

NHS Greater Glasgow and Clyde

AR (M) 18(02) Minutes: 14-27

Minutes of the Audit and Risk Committee meeting held in JB Russell House on Tuesday, 5th June 2018

PRESENT

Mr A Macleod (in the Chair)	
Ms J Forbes	Dr D Lyons
Mr J Matthews	Cllr J McColl
Mr S Carr	

IN ATTENDANCE

Ms J Grant	Chief Executive
Mr M White	Director of Finance
Dr L de Caestecker	Director of Public Health (until minute 19)
Mr W Edwards	Director of eHealth (until minute 20)
Ms E Vanhegan	Head of Board Administration and Corporate Governance
Mr P Ramsay	Assistant Director of Finance
Mr M Gillman	Financial Governance Manager
Ms J Haynes	Interim Corporate Services Manager (for minute 24)
Ms J Richardson	Head of Financial Governance (for minute 26)
Ms L Maconachie	Audit Scotland
Ms M Kerr	PwC (until minute 21)
Mr K Wilson	PwC (until minute 21)
Mr C Brown	Scott-Moncrieff
Ms E Young	Scott-Moncrieff

Action by

14. Private meetings with the Internal Auditors

As part of the normal governance arrangements, in accordance with its remit, and prior to the main meeting, members of the Audit and Risk Committee held a private meeting with the Internal Auditors without officers of the Board being present.

15. Welcome and Apologies

Apologies for absence were intimated on behalf of Mr R Finnie and Ms A Monaghan.

Mr Macleod welcomed Mr Chris Brown and Ms Elizabeth Young from the Board's new Internal Auditors, Scott-Moncrieff, and Ms Elaine Vanhegan, the new Head of Board Administration.

Noted

16. Declarations of Interest

There were no declarations of interest noted.

Noted

17. Minutes

The minutes of the meeting on 13 March 2016 (A(M) 18/01) were approved as a correct record of the meeting.

Approved

18. Minutes

The notes of the Audit Committee Executive Group meeting on 23 May 2018 and the minutes of the Risk Management Steering Group meeting on 22 May 2018 were noted.

Noted

19. Matters Arising/Rolling Action List

Mr Gillman updated the committee on the status of ongoing actions. He advised members that, including the actions being reported on at the meeting, all four actions had been cleared.

GDPR update

Mr Edwards advised the committee that the Board had met all GDPR requirements required by the 25 May deadline.

Business Continuity Update

Dr de Caestecker advised members that all business continuity plans were in place and have been updated, where necessary, following testing – live play and tabletop exercises - and recent real life incidents - adverse weather, loss of telecoms, bus crash. She advised that the Clyde sector was scheduled to carry out a tabletop exercise in August. Dr de Caestecker confirmed that she would give an update to the Audit and Risk Committee in December.

**Director of
Public Health**

Update on staff training

Following a request made at the previous meeting, this paper (which had been discussed at the Staff Governance Committee) provided the committee with detail on statutory and mandatory training undertaken throughout NHSGGC. Members discussed the paper and noted their concerns about the around some of the levels. Ms Grant advised that this matter was covered in the remit of the Staff Governance Committee, and that, in order to avoid duplication of effort, the question of staff training and timeframes for delivery would be discussed at that committee. Reports would be submitted to the NHS Board twice annually.

Audit actions list

Mr Gillman presented a paper to update members on the progress being made in completing agreed actions arising from internal audit reports. He advised that of the sixteen audit actions that were due to have been completed in the period, twelve had now been cleared, leaving four actions that were still in progress.

Mr Macleod considered that this position was satisfactory and that he expected the new internal auditors to confirm the cleared actions in the course of their work.

Noted

20. Internal Audit Reports - PwC

Ms Kerr highlighted for members Internal Audit Activity report, and advised that PwC have concluded their workplan for the year.

Ms Kerr summarised the seven reports which were finalised during the period.

