

ARC (M) 20/03
Minutes: 29 - 42

NHS GREATER GLASGOW AND CLYDE

**Minutes of the Meeting of the
Audit and Risk Committee
held via Microsoft Teams
on Tuesday, 22 September 2020**

PRESENT

Mr. A MacLeod (in the Chair)

Prof J Brown	Ms J Grant
Cllr J Clocherty	Ms K Miles
Ms. J Forbes	Mr C Vincent
Ms. M Kerr	Mr M White

IN ATTENDANCE

Mr. P Ramsay	..	Assistant Director of Finance
Ms. E Vanhegan	..	Head of Corporate Governance & Board Administration
Mr. C Brown	..	Scott-Moncrieff
Mr J Cornett	..	Audit Scotland
Ms. L Maconachie	..	Audit Scotland
Ms. L Yule	..	Audit Scotland
Mr M Sheils	..	Head of Financial Services
Mr M Gill	..	BDO
Mr. Z Barlow	..	Secretariat (Minutes)

		ACTION BY
29.	WELCOME AND APOLOGIES	
	<p>Apologies for absence were intimated on behalf of Cllr Jonathan McColl.</p> <p>The Chair asked the Committee to confirm their approval to add the paper 'Review of System of Internal Control' to the agenda. The Chair apologised for the late circulation of the paper and explained the importance of considering the paper and the urgency so that the recommendation of the Audit and Risk Committee could be taken to the Board meeting on 29th September. The Chair advised that the committee would recess later in the agenda to allow for members to fully read the paper. The Committee agreed to add Review of System of Internal Control to the agenda.</p> <p>NOTED</p>	
30.	DECLARATIONS OF INTEREST	

OFFICIAL SENSITIVE
DRAFT – TO BE RATIFIED

	<p>The Chair invited members to declare interest in any of the agenda items being discussed. There were no declarations of interest.</p> <p><u>NOTED</u></p>	
31.	MINUTES OF THE MEETING HELD ON 8 SEPTEMBER 2020	
	<p>The Committee considered the minute of the meeting held on Tuesday 8 September 2020 [Paper No AR (M)20/02] and were content to approve this as an accurate record subject to minor amendment:</p> <p>Item 19.3 – ‘<i>Ms Kerr advised</i>’ amended to ‘<i>Ms Kerr questioned why</i>’.</p> <p>Mr Vincent was advised following his previous discussions regarding additional clarification around Whistleblowing statistics being included with Fraud Papers that a summary had been produced and would be shared with Mr Vincent.</p> <p><u>APPROVED</u></p>	Ms Vanhegan
a)	ROLLING ACTION LIST	
	<p>The Committee reviewed the Rolling Action List [Paper No 3.2] and were content to accept the recommendation to close 2 actions. In addition, an update was provided on the following actions:</p> <p><u>Non-Executive Directors Private Session with Internal Auditors</u> The Chair reminded committee members to respond to the survey for the private meeting with internal auditors.</p> <p><u>APPROVED</u></p>	
32.	ANNUAL REVIEW OF GOVERNANCE	
	<p>The Committee considered the paper “Annual Review of Governance” [Paper No 4] presented by Ms Elaine Vanhegan, Head of Corporate Governance and Administration.</p> <p>Ms Vanhegan explained the purpose of the paper, which asked the Committee to endorse the following combined governance framework; Code of Conduct for members of NHSGGC, the NHS Board Standing Orders including Decisions reserved for the NHS Board, the Standing Financial Instructions, Scheme of Delegation, and the Standing Committees Terms of Reference.</p> <p>Ms Vanhegan highlighted that work was underway to develop the Boards approach to Active Governance and defining an Assurance Framework. This included development of an Information Assurance System which was likely to result in further review in terms of Committee remits and the Scheme of Delegation. A national review of governance was also</p>	

