleod requested that Mr White give a further update at the next meeting, and should consider options for accelerating the process.

**Director of
Finance**

Noted**5. Cyber security update**

Mr Morrison gave a presentation to members to update them on questions raised about cyber security at the previous meeting of the Audit and Risk Committee.

He identified the areas of concern that were noted against the SANS assessment – vulnerability/patch management, controlled use of admin rights, audit and monitoring of malicious activity and access control. He advised that the eHealth Directorate have put in place an agreed security patch management policy, ensuring that devices are being proactively managed, reviewed administrative privileges, initiated staff awareness raising around Cyber Threat, engaged PWC to provide 3rd party assurance that current controls are minimising risk of a cyber attack, worked with NHS Scotland National Security Advisor to review recent improvements and reassess the Boards risk management to cyber threat.

Mr Morrison also advised that the NHS Scotland National Security advisor had reviewed the Board's cyber security position against recognised industry standards and that PwC were currently reviewing technical controls in order that further independent assurance can be provided. In addition, the staff awareness programme would continue, combined with penetration testing of internal staff groups.

Mr Morrison answered a number of questions from members, following which Mr Macleod thanked him for the presentation and noted that this was a high priority area of concern which would continue to be an ongoing focus of the committee.

Noted

6. Internal Audit

Ms Kerr presented PwC's activity report which summarised progress towards completing the 2016/17 internal audit plan during the period to 7 March 2017. She advised that there were four reviews had been completed during the quarter that were being reported at this meeting, with a further twelve reports to be reported to the committee at its meeting in June. The four reviews being reported were as follows:

Business Continuity Management – follow-up review – high risk

Ms Kerr advised that this review was (as was the original review) rated high risk. This follow up review assessed the actions taken to implement the agreed management actions arising from the Business Continuity Management report which was finalised in August 2015. The original report identified a number of control weaknesses which resulted in a high risk rating being applied, a total of four recommendations were made in relation to the issues identified.

Management presented a progress report to the September 2016 Audit & Risk Committee detailing the actions taken to date to address the agreed actions. As part of the scrutiny process it was requested and agreed by the committee members that a detailed follow up review should be brought back to the Audit and Risk Committee by Internal Audit. The overall objective of this review was to evaluate the extent to which the agreed actions from the original report had been addressed.

PwC assessed the actions taken, including validation to assess if the recommendations have been successfully implemented. It was established that to date none of the agreed four recommendations had been fully implemented, and it was found that whilst some progress had been made on all of the agreed actions, only three of fourteen actions had been implemented in full. Of the remaining eleven actions, these were at various stages of progress. There was no evidence of updated BCPs in place in a number of areas.

PwC reported that there still remained significant work required to address the original findings. There are nine areas within NHSGGC that still require to

develop or update all of their Business Continuity Plans (BCPs) and identify key

Action by

interdependencies and maximum tolerances for service disruption through a Business Impact Analysis (BIA). At the time of the review, there was no action plan in place to address this, nor was there an indication of timescales. However, Ms Kerr reported that within the previous month, all delegated leads for BCP had now been identified, with only the South sector outstanding. A meeting had been organised with identified BCP leads to go through the BC template and to plan for updating their current plans to the new template.

In addition, management are currently working with IT to identify a suitable electronic system for capturing and monitoring BCP plans. The current process uses an excel spreadsheet to record all 15 directorates' BCP plans, debrief reports etc. A revised timescale of December 2017 to have plans updated and tested by all directorates had now been set.

Members discussed the report and agreed that its conclusions were serious. Mr Brown suggested that the Board needed a more structured approach, and that this would be a priority for the new Chief Executive to follow up on. Mr Macleod asked that progress is reported at each meeting.

**Director of
Finance**

IT Resilience Medium

The purpose of this review was to assess IT Resilience through an evaluation of the design and operation of controls relating to both IT Business Continuity Planning (IT BCP) and IT Disaster Recovery (IT DR) testing.

Whilst the review identified several areas of good practice, there was one high risk, one medium risk and one low risk finding.

The high risk finding related to the IT Disaster Recovery programme. The three most critical clinical systems (Clinical Portal, Trakcare, SCI Store) identified by eHealth have disaster recovery capability and are routinely tested. However, an assessment had not yet been completed to understand the disaster recovery capability for the remaining systems and to ensure this capability meets business and clinical requirements. In addition, there was limited documentation in place to evidence testing performed and to demonstrate that management understand the underlying IT infrastructure required to deliver critical IT systems.