Information Governance

Ms Kerr advised that this was graded as low risk, with one medium risk finding.

The primary objective of this audit review was to examine the progress made to design and implement a Board-wide Information Asset Register, populate the Register with the right data for it to be an effective information source against which other data protection requirements can be fulfilled, and to establish the operational processes to ensure the Information Asset Register remains effective.

The medium risk finding was in relation to populating the IAR; over 350 information assets have been registered at the time of writing. The Information Governance Team continues to work with the wider Directors to ensure the work progresses, but as asset questionnaires are submitted there will be an ongoing need to review submissions and ensure the controls in place to protect personal and sensitive personal data assets are appropriate under GDPR requirements. It is important to be able demonstrate to the regulator that risk assessment of the controls around each asset has been undertaken, and remedial action has been taken. This 'paper shield' will be important in the event of a regulator audit or data breach. Management therefore ensure an assessment of the controls for each asset is documented against the health Board's information security standards and requirements for the protection of personal and sensitive personal data.

In response to a question from Mr Macleod regarding the segregation of duties between the Data Protection Officer and the Information Governance Officer roles, Mr Edwards advised that the job description was being taken to CMT for approval. Mr Macleod requested an update for the September meeting.

**Director of
eHealth**

Gifts and hospitality compliance

This report was rated as medium risk, with three medium risk findings. The Directorate for Health Finance of the Scottish Government instructed all Scottish Health Boards to consider a number of actions to provide assurance as to the extent and adequacy of controls that are in place for the notification and recording of gifts and hospitality. These were to commission an internal audit review of the processes for notification and recording of gifts and hospitality; to confirm that hospitality registers are up to date and conform to Standing Financial Instructions; to provide a reminder to staff that they must comply with these SFIs and ensure they are read and understood; and to invite Counter Fraud Services to present to key staff on provisions of the Bribery Act.

PwC's review covered the following areas: the guidance available in the Code of Conduct, additional guidance available to some staff groups (eHealth, Pharmacy, the Area Drugs and Therapeutic Committee and Procurement were considered), reporting and approval, maintenance of the register and governance arrangements.

They noted that there are areas where the current policies and procedures in relation to gifts and hospitality could be improved. The medium risk findings were:

- There were aspects of both the staff and Board Members' Codes of Conduct which could be strengthened - no timescale is specified in either Code of Conduct for how quickly declarations should be made following receipt of gifts/hospitality and for Board Members, nor is there a requirement to declare declined gifts/hospitality, which is inconsistent with the staff code of conduct.
- Some board members who had joined the Board had not yet completed a declaration of interests; Board Members' interests should be disclosed per the code of conduct.
- There was no procedure in place to ensure that items of gifts or hospitality are given approval timeously.

Management accepted the findings set out in the report and will progress the actions recommended where practical and reasonable to do so. The report identifies some areas where the Board could adopt processes to enhance confidence in compliance with Board Member and Staff Codes of Conduct and which would demonstrate registration in a consistent and comprehensive manner over and above that required currently.

**Head of Board
Administration
and Corporate
Governance**

Programme management – Moving Forward Together

Ms Kerr advised that this was graded as low risk, with one low risk finding. The phases of the programme that had commended at the time of the review were considered against PwC's 'Pillars of Programme Excellence'. Their review found that overall the Programme has appropriate programme management arrangements in place and these are operating effectively. One low risk recommendation was identified in respect of increased scrutiny by the Board, which was already under consideration by the Programme Executive during the fieldwork. This improvement has now been put in place through the Programme's report to the NHSGGC Board meeting in April 2018.

Health & Safety managers accepted the report and the actions contained within it. Some of the issues identified are known and work is underway to resolve them.

Mr Carr expressed his concern that RIDDOR incidents were outstanding. The committee requested an update report from the Head of Health and Safety be brought to the meeting in December.

