

OFFICIAL SENSITIVE  
DRAFT – NOT YET APPROVED AS A CORRECT RECORD

AR(M) 19/03  
Minutes 25 - 37

NHS Greater Glasgow and Clyde

**Minutes of the Audit and Risk Committee meeting  
held in JB Russell House  
on Tuesday, 18th June 2019**

**PRESENT**

Mr A MacLeod in the Chair

Mr S Carr	Mr R Finnie
Ms J Forbes	Ms M Kerr
Mr J McColl	Ms AM Monaghan

**IN ATTENDANCE**

Mr J Brown	Chairman (from minute 17)
Ms J Grant	Chief Executive
Mr M White	Director of Finance
Mr P Ramsay	Assistant Director of Finance
Mr M Sheils	Head of Financial Services
Ms E Vanhegan	Head of Board Administration and Corporate Governance
Ms J Richardson	Head of Financial Governance
Mr C Brown	Scott-Moncrieff
Mr P Kelly	Scott-Moncrieff (until minute 5)
Mr J Cornett	Audit Scotland
Ms L Maconachie	Audit Scotland
Ms L Yuill	Audit Scotland
Ms S Steele	BDO (until minute 6)

		<b>Action by</b>
<b>25.</b>	<b>Private meeting with Scott Moncrieff</b> As part of the normal governance arrangements, and in accordance with its remit, prior to the main meeting, members of the Audit and Risk Committee held a private meeting with Scott-Moncrieff without officers of the Board being present.	
<b>26.</b>	<b>Welcome and Apologies</b> Mr Macleod welcomed Ms Sarah Steele from the Board's Endowments Funds auditors, BDO, and Mr Paul Kelly from Scott-Moncrieff to the Audit and Risk Committee.  Apologies for absence were intimated on behalf of Dr D Lyons and Mr J Mathews.	

	<p>Mr Macleod apologised for the lateness of some papers and thanked finance staff and Audit Scotland for their work in making the Annual Report and Accounts available for today's meeting. Mr Macleod advised members that their principal task is to scrutinise the accounts with a view to making a recommendation to the Board that the accounts can be signed off by providing appropriate assurance to the Board and the Accountable Officer.</p> <p><b><u>Noted</u></b></p>	
27.	<p><b>Declarations of Interest</b></p> <p>No declarations of interest were intimated.</p> <p><b><u>Noted</u></b></p>	
28.	<p><b>Minutes</b></p> <p>The minutes of the meeting on 4 June 2019 (A (M) 19/02) were approved as a correct record of the meeting subject to the following amendments. The date of the meeting to be changed from 12 March to 4 June. In paragraph 16 Mr J Mathews rather than Mr J Brown asked if we cost sickness absence.</p> <p><b><u>Approved</u></b></p>	
29.	<p><b>Internal Audit Reports</b></p> <p><b>Annual Report 2018-19</b></p> <p>Mr C Brown provided a summary of the report for 2018-19 advising that all internal audit work had been completed in line with plan despite the challenge of delivering the full programme in a six month period. The review highlighted three main areas where there are significant opportunities for improving controls, these being Performance Reporting, Payroll and Sickness Absence. The review provided substantial assurance around all other core business processes and this is reflected in the overall internal audit opinion on page 2 of the report. Management has taken prompt action to respond to issues raised and the implementation of recommendations has been monitored by the committee. Processes are generally well designed but not always consistently applied across the Board.</p> <p>Mr A Macleod acknowledged the significant work programme undertaken by Scott-Moncrieff and commended them on delivery of the programme. Performance Monitoring and Sickness Absence recommendations had been discussed at the last meeting and Payroll recommendations would be followed up. It was noted that there had been good progress in clearing outstanding action points.</p> <p>Ms J Forbes reported that the Audit Report had been presented to East Dunbartonshire's Audit and Risk Committee prior to this Committee and queried the governance process. Members agreed this was inappropriate and that the report should have come to the Audit and Risk Committee first. A report on issues should subsequently be circulated to IJBs. Ms Vanhegan will check whether the report has been circulated to any other IJBs.</p> <p><b>Patient Results</b></p> <p>Mr P Kelly reported that the work had been re-scoped from the previous audit plan as issues had been identified with the move away from paper based records with work underway to resolve these. Scott-Moncrieff undertook an advisory/"critical friend" review of the work being undertaken to implement the new paperless system assisted by the joint clinical lead for eHealth.</p>	<p style="text-align: center;"><b>Head of Corporate Governance and Administration</b></p>