	<p>expected which would include a number of elements for adoption by all NHS Boards.</p> <p>Mr MacLeod thanked Ms Vanhegan and invited comments and questions from members.</p> <p>Ms Forbes highlighted the bottom paragraph on page 40 of the report relating to Board allocated money underspent by HSCPs being returned to the Board to allow for the Board's financial contribution to be adjusted recurrently. Ms Forbes questioned in what circumstances this would occur and where the funds would be reinvested. Ms Forbes was advised that this could occur in circumstances where funds had been allocated for a particular purpose, for example a waiting times initiative. In the event that the objectives of that purpose had not been met, in those cases IJBs may pass the funding back to the Health Board to reconsider the approach.</p> <p>The Audit and Risk Committee noted the work undertaken to review the governance framework across NHS Greater Glasgow and Clyde to ensure an annual update; noted that further alteration may be required as part of the work underway to develop the Board's approach to Active Governance and defining an Assurance Framework, and to develop an Information Assurance System; and endorsed the key elements of the governance framework for onward approval by the NHSGGC Board.</p> <p><u>APPROVED</u></p>	
33.	STANDING GOVERNANCE COMMITTEE ANNUAL REPORTS	
	<p>The Committee considered the paper "Standing Governance Committee Annual Reports" [Paper No 5] presented by Ms Elaine Vanhegan, Head of Corporate Governance and Administration.</p> <p>Ms Vanhegan advised that the paper presented was in addition to the Annual Review of Governance agreed in June 2019. Each Board Standing Governance Committee was required to submit an Annual Report to ensure that each Committee was fulfilling their terms of reference.</p> <p>Ms Vanhegan explained that, due to the impact of COVID-19, the Annual Reports were approved by Committee chairs and asked the Audit and Risk Committee to endorse the reports to be presented to the NHSGGC Board meeting on the 29th September.</p> <p>The Audit and Risk Committee were content to endorse the Annual Reports submitted from the Board Standing Governance Committee chairs for onward presentation and approval to the NHSGGC Board at its meeting on 29th September 2020.</p> <p><u>NOTED</u></p>	
34.	ENDOWMENT FUNDS AUDITORS REPORT	

	<p>The Committee considered the paper “Endowments Funds Auditors Report 2019/20” presented by Mr Martin Gill, BDO. The report provided a summary of the results of completing the planned audit approach for the year end 31 March 2020, specific audit findings and areas requiring further discussion.</p> <p>Mr Gill provided an overview of the key elements of the report and highlighted that there had been no change during the course of the audit to the final materiality.</p> <p>Mr Gill asked the Committee to confirm any awareness of fraud on the endowment funds. Members confirmed no instances of fraud had been reported.</p> <p>Mr Gill highlighted the mandatory risks of management override and revenue recognition but also other risks including investments and related party transactions.</p> <p>Mr Gill advised that no significant issues had been identified over the recognition of income, testing of investments or during the testing of related party transactions.</p> <p>Large value journals posted were noted in period 10, with £22m disposal of investments and £22m acquisition of investments in the same month.</p> <p>Mr Gill advised that one adjustment had been made to the accounts on expenditure following a review of the purchases controls implemented by the Endowments Fund. Three payments made in July 2020 were identified to relate to invoices relating to pre-year end expenditure and it was identified that these expenses had not been accrued at 31 March 2020. An adjustment was then raised for £156,027 for these expenses and as a result of being above performance materiality, this has been included within corrected adjustments.</p> <p>Mr Gill paused for questions from members.</p> <p>In response to a question regarding communication of the Audit Plan, it was advised that the Audit Plan had been communicated to the Director of Finance at the beginning of the planning stage. The Committee highlighted that increased assurance was required regarding the Audit Plan and it was agreed that the draft plan would be presented to the Board of Trustees Endowments Management Committee in future, for approval.</p> <p>A question was raised regarding the spike in expenditure in month 10 highlighted on page 17 and clarity was sought on these transactions. Mr MacLeod advised that there had been a large spend related to the Beatson and this would explain the large investment for the month.</p>	<p>Mr White</p>

	<p>In response to a question regarding the term “course fees” used within the journal, Mr Gill clarified that that this related to educational courses granted as part of the endowment fund.</p> <p>Mr Gill went on to provide an overview of further key elements of the report including the statement of financial activities; total income; donation legacies; corporate donations; net expenditure; investments; and net losses.</p> <p><u>NOTED</u></p>	
<p>35.</p>	<p>DRAFT ENDOWMENT FUND ACCOUNTS FOR THE YEAR END 31 MARCH 2020</p>	
	<p>The Committee considered the paper “Draft Endowments Fund Accounts for the Year End 31 March 2020” presented by Mr Gill. The report provided an overview of the audit matters that BDO considered important in reviewing the results of the audit of the Endowment Funds Accounts.</p> <p>Mr Gill explained the statement of financial activity on page 14 of the report. He highlighted the total income and endowments for 2019/20 were £10m, which represented a decrease of £2m on the previous year. Mr Gill advised that it was important to note the disposal of the Broomhill site in 2019 and that if that income was not accounted for, income would have increased.</p> <p>Mr Gill advised that the total funds carried forward at 31st March 2020 had decreased approximately £3m in comparison to 2019.</p> <p>Mr Gill provided an overview of the balance sheet, the statement of cash flows including donation legacies, corporate donations, net expenditure, net losses, income and investments.</p> <p>In summary, Mr Gill confirmed that subject to successful resolution of outstanding matters, it was anticipated that an unmodified audit opinion on the financial statements for the year ended 31st March 2020 would be issued.</p> <p>The Chair thanked Mr Gill for the overview and invited comments and questions from members.</p> <p>In response to a query regarding the “Opinion” section from page 11, which referred to “a summary of significant accounting policies” however in the accounts this was referred to as “principle accounting policy”, Mr Gill agreed to amend this to ensure consistency of terminology.</p> <p>A question was raised regarding the large increase in cash at bank figure being a large increase in comparison to the previous year and if there was a policy in place to direct the appropriate levels of “cash in hand”. Mr</p>	