The medium finding relates to eHealth not having updated the required business continuity plan and business impact assessment for their function since 2015, while the low finding relates to known power and air conditioning resilience issues at the secondary data centre.

Ms Kerr reported that the interim Director and newly appointed Head of IT Operations had instigated a programme of work to address the issues identified. Many of the systems will have been implemented by design to support the desired business continuity assumptions at the time of implementation against available resource, however this requires to be documented beyond the tier 1 clinical systems identified, and consulted upon via the Board's business continuity planning process.

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Significant Capital Projects Governance & PPE – medium risk

Mr Barrie reported that this review assessed compliance against the required standards for project governance, post project evaluation and lessons learned exercise. PwC had selected the following projects against which to assess compliance against the project governance guidelines:

- QEUH Development of Multi Storey Car Park (c£14m)
- ICE Building project in conjunction with Glasgow University (c£7m)
- Maryhill Health Centre (as part of the DBFM Hub Scheme)

The review highlighted four medium risk findings in respect of:

- The informal reporting and governance structure of the Multi Storey Car Park project.
- The use and effectiveness of risk registers for the Maryhill Health Centre and Multi Storey Car Park projects. The risk registers were not properly prepared and maintained throughout the lifecycle of the projects.
- Intended project benefits are not clearly defined. They are not specific, measurable, achievable, relevant or timely (SMART). The benefits outlined within the Final Business Cases are not quantifiable and it is therefore difficult to effectively assess whether expected benefits are realised.
- Individual PPEs for projects with a cost of more than £5million have not been completed.

The review also followed up on the recommendations made in the previous report to determine whether these have been implemented as planned and in the timescales agreed; one medium risk finding raised had not been addressed. This was in respect of to the completion of PPEs for projects costing less than £5m which is a requirement of the Scottish Government for significant capital projects.

Mr Loudon advised members that a team was in place in management, systems and processes were put into place to carry out PPE, and a dedicated resource was allocated to PPE. PPE was undertaken retrospectively for 2015/6 and an annual summary report was sent to the Scottish Government.

Mr Calderwood commented that the projects referred to had been subject to full scrutiny; the multi storey car park development was regularly reported to the Acute Division management group, the Maryhill development was overseen by the HUB West Board, and the ICE project was managed by Glasgow University.

Mr Macleod considered that the report be sent also to the Finance and Planning Committee.

**Financial
Governance
Manager****Key Financial Controls – Endowments - low risk**

Mr Barrie advised that this review focused on the design and operational effectiveness of controls identified in relation to the policies and procedures, the receipt of donations, payments, investments and ongoing monitoring and governance of endowments.

Action by

Overall, three low risk findings were identified:

- the key information required to process an endowment is contained on the forms, but there is a lack of consistency with the documentation used to record, receipt and handover endowment payments;
- the Endowment Operating Instructions do not outline the process to follow in relation to depositing of donations received directly by staff; and
- there was no evidence that legacy donations documentation had been checked to confirm that the Board could meet any restrictions or other requirements that might be a condition of the legacy.

It was reported that management had responded that a new post of Head Cashier was currently in the process of being recruited to. A key role for that individual will be to ensure standardisation of documentation across the various cash offices including income collection/deposit sheets.

Dr Reid requested that a copy of the report be presented to the Endowments Management Committee.

**Financial
Governance
Manager****Noted****7. Internal Audit Plan 2017/18**

Mr Wilson introduced the draft audit plan. He noted that in drafting the plan, PwC had taken into consideration the financial challenge facing the Board, and as a consequence they had reduced their proposed input to 510 days.

Ms Kerr advised that the plan was draft as it was still being discussed with management. She added that despite the reduction in days, the work would be maintained at a level required by public sector audit standards.

Members discussed the draft plan at length. Mr Brown expressed a concern regarding the large reduction in days, and asked what had dropped off the plan from previous years. Mr Wilson responded, advising that reductions were able to be made in a number of areas, including key financial controls which had been heavily audited and have been shown to be low risk and management have indicated that they will carry out more work on following up on agreed audit actions. Mr Wilson confirmed that he was comfortable that could give assurance at the revised level of input. Mr McConnell noted that Audit Scotland placed reliance on the work of internal audit around work relating to the financial statements, and that he was comfortable with the level proposed.