	<p>The key recommendation is that a formal communication should be issued to all affected staff notifying them of the change. The communication should focus on the benefits derived from a paperless system as there may be some resistance to change. It was noted there had been subsequent discussion at the Acute Clinical Governance Forum and the switch off of printed results would now be deferred to 1<sup>st</sup> September.</p> <p>Ms J Forbes voiced a number of concerns regarding the high level of risk in this implementation and the lack of a project plan. She was pleased to hear the switch off of paper records has been postponed. Ms M Kerr supports the delay as this is a significant operational change and she would not expect a “best endeavours” approach to be taken to such a large change. Mr A Macleod echoed this view and agreed that further work would be undertaken. Ms J Grant noted that we need to be clear about risk. The paperless system has been in place for a year and all staff should be using it already. The paper system is only a backup. Acute Services will be asked to confirm that they are content that appropriate arrangements have been made prior to switching off the paper system on 1<sup>st</sup> September. This confirmation will be brought back to the September Audit and Risk Committee.</p> <p><b><u>Noted</u></b></p>	<p><b>Chief Operating Officer – Acute Services</b></p>
<p><b>30.</b></p>	<p><b>Endowment Funds Accounts</b></p> <p>Ms Steele presented the BDO report on the Endowment Fund Accounts. The report provided an overview of the audit matters that BDO considered are important in reviewing the results of the audit of the Endowment Funds Accounts. She described the methodology they had used to address significant audit risks, and the outcomes of their procedures and asked if there was any other matter which should be brought to her attention. She advised that they had achieved their audit objectives, there were no issues with management controls and no retrospective approval of expenditure. She confirmed that they anticipated issuing an unqualified opinion on the charity’s financial statements for the year ended 31 March 2019.</p> <p>Mr Macleod thanked Ms Steele for her clear and comprehensive report, and there followed some discussion on both the accounts and auditor’s report. Ms Monaghan looked for assurance on ethical investments and that she trusted there were no investments in companies involved in the arms trade. It was noted that the Endowments Management Committee has requested a report from the Investment Managers to address this question at the next meeting and may request a change to the investment strategy.</p> <p>There was further discussion on custodianship and valuation of the Endowment Fund Assets. The question of title to four properties not disclosed in the financial statements will continue to be resolved cost effectively. It was noted that the value of the three remaining properties to be resolved was negligible.</p> <p>It was agreed that page 7 of the report would be amended to show the job title rather than a named individual.</p>	



	<p>Chair's letter to the Board and in the Accountable Officer's Governance Statement.</p> <p><b><u>Decided that</u></b></p> <ol style="list-style-type: none"> <li>1. The report on the Review of the System of Internal Control was noted;</li> <li>2. The Statement of Assurance by the Audit and Risk Committee was approved for submission to the NHS Board on 25 June 2019;</li> <li>3. The Governance Statement was approved for submission to the NHS Board on 25 June 2019, with a recommendation that the Chief Executive signs the Accountability Report, in which is contained the Governance Statement;</li> <li>4. The letter to the Scottish Government Health and Wellbeing Audit and Risk Committee was approved.</li> </ol>	
<p><b>32.</b></p>	<p><b>Annual Report and Accounts</b></p> <p>Mr White thanked the team involved in the preparation of the accounts and then talked through the key points contained within the Overview, the Chief Executive's Statement, the Performance Analysis and the financial statements. He advised members that the NHS Board had met its three financial targets for the year.</p> <p>There followed a full discussion on the report and accounts, particularly around partnership working with IJBs, infection control, Equality and Diversity and Sustainability and Energy Management. Whilst there were no significant issues raised by members, there were some presentational matters which required to be addressed. It was agreed that any changes required would be made by Mr Ramsay and Mr Sheils after the meeting before the final draft was issued to the NHS Board.</p> <p><b><u>Decided that</u></b></p> <ol style="list-style-type: none"> <li>1. Subject to the agreed changes being made, the Annual report and Consolidated Accounts should be adopted by the NHS Board;</li> <li>2. The Chief Executive signs the Performance Report and the Accountability Report;</li> <li>3. The Chief Executive and Director of Finance sign the Balance Sheet; and</li> <li>4. The report and accounts are submitted to the Scottish Government Health Directorates.</li> </ol>	<p><b>Assistant Director of Finance</b></p>
<p><b>33.</b></p>	<p><b>Audit Scotland Reports</b></p> <p>Mr J Cornett apologised for the lateness of the papers and advised that the report was still in draft. He noted that the accounts were of good quality and that the audit team received excellent support from the Finance team throughout the course of the audit. He recorded his thanks to Mr M White, Mr P Ramsay and the finance team for their support. He advised that there were no significant issues and, in the absence of anything arising prior to the Board meeting, he would be issuing an unqualified opinion on the accounts.</p> <p>He highlighted the Board's reliance on non recurring funding and that the financial challenge at the start of the year should not be underestimated. The performance challenges faced by the Board should be taken in context with these financial challenges. In terms of financial stability the Board has</p>	