	<p>Sheils advised that there was no specific policy driver and that these funds were based on the timing of cash flows.</p> <p>Mr White thanked Mr Sheils and team on behalf of the Committee for preparing the accounts throughout a challenging year. Mr White also thanked Mr Gill and the BDO for their flexibility and input to the audit.</p> <p>The Chair also thanked Mr Gill and the BDO for carrying out a robust audit and noted that issues highlighted from previous years had been addressed appropriately. The Committee noted confirmation that all expenditure had met endowment fund expectation and was properly recorded, and all expenditure had been approved before being incurred.</p> <p>The Chair thanked Mr Gill on behalf of the Committee for presenting a comprehensive and robust audit. Mr White also wished to note his thanks to Mr Gill and the BDO team, along with Mr Sheils and team for all of their efforts in preparing the report.</p> <p>In summary, the Committee were content to note the report by BDO the Endowments Funds Auditor, along with the Endowments Funds Annual Accounts for the financial year ended 31st March 2020, and were content to recommend that the accounts were adopted by the Board of Trustees of the Endowments Fund.</p> <p><u>APPROVED</u></p>	
36.	EXTERNAL AUDIT	
	<p>The Committee considered the paper “NHS Greater Glasgow and Clyde Audit of 2019/20 Annual Report and Accounts” [Paper No 8] presented by Mr J Cornett, Audit Scotland.</p> <p>Mr Cornett advised that the papers included Audit Scotland’s proposed opinion on the accounts for 2019/20, letter of representation and annual audit report.</p> <p>Mr Cornett noted that subsequent to the publication of the Annual Audit Plan, NHSGGC has had to respond to the global coronavirus pandemic which impacted the final month of the financial year and would continue to have significant impact into the 2020/21 financial year. Despite the extended deadline, Mr Cornett advised that he expected final sign off to take place at the end of September with no significant issues currently present. Mr Cornett noted the work of Mr White and the Finance Team and thanked them for their support and assistance in delivering the audit.</p> <p>Mr Cornett highlighted exhibit 3 from the report and discussed the significant findings from the audit of financial statements. Mr Cornett discussed the 5 recommendations from the 8 issues within the report.</p>	

	<p>The Chair thanked Mr Cornett and Audit Scotland for the report and welcomed questions.</p> <p>In response to a question regarding the actions required in March 2021, to undertake stock valuation, specifically, what processes were in place in the interim period in respect of stock counts, Mr White advised that a stock count would only be taken at the year-end however planning for count would take place in advance of the year-end. Mr White acknowledged that further consideration would be required to the undertaking of stock valuation in the context of the ongoing COVID-19 pandemic.</p> <p>It was highlighted that the Annual Accounts 2019-20 report on page 105, Item 21 Related Party Transactions, under NHS Health Scotland it states that Prof Brown was the Chair of the Global Citizen Programme of ‘NHS Health Scotland’ however this should be amended to ‘NHS Scotland’.</p> <p>A question was raised regarding the percentage shown on page 15 of the accounts memorandum for in-year outturn which showed a percentage of 42% and if it was necessary to include this percentage. Mr Ramsay advised that the percentage was part of the annual accounts template and could not be removed however it was agreed that further narrative would be included to clarify the percentage stated.</p> <p>The Committee were content to note the NHS Greater Glasgow and Clyde Audit of 2019/20 Annual Report and Accounts prepared by Audit Scotland and their opinion of the Annual Report and Accounts which give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the Board and its group as at 31 March 2020 and of the net expenditure for the year then ended; that they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and that they have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.</p> <p>NOTED</p>	<p>Mr White</p>
<p>37.</p>	<p>ANNUAL REPORT AND ACCOUNTS</p>	
	<p>The Committee considered the paper “Annual Report and Consolidated Accounts for Year Ended 31st March 2020” [Paper No 7], presented by Mr Mark White, Director of Finance. Mr White thanked the team involved in the preparation of the accounts throughout a challenging year and provided an overview of the key points contained within the Overview, the Performance Report, the Accountability Report, the Independent Auditor’s Report and the Financial Statements. Mr White highlighted the process of escalation on the Board, the various enquiries instigated, and the impact of COVID-19. Notwithstanding these influences he advised</p>	