Mr Macleod concluded the discussion by noting that the plan was draft and members could input further to it if they wished, before the final version was presented to the next meeting.

Noted**Action by****8. Audit Scotland**

Mr McConnell presented the Audit Scotland audit plan for 2016/17. He highlighted the key audit risks which require specific audit testing. Mr McConnell also advised that the fee for the audit would be £411,590, a reduction of over 25% from 2015/16.

Noted**9. Risk Management**

Mr White outlined for members a paper setting out the actions taken to improve the Corporate Risk Register.

Mr Brown commented on the revised Corporate Risk Register. He felt that the risk identification, scoring and mitigation comments could be improved. His view was that the register did not reflect best practice. He added that he didn't think that all the right risks were being identified, and queried whether delayed discharges was the biggest risk the board had.

Mr Carr asked how the committee could be assured that the controls were actually in place. Mr White replied that these were subject to audit testing. Dr Lyons referred to the use of the term "tolerated" and said that term could not be used to describe risks that were still being treated.

Mr Calderwood highlighted that the risk process is carried out within the resources available.

Mr Brown suggested that perhaps a consultant, e.g. PwC, could be used to advise on best practice.

The Corporate Risk Register update was not, therefore, approved. Mr Macleod requested that the Risk Management Steering Group revisit the form and content of the Corporate Risk Register at its next meeting.

**Director of
Finance****10. Fraud Report**

Mr Gillman highlighted for members the report summarising progress in the ongoing investigations of fraud as at the end of February 2017. Two new cases of suspected fraud had been added to the fraud register during the period and one case closed - there were currently nine open cases. He directed members to the detail behind these cases shown in Appendix 1 – List of Ongoing Fraud Cases – and gave an overview of those cases which had been updated since the previous meeting.

Noted**Action by****11. Annual Review of Governance**

Mr Gillman presented a paper which described a number of changes to the Board's Standing Financial Instructions and the Scheme of Delegation which the committee was asked to approve. He highlighted the key changes which were in relation to:

- state aid compliance;
- delegated budgetary authority in integrated HSCP teams; and
- changes to committee remits.

Approved**12. Stock write-off**

Mr Gillman requested that members approve the write-off of an oil stock loss of £59,000 (2016 - nil).

He advised that NHS Boards are required to seek authorisation from SGHSCD to write off losses greater than £20,000. Prior to this, Audit and Risk Committee approval is required for the proposed write-off of the loss. The loss was in respect of oil which had to be removed from the site of the former Western Infirmary as a result of contamination from water ingress and deteriorating oil tanks. Moving forward, regular checks of oil storage and regular turnover of oil stock would be ensured.

Approved**13. Bad debts write-off**

Mr Gillman requested that members approve the write-off of individual bad debts over £20,000, which totalled £191,213 (2016 - £268,335). He advised that NHS Boards are required to seek authorisation from SGHSCD to write off bad debts greater than £20,000. Prior to this, Audit and Risk Committee approval is required for the proposed write off of debts, full details of which were presented to members.

Members were advised that the debts were in respect of overseas patients and that whilst there is a process in place to ensure that information is supplied to medical records, to enable patients to be charged, this information may not always be accurate, nor does it ensure the patient is able to settle the debt.

Following a discussion amongst members, Mr Macleod requested a report be brought back to members to describe the system for charging patients and pursuing non-payers.

**Director of
Finance**

Approved**Action by****14. Extension of internal audit contract**

Mr White presented a paper which recommended that the contract for internal audit services be extended for a period of 12 months. He advised that PwC (as reflected in the draft plan presented earlier) had reviewed the service provision in respect of input and costs, resulting in a saving from the current year of £57,000.

There were no objections from members.

Approved**15. Retiral of Dr Reid and Mr Calderwood**

Mr Macleod advised members that this was the final meeting of the committee that Dr Reid and Mr Calderwood would be attending prior to retiring from the Board. Mr Macleod acknowledged their contributions to both the Board and to the Audit and Risk Committee, and thanked them on behalf of the members.

16. Date of Next Meeting

The next meeting will be held on Tuesday 6th June 2017 at 1:00pm (following the Board Seminar).

The meeting concluded at 12:35pm.