![Healthcare Improvement Scotland logo]

MINUTES - APPROVED

Meeting of the Healthcare Improvement Scotland Audit and Risk Committee at
10:30, 16 March 2022, MS Teams Videoconference

Present

John Glennie OBE	Board Member (Committee Chair)
Gill Graham	Board Member
Nicola Hanssen	Board Member
Christine Lester	Board Member
Evelyn McPhail	Board Member

Healthcare Improvement Scotland Officers

Carole Wilkinson	HIS Chair
Sybil Canavan	Director of Workforce
Lynsey Cleland	Director of Quality Assurance
Ruth Glassborow	Director of Improvement
Ann Gow	Director of NMAHP
Ben Hall	Head of Communications
Ruth Jays	Interim Director of Community Engagement
Angela Moodie	Director of Finance, Planning and Governance
Robbie Pearson	Chief Executive
Safia Qureshi	Director of Evidence
Simon Watson	Medical Director
Paul Wishart	Finance Manager

In Attendance

Peter Clark	Grant Thornton
Rachel King	Grant Thornton
Enid Yeboah	Deloitte
Coenraad Balfoort	Deloitte
Pauline Symaniak	Governance Manager (observing)

Committee Support

Ruth Gebbie	Committee Secretary (Minutes)

Apologies

David Rhodes	Head of Finance & Procurement

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1.	WELCOME AND APOLOGIES FOR ABSENCE	ACTION
1.1	All present were welcomed to the Audit & Risk Committee meeting and a warm welcome was extended to observer; Agnes Chirozvi (Evidence Programme Manager), Peter Clark & Rachel King from Grant Thornton and finally Enid Yeboah & Coenraad Balfoort from Deloitte. The Chair reminded members to advise of any potential conflicts of interest during the course of the meeting. Members were also asked to consider throughout the meeting whether or not new risks were materialising that needed to be captured on the risk register. The Chair also advised those in attendance that the Internal Improvement Oversight Board item (IIOB) would now be presented at the next meeting in June.	**Committee Secretary**
1.2	All apologies for the Committee meeting were noted as above.	
2.	MINUTES OF PREVIOUS MEETING/ACTION REGISTER	
2.1	**Minute of Audit and Risk Committee meeting on 24 November 2021**	
	The minutes of 24 November were approved by the Committee as an accurate record of the meeting.	
2.2	**Review of action point register of Audit and Risk Committee meeting 24 November 2021**	
	The Committee reviewed the action point register, and were content to note the status updates against the remaining outstanding actions.	
3.	COMMITTEE GOVERNANCE	
3.1	**Review of Business Planning Schedule 2022/23**	**Committee Secretary**
	The Business Planning Schedule for the Audit and Risk Committee 2021/ 22 was reviewed by the Committee members. There were some blank entries on the schedule and the Committee Secretary will amend this offline.	
3.2	**Update: Private Meeting with ARC and Director Finance, Planning & Governance - entry for internal & external audit**	
	A private meeting was held earlier this morning and constructive discussions took place amongst Committee members. Committee member Evelyn McPhail did not receive an invite to the meeting due to an admin error.	
3.3	**Draft Annual Report and Committee Terms of Reference**	**Committee Secretary**
	The Chair and Director of Finance, Planning and Governance presented the Draft Annual Report and Committee Terms of Reference to the Committee for discussion and comment and the following points were raised~:- a) It is encouraging to see that there is a strong focus on risk,	

	financial planning and counter fraud services. b) We mention 'Value for money'. Is there a broader aspect than saying 'value for money'? c) There should be a bigger focus on the evolving ICT strategy. d) The risk deep dive section could be strengthened by explaining that we oversaw deep dives and that we want to see them continue for all committees. e) HIS Chair should be listed as an attendee and not a Committee member. f) For the whistleblowing section it should be noted this also falls under the remit of the Staff Governance Committee and that we have picked it up via internal audit. g) ICT should also be included as part of the committees terms of reference. The Committee Secretary will circulate the Annual Report and Terms of Reference for further comment post meeting.	**The Director of Finance, Planning & Governance and Committee Secretary to update report.** **Committee Secretary**
4.	**INTERNAL AUDIT**	
4.1	**IT Infrastructure**	
	The Director of Evidence provided an update from the Digital Services Group on our ICT infrastructure and security and the following main points were made to the Committee:- a) The Digital Services Group are seeking additional investment for HIS ICT infrastructure, including cybersecurity and resilience, and will seek the Board's approval regarding this at the next HIS Board meeting on 23 March 2022. b) Work is currently in progress to strengthen the current ICT team to reflect the size and needs of our organisation. c) We will seek to mitigate the corporate risk of hardware failure by delivering current projects and further investment in infrastructure. The Committee welcomed the paper and were assured by the positive progress being made. They also recognised the leadership role of the Director of Evidence in progressing this work.	
4.2	**Internal Audit Actions Progress Report**	
	Grant Thornton, the internal auditors presented the Internal Audit Actions Progress Report to the Committee and advised that there are currently 23 internal audit actions being tracked; 8 are marked as complete, while a further 15 are being tracked (none being high risk). The following information was provided in response to questions from committee members:- a) We are waiting for the new HIS risk strategy to be confirmed and the risk management training for staff will follow thereafter. The Director of Workforce is also doing a piece of work around mandatory training via the Staff Governance Committee which will bring this work into focus. b) The Director of Workforce agreed to update the Director of Finance, Planning and Governance and Committee members around the 'Articulate' platform and risk based approach to training offline. The Committee were assured by the update provided by Grant Thornton.	**Director of Workforce**