	<p>It was noted that, as accountable officers, Chief Executives of NHS Boards have the responsibility for maintaining a sound system of internal control within their organisations and were required to sign a Governance Statement as part of the Annual Accounts.</p> <p>The Committee agreed to approve the recommendation for the Director of Finance and the Accountable Officer to sign the Governance Statement and the relevant parts of the Financial Statement for submission to the Scottish Government. The Chair would complete the appropriate sign off on behalf of the committee.</p> <p><u>APPROVED</u></p>	
39.	CORPORATE RISK REGISTER	
	<p>The Committee considered the paper “Corporate Risk Register” [Paper N 09] presented by Mr Mark White, Director of Finance. The paper provided the Committee with an overview of the current position in respect of, and changes to, the Corporate Risk Register, thereby providing assurance on the general risk management process.</p> <p>Mr White advised that since the previous update a Chief Risk Officer had been appointed however unfortunately resigned from the post and an Interim Chief Risk Officer had been appointed whilst recruitment to the position was progressed.</p> <p>Mr White advised that the 30 risks on the register had been recorded on the Datix System. He noted that the Corporate Risk Register would be presented to the Corporate Management Team (CMT) on 1st October.</p> <p>Mr White noted that the Board continued to operate a separate COVID-19 Risk Register whilst the organisation remained within the 100 day escalation process. Mr White advised that a discussion would be taking place at the CMT as to whether COVID-19 risks should be merged as part of the Corporate Risk Register.</p> <p>Concerns were raised regarding the number of risks included on the register and that a number of risks overlapped which resulted in duplication. In addition, there was concern that 50% of the risks appeared to have no movement in risk score within the last 12 months and the Committee recommended that these areas of concern be considered by the CMT</p> <p>The Committee requested assurance from the CMT in respect of these issues prior to the next Audit and Risk Committee in December 2020, to ensure that all risks including COVID-19 risk integration to the Corporate Risk Register had been discussed and were being appropriately managed.</p>	

	<p>Prof Brown highlighted the planned overhaul of the corporate risks earlier in the year, which had instructed each of the subcommittees to undertake an in-depth review of their respective risks. Prof Brown advised that Ms Vanhegan was leading on the development of the Assurance Framework which would reconsider the corporate objectives and this would be presented to the NHS Board in due course. Prof Brown advised that there should be a review of the corporate risks against the reset corporate objectives and asked Mr White and Ms Vanhegan to consider how the Assurance Framework and the Corporate Risks were brought together to reflect the current environment.</p> <p>Prof Brown asked the Committee to consider how the Board maintained an oversight of the operational risks due to the impact of COVID-19 and how this would align with the Assurance Framework. Prof Brown suggested the possibility of monitoring through the Acute Services Committee, Finance, Planning, and Performance Committee and the IJBs. Prof Brown highlighted within the revision of operational risks, one of the risks was capacity of senior leadership. Prof Brown noted the exceptional capability of the current senior team however highlighted the need to ensure succession planning was being considered for the future of NHSGGC. Prof Brown asked the senior team to consider succession planning alongside discussion on the balance of the 2020/21 Audit Plan.</p> <p>The Committee were content to note the report, and supported the actions for recommendation to the Corporate Management Team for the consideration and development of a senior management capacity corporate risk.</p> <p><u>NOTED</u></p>	<p>Mr White / Ms Vanhegan</p>
<p>40.</p>	<p>COVID-19 GUIDANCE FOR AUDIT AND RISK COMMITTEES</p>	
	<p>The Committee considered the paper “COVID-19 Guidance for Audit and Risk Committees” presented by Ms Liz Maconachie, Audit Scotland.</p> <p>Ms Maconachie advised that the guide had been produced based on the earlier audits carried out by Audit Scotland due to the ongoing impact of COVID-19.</p> <p>Ms Maconachie highlighted the key issues for the Audit and Risk Committee to consider which included; internal controls and assurance, financial management and report, governance, and risk management.</p> <p>The Chair thanked Ms Maconachie for the presentation of the guide. The Chair highlighted the ongoing arrangement of the private meeting with internal auditors and suggested that the guide be included alongside the discussion of the 2021 Audit Plan.</p> <p><u>NOTED</u></p>	

41.	CLOSING REMARKS AND KEY MESSAGES TO THE BOARD		
	<p>The Chair concluded the formal business of the meeting and summarised the key themes to be reported to the Board from the Audit and Risk Committee.</p> <ul style="list-style-type: none"> • The recommendation of the Committee to the Board of Trustees of the Endowments Fund to approve the Endowments Fund 2019/20 Annual Report and Accounts; • The recommendation of the Committee to the NHSGGC Board to approve the NHSGGC 2019/20 Annual Report and Annual Accounts; • The endorsement of the Committee of the Governance Framework Review 2019/20; • The endorsement of the Committee of the Governance Committees Annual Reports 2019/20 • The recommendation of the Committee to undertake a review of the Corporate Risk Register against the revised Corporate Objectives. <p><u>NOTED</u></p>		
42.	DATE AND TIME OF NEXT MEETING		
	Tuesday 15 th December 2020, at 9.30am, Microsoft Teams		