

MINUTES - APPROVED

Meeting of the Healthcare Improvement Scotland Audit and Risk Committee at 10:30, 23 June 2022, MS Teams Videoconference

Present

Gill Graham	Board Member (Committee Chair)
Nicola Hanssen	Board Member
Christine Lester	Board Member

Healthcare Improvement Scotland Officers

Sybil Canavan	Director of Workforce
Lynsey Cleland	Director of Quality Assurance
Gareth Hill	Deputy for Director of Evidence
Angela Moodie	Director of Finance, Planning and Governance
Robbie Pearson	Chief Executive
Paul Wishart	Interim Head of Finance and Procurement

In Attendance

Carole Wilkinson	HIS Chair
Peter Clark	Grant Thornton
Rachel King	Grant Thornton
Rebecca McConnochie	Deloitte

Committee Support

Pauline Symaniak	Governance Manager
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Apologies