4.3	**Internal Audit Progress Report**	
	The Internal Audit Progress Report was presented to the Committee to provide an update on progress against the 2021/22 Internal Audit plan. The following main points were set out:- a) Since the last Audit and Risk Committee on 24 November 2021, it was highlighted that a series of positive internal audit reports had been issued; Financial Controls, Delta House Project and Performance Management. b) The Committee previously agreed at the November 2021 meeting to remove both the Independent Healthcare and Governance reviews. These reviews were replaced with reviews around risk management and the new commission's process. c) Particular credence was given to the excellent report around the Delta House Project which was delivered on budget and in the toughest of circumstances. The committee were assured by the content of the report and the contributions of the Directors of Evidence, Workforce and Finance, Planning & Governance and their teams were recognised and commended by the Committee members.	
5.1	**EXTERNAL AUDIT**	
5.1	**External Audit Actions Progress Report**	

	The external auditors, Deloitte provided the Committee with the External Audit Actions Progress Report and outlined the following:-
	
	a) It was highlighted that this was a standard audit plan and there was nothing significantly unusual or different to report from previous years.
	
	b) This is now the sixth and final year of audit by Deloitte and new external auditors will be appointed later in the year.
	
	c) Recommendations for improvement within the ISA 260 have been accepted and the action plan seeks to address the improvements required.
	
	d) There are currently three outstanding actions:-
	   - Financial sustainability- high priority
	   - Management Control- medium priority
	   - Independent Healthcare Income – deferred income- low priority
	
	The Committee noted the report contents and were assured that the recommendations within the report were being actioned.	

5.2	**Procurement Update**	
	The Finance Manager provided a procurement update to the Committee and the following main points were noted:-	**Committee Secretary/ Finance Manager**
	a) The procurement update highlighted that there were 5 items on track, 2 complete and 1 delayed. An update to the delayed item 'Changes to SFI's' will be presented at the next Audit and Risk Committee in meeting in June 2022.	
	b) We are working closely with the Scottish Ambulance Service (SAS) around our new procurement pack and the review of our Service Level Agreement with SAS is expected to be completed by 25 March 2022.	
	c) We have tightened internal controls around non-competitive tenders. In the last reporting period 5 have been approved and 9 declined.	
	The following information was then provided in response to questions from committee members:-	
	d) There are controls in place around obtaining 3 quotes for non-competitive tenders and details of quotes should always be added to PECOS. There is also an authorisation step on PECOS and there are set budgetary limits.	
	e) There are a number of NCT's related to the Quality Assurance Directorate, examples include; cervical screening review infection prevention control at Queen Elizabeth University Hospital. We can be assured around the clinical choosing of clinicians because although there is an additional risk, we use recognised bodies for references.	
	f) The clinical and care processes also go to the Quality and Performance Committee for further assurance.	
	The Committee were assured by the update provided and the controls in place around non- competitive tenders.	
5.3	**Business Resilience: Counter Fraud and National Fraud Initiative Update**	
	The Finance Manager provided an update to the Committee around Counter Fraud Services (CFS) and National Fraud Initiative (NFI) and the following main points were made:-	
	a) The NFI review for HIS for 2020/21 was completed and no fraud or error was found during the investigation.	
	b) The new counter fraud standards will come into effect on 1 April 2022 and each health board will be assessed on the 12 new functional standards.	
	c) CFS are designing a business case for two new members of staff and the new staff, once in place will be used to assist health boards with implementation standards.	
	d) The potential fraud case involving a member of staff is no longer being pursued and the staff member has now left the organisation.	
	The following information was provided in response to questions from committee members:-	
	e) Work will be required to implement the new standards and a meeting is being sought with CFS to see what assistance they are able to provide to HIS.	**Committee Secretary/ Finance Manager**
	f) We will report back on the formal fraud action plan and statement at a future	