Corporate risk management

Ms Kerr advised that the purpose of this review was to consider the effectiveness of the Board's corporate risk management arrangements, including the work that was undertaken to revise the Corporate Risk Register.

The review resulted in a low risk rating, and identified one medium risk finding: PwC found that Datix could be used more effectively in the organisation. Inconsistencies were noted between updates that are being made 'offline' on a hard copy of the CRR and the information held on Datix, as updates are not being made to Datix on a timely basis. At a Directorate level, they also noted that risks were not being reviewed on Datix on a regular basis. Management had responded by saying that whilst the CRR contains a range of very different risks, issues and actions so an element of inconsistency is inherent in the recording process, they would review and make any necessary changes.

Achieving financial balance

Whilst the overall rating of this report was medium, there was, in fact, a high risk finding. In successfully achieving financial balance in the year, the Board relied heavily on the use of non-recurring support. The percentage of total savings achieved which were on a non-recurring basis was approximately 70% in 2017-18, compared with around 40% in 2015-16. While non-recurring savings will always form part of a Board's savings, the lack of enduring savings increases future financial challenges and poses a risk to the NHS Board's financial sustainability. PwC noted that it was critical that the NHS Board puts in place a transformation plan that will deliver recurring savings and provide financial sustainability for the future.

Management responded that PwC's view of the Board's financial position concurred with theirs, and that reports to the Finance and Planning Committee outlined these issues, along with the actions being taken to address them. Measures recently put in place, such as the Financial Improvement Programme, should clearly and regularly communicate to the Finance and Planning Committee and the Board on the progress made to reduce the Board's recurring deficit.

There followed some discussion around the financial challenge. Ms Grant advised that the Financial Improvement Programme had been established and that the process of achieving financial balance was ongoing.

Financial planning

Ms Kerr advised that the scope of this review focussed on the planning process and key assumptions that underpin the Board's 2018/19 financial position. The process was to establish the Board's net cash efficiency challenge for 2018/19, and no service redesign or transformation assumptions were applied efficiency challenge.

The review concluded that overall, the planning process has been undertaken with an

objective of transparency and there is clarity over the key assumptions underpinning the 2018/19 cash efficiency challenge. Addressing the two medium risk findings identified would also further strengthen the transparency of the financial planning process. The findings were:

- In the Board's key financial plan assumptions, the level of certainty that can exist for each assumption varies. This is a normal feature of the planning process, however given the extent of the financial challenge it is important that these areas of risk in the plan are clearly understood by the Board and are subject to regular monitoring.
- The Board's planning arrangements are intended to set out the total saving challenge to be addressed. In most cases the presentation of information is shown on a gross basis before any saving plans are applied. However, PwC noted that for primary care prescribing cost pressure is presented net of planned saving schemes.

Management had responded by saying that the Board's planning process always adopts a prudent approach when making assessments and assumptions. All the assumptions are highlighted as risks, regularly monitored and updated, and reported to the F&P and Board. However, to ensure consistency and avoid any confusion, the savings challenge identified in February would be used throughout the year.

Noted

21. Annual Internal Audit Report

Mr Wilson presented his Annual Internal Audit Report. The report outlined the internal audit work PwC carried out for the year ended 31 March 2018.

He explained that the Head of Internal Audit was required to provide a written report to the Accountable Officer to inform the NHS Board's Governance Statement. The internal audit work carried out during the year was based on the internal audit annual plan for the year which had been approved by the Audit Committee.

Mr Wilson drew members' attention to the Head of Internal Audit Opinion, and was pleased to note it was the same opinion that he had given in the previous year:

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

Mr Wilson highlighted the key factors which contributed to their opinion. In particular he highlighted that two of the audit reviews carried out during 2017-18 were rated as high risk. These were: Waiting Times Management and Mental Health: Crisis management. Mr Wilson acknowledged that management had accepted these findings and that action plans were in place to address issues identified.