	<p>developed strategic plans but requires more refined plans at operational level to implement this strategy. This will form the basis of audit plans going forward. After discussion it was agreed that the key messages will be revised prior to the Board meeting to recognise the achievements of the Board throughout the year and present a more balanced report.</p> <p>Ms Maconachie noted that there did not appear to have been any initial review of the draft reports and they had required substantial revision. Significant elements of the governance statement had been outstanding including the Assurance Statements. She then described the significant findings from the audit of the financial statements, specifically that:</p> <ul style="list-style-type: none"> <li>• New guidance issued on RTA income had not been implemented and a bad debt provision was now required;</li> <li>• Four debts were written off in year prior to approval by the Audit and Risk Committee on 4 June. Scottish Government approval was now being sought;</li> <li>• The Board should establish a process to identify the actual undertaken leave provision at the yearend rather than using the previous year's provision.</li> <li>• The CNORIS provision was a Scotland wide issue and has no impact on the Board's outturn;</li> <li>• In relation to deferred income it was proposed that a full review of IFRS 15 is undertaken in 2019/20.</li> </ul> <p>Mr Finnie expressed surprise that the level of recurring saving in Exhibit 5 was not higher as the FIP reports were predicated on recurring savings. Mr White agreed to check the figures and table at Exhibit 5. Mr J Brown was assured there was no significant risk in the accounts. He then referred to the table at Exhibit 6 showing the savings forecast for the next three years. This does not refer to any initiatives or service redesigns such as MFT. Mr Corbett recognised this and will add some context on actions to the report. Mr Finnie and Mr Macleod both noted that it was helpful to have sight of the Audit Scotland report prior to the Board meeting.</p> <p>Mr Macleod noted that Audit Scotland had issued a clean report but there are some issues. He acknowledged that these are not significant and will be addressed by management.</p> <p><b><u>Noted</u></b></p>	<p><b>Director of Finance</b></p>
<p><b>34.</b></p>	<p><b>Internal Audit Plan 2019-20</b></p> <p>Mr Brown advised members that the plan was presented to the Audit and Risk Committee in March and there have been subsequent meetings with senior management. The audit plan is designed to provide assurance that key risks are being managed and that improvements to internal control processes are working and are being consistently applied across the Board. Ms Kerr noted that the plan was comprehensive but questioned whether operational performance should be included. Ms Grant noted that as the performance process is evolving and there are significant challenges around financial performance she is keen to look at financial performance first leaving operational performance until next year. Mr Macleod noted that the Audit Plan is dynamic and can be reconsidered if there are any developments during the</p>	

	<p>year. Ms Grant advised that the proposed dates for the Assessment Unit audit will need to be moved to the year-end rather than November.</p> <p>The audit sponsor for the IT Security report should be changed from the Director of eHealth to the SIRO.</p> <p>Mr Macleod noted that the Audit and Risk Committee would be informed of any changes to the plan in advance and was content to approve the Internal Audit Plan for 2019-20.</p> <p><b><u>Decided that</u></b> The Internal Audit Plan for 2019-20 was approved.</p>	<p><b>Scott-Moncrieff</b></p>
<p><b>35.</b></p> <p><b>36.</b></p>	<p><b>Corporate Risk Register</b></p> <p>Mr White advised members that the Corporate Risk Register has already been considered by the Risk Management Steering Group, the CMT and relevant sub committees and is here for consideration and approval. There was discussion on how often the Corporate Risk Register should be reviewed by the Audit and Risk Committee. It is currently reviewed at least twice a year with the minutes of the Risk Management Steering Group being brought to the Audit and Risk Committee for information and attention if necessary. Ms Vanhegan advised that individual governance committees will now produce an annual report taking account of relevant risks throughout the year with a summary report being presented the Audit and Risk Committee.</p> <p>It was advised that the risk owner for Cybersecurity should be the SIRO rather than the Director of eHealth.</p> <p>Ms Kerr noted that the target dates for many of the risks were immediate and it would be helpful to understand the longer term risks. Mr White offered to review the target dates in the register.</p> <p><b><u>Decided that</u></b> Subject to the review of target dates and the change of risk owner the Corporate Risk register was approved.</p> <p><b>Review of Corporate Governance</b></p> <p>Ms Vanhegan introduced the paper by advising that the review incorporated the recommendations of Circular DL (2019) 02 Blueprint for Good Governance. Any further changes required to adopt a whole system approach would be brought back to the Committee by the end of the year. It was noted that there were no changes to the Code of Conduct, the SFIs were approved by the Audit and Risk Committee on 4<sup>th</sup> June 2019 and further work was required to fully include equality and diversity in the Scheme of Delegation. All Committee Terms of Reference, other than those for the Public Health Committee, have been approved by the Chair. Some further narrative changes are required which will brought back with the next update.</p> <p>Mr Macleod advised that the Annual Whistleblowing report should be included in the Staff Governance Committee Terms of Reference rather than the Audit and Risk Committee Terms of Reference.</p>	<p><b>Director of Finance</b></p>

	<p>Mr S Carr thanked the team for their work in producing the revised governance framework.</p> <p><b><u>Decided that</u></b></p> <p>Content to note the proposals and approve the review to go to the Board for approval.</p>	
<p><b>37.</b></p>	<p><b>Dates of Future Meetings</b></p> <p>The dates were noted for future meetings.</p> <ul style="list-style-type: none"> <li>• Tuesday 10th September 2019, 9:30am</li> <li>• Tuesday 10th December 2019, 9:30am</li> </ul>	
	<p>The meeting ended at 1:00pm</p>	