	Audit & Risk Committee meeting. g) We are facing challenges as CFS currently have a backlog of work and they are looking to mitigate this by increasing their staffing numbers. It is important that we are mindful of this from a risk perspective. The members of the committee thanked the Finance Manager for the update provided and were assured by the actions in place to develop a formal fraud action plan and statement.	
6.	**RISK MANAGEMENT UPDATE**	
6.1	**Strategic & Operational Plan Risk Registers**	
	The Director of Finance, Planning and Governance presented both the Strategic & Operational Plan Risk Registers to the Committee. The following main points were highlighted:- a) There were 12 risks included on the strategic risk register and this included one new risk around the NHS Scotland Climate Emergency & Sustainability Strategy. b) The Committee also received a summary of the risk deep dives carried out during 2021-22, including; a joint session of the Audit & Risk Committee and Quality & Performance Committee to examine the Regulation of Independent Healthcare; Staff Governance Committee looked at workforce risks; and the Scottish Health Council Committee considered Service Change risks. A ICT risk deep dive session is also scheduled for 31 March 2022 and all Board Members have been invited to attend c) There are 8 risks included on the Operational Risk Register, 4 of which are newly raised. There is one very high rated risk for the ICT Strategy ('There is a risk that HIS will run out of Microsoft 365 licenses and some staff will be unable to carry out their duties. NHSS holds 250,000 licenses in a single 'pool' that is not segregated by NHS Board'). In response to questions from the Committee the following additional information was provided:- d) With regards to risk 1171 'Digital Development '. We recognise the limit of our current skills and the size of our ambition. There is funding in budget for partnership working with NSS. We will also consider using consultants via NSS or their contacts they have. e) Our longer term goal is to be cyber secure but being resilient comes first. We will look to work with Organisational, Development and Learning and individual teams around this. f) Risk 1166' ICT Strategy'- the number of licences that HIS has is actively monitored and flagged on a daily basis. As each staff member leaves the organisation, the licence is shut down and is made available for new staff members joining. This risk is not in our direct control, however representatives from HIS will continue to raise this issue at all relevant national platforms.	

	The Committee were assured by the update provided by the Director of Finance, Planning and Governance and proposed that risk deep dives continue through 2022-23.		
6.2	**Risk Management Strategy**		
	The Director of Finance, Planning and Governance presented the risk management strategy update to the Committee and the following main points were made:- a) The Healthcare Improvement Scotland risk management strategy was last refreshed three years ago. The revised strategy has been developed in partnership with the Vice- Chair of Audit & Risk, The Partnership Forum and the Risk Management Advisory Group. b) Examples of changes made to the strategy included:- • *'Changes to risk appetite so that appetite is applied to the type of risk, strategic or operational plan, rather than the category of risk'.* • *'Clarification of roles and responsibilities.'* • *'Introduction of issues to enable clearer strategic focus on issues which are live, impacting the organisation and potentially requiring immediate action'.* c) Our risk appetite as a Board has not yet been set. This will come to the Committee for review and approval, and in turn recommendation to the Board. The definition of risk director will also be made clearer within the risk strategy. d) It was agreed wording for the clinical and care governance risk will evolve and change over time. e) The Risk Management Advisory Group has members from each directorate and the meeting regularly includes with peer on peer reviews for directorate risks. There is a need to review the group's attendance and their terms of reference. f) Out with the Audit and Risk Committee, risks are also discussed at DMT's, Clinical Care Governance meetings and discussion then takes place around whether the risks should be added to Compass or not. There are also processes in place at directorate level. In some directorates the DMT review their risk register on a regular basis and this also applies to deep dive process for any longstanding high or very high risks that aren't shifting. g) We are currently in the process of recruiting a Risk Manager who will be a key point of contact for risk across the organisation and will also support others in relation to risk. The Committee thanked the Director of Finance, Planning and Governance for the informative update and recognised the continued hard work of the Governance Manager in getting us to this position with the risk strategy.		
7.	**CORPORATE GOVERNANCE**		
7.1	**Sustainability Update**		
	The Director of Evidence provided the Committee with an update around sustainability and the following was highlighted:-		