Mr Wilson also noted that three of the audit findings identified during 2017-18 were rated as high risk, and considered that these should be reported in the Governance Statement. These were in respect of Waiting Times Management, Achieving Financial Balance and Mental Health: Crisis management.

Mr Gillman advised that disclosure in respect of these findings would, as advised by PwC, be made in the Governance Statement, the Audit and Risk Committee's assurance statement and also in the "significant issues" letter to the SGHSCD.

Mr Wilson noted that whilst there had been a reduction the number of audit days delivered, there was a downwards trend in findings, and that governance and control was in a good place. Ms Grant acknowledged that PwC had challenged management, which was helpful to the organisation. Mr Matthews thought that there had been considerable progress over the last couple of years, and that the direction of travel was comforting.

Mr Macleod thanked PwC for the report He also formally thanked them, both on a personal note and on behalf of the Audit and Risk Committee, for their input and advice over the last twelve years as the Board's internal auditors.

Noted

22. Internal Audit – draft plan 2018-19

Mr Brown began by thanking the Board for appointing Scott-Moncrieff as the Board's internal auditors. He advised members that the draft plan presented was still subject to consultation with key executives, and proposed that the finalised plan be brought back to the committee meeting on 19 June.

Ms Young then took members through the draft plan highlighting the key elements.

Mr White advised members that the draft plan was being presented in order to give members a first sight of the plans but there was still discussion required with executives and also about the total number of days.

Mr Carr noted that the plan was driven by executives, and enquired if board members would have an opportunity to get involved with setting internal audit plans. Mr Brown responded that it would be of value to Scott-Moncrieff to engage with all board members and all board committees.

Ms Grant noted that she had significant comments to make on the draft, and would, along with Mr White, talk to Scott-Moncrieff to discuss further. Mr Brown said that he hoped to get agreement at the next meeting for the first quarter's work. Ms Grant concurred that we needed to prioritise early work.

Scott-Moncrieff

Noted

23. Corporate Risk Register

Mr Gillman highlighted the key points from the Corporate Risk Register and, in particular, those risks which were rated as high risk. He also noted that target dates for actions had now been incorporated into the schedule.

Ms Grant commented that some nuances did need to change, and it was agreed that this should be considered by the Corporate Management Team.

Noted

24. Annual Whistleblowing Report

Ms Haynes presented the annual report on whistleblowing. She advised that the report had been reported previously to the Staff Governance Committee and the Area Partnership Forum She highlighted the arrangements associated with the Whistleblowing Policy and the information presented on the number and cases considered in 2017/18.

Mr Carr noted that he considered that this was a good report.

Noted

25. Losses and Compensations 2017-18

Mr Gillman presented a report for members detailing losses incurred and compensation payments made during 2017/18. He advised members that the Remit of Audit Committee required consideration and approval of the losses and compensation payments in accordance with the Scottish Government Audit Committee Handbook.

He noted that the overall level of losses and special payments had reduced from the previous year, down from £8.4m to £6.7m. Excluding compensation payments, which are largely recoverable from the Clinical Negligence and Other Risk Indemnity Scheme, other losses had reduced significantly from the previous year - down from £0.56m in 2016-17 to £0.16m in 2017-18.

In response to a question from Mr Macleod, Mr Ramsay advised members that the item on line 17 of the paper referred to obsolete stock.

Approved

26. Fraud Report

Ms Richardson took members through the key points in the Annual Fraud report, highlighting both NHSGGC's and the national counter fraud arrangements. She also summarised the numbers of cases from the Enquiries Register and the Fraud and Irregularity Register.

Mr Macleod enquired whether there were any new trends apparent when comparing this report to previous quarters; Ms Richardson confirmed that there were no new trends.

Noted

27. Dates of Future Meetings

The following dates were noted for future meetings:

- Tuesday 19th June 2018, 9:30am
- Tuesday 11th September 2018, 9:30am
- Tuesday 11th December 2018, 9:30am

The meeting ended at 3:25pm