	a) There is a requirement for NHS Boards to complete an annual self-assessment for sustainability using the National Sustainability Assessment Tool (NSAT). b) HIS documented its progress and the assessment was based on evidence provided in response to 171 questions. HIS were then successful in securing a Bronze award. c) We have used the results of the NSAT to develop our Action Plan and this will be submitted to the Scottish Government next year. The report will include details of HIS energy use and how this converts to CO2. d) HIS staff are passionate and enthusiastic about the Net Zero Action Plan and are looking for support to develop this. The Committee thanked the Director of Evidence for the update and recognised that HIS has an important role to play around how we support wider sustainability within the wider healthcare system.	
7.1.1	**Information Governance**	
	The Director of Evidence provided the Information Governance paper to the Committee for awareness and the following was outlined:- a) The details of the Information Governance Workplan 2022/23 were shared with the Committee and highlighted the main objectives around leadership and governance, information risk management, policy and operations and monitoring and compliance. b) Discussions around our migration to SharePoint are represented via our Senior Governance Officer at the National Records Management Forum. We do not have control around when we transfer as this is being implemented at a national level. c) It was emphasised that 'housekeeping' around how we use, store and manage data needs to be done on regular basis and requires action from all teams within HIS, and not just the Information Governance team. d) There have been 11 adverse events recorded for HIS for the period 9 November 2021- 22 February 2022. This included the loss of two mobile phones. There were also 19 information enquiries received for the same period. The update was welcomed and the Committee were assured by the details of the Workplan.	
7.2	**Financial Performance Report to 31 January 2022**	
	The Director of Finance, Planning and Governance presented the Financial Performance Report to 31 January 2022 to the Committee for awareness and the following main points were highlighted:- a) The budgeted revenue resource limit (RRL) for 2021-22 was £34.7m (£30.6m baseline and £4.1 additional allocations). b) Our expenditure year to date is £27.6m (£0.7m under budget due to baseline pay savings). c) Discussions with the Scottish Government remain ongoing around the return c£2.2m of additional allocation funding. d) It is anticipated that there will be a carry forward of around 1%.	

	The Committee were assured by the detailed update provided by the Director of Finance, Planning and Governance for the informative update	
7.3	**Budget 2022/23**	
	The Director of Finance, Planning and Governance presented the HIS budget for 2022/23 and to the Committee for approval and provided the following detail:- a) The budget allocated to HIS from the Scottish Government for 2022/23 is £31.3m. In discussion with Directors and their Budget Holders the budget was developed and examples of planning assumptions within the budget include a baseline funding uplift of 2%, a decrease in staff turnover from 9.1% in 2021/22 to 5.8% and pay and non-pay costs inflation of 2%. b) Since the budget paper was written, further conversations with Scottish Government and therefore there is currently lots of movement around additional allocations. Additional allocations remain our biggest risk within the budget. c) There are four main areas for investment; strengthening of the ICT team (£136k in 2022/23, £172k annually, digital delivery (£126k in 2022/23, £133k annually), cybersecurity (£40k 2022/23, £10k annually) and HIS website (£247k in 2022/23, £30 annually). d) There was a discussion around the risks and opportunities related to the current baseline budget assumptions. This would require us to proceed with caution whilst monitoring and balancing the risks. e) The 5 year plan has been developed which following on from a detailed year one, provides a high level outlook for years two- five f) The Internal Improvement Oversight Board will work with each directorate to generate ideas around savings. We need to look at each of our roles and how we use them, and in turn do more with what we have got. In response to questions from the Committee the following additional information was provided:- g) The Scottish Government have explained that a further £125k wasn't given as they think we can do this through raising fees but we don't want to risk this as there may be non-payment of fees. The Committee were content to recommend to the Board but note that the paper going to the Board should highlight the risk of only having one recurring saving initiative.	
7.4	**Approval of papers circulated pre- meeting**	
	The Committee Chair Two Internal Audit papers by Grant Thornton were circulated in advance of the committee meeting for awareness. The papers are listed as follows:- • Internal Audit Performance Management 2021/22 • Internal Audit Delta House Project 2021/22 The Committee were assured by the positive reports and thanked Grant Thornton for providing them.	

8.	STANDING BUSINESS	
8.1	**Board Report key points**	

	The key points agreed were:
	
	    a) Information and Communications Technology (ICT) Infrastructure
	
	    b) Strategic and Operational Plan Risk Registers
	
	    c) Internal Audit Progress Report	

9.	**ANY OTHER BUSINESS**	
	The Healthcare Improvement Scotland Chair highlighted that this was the last meeting for the Chair of the Audit & Risk Committee, prior to him departing the HIS Board in May. She commented that we have benefitted hugely from his expertise and knowledge and we have been able to draw upon this extensively during his time at HIS. He will be missed and he has the good wishes of all Board Members at HIS. This was echoed by all those in attendance at the meeting.	
10.	**DATE OF NEXT MEETING**	
	The next meeting of the committee will be held on 23 June 2022 at 11.30 via MS Teams.	
	Person Presiding: John Glennie OBE Signature: *Gill Graham* Date: 23/6/22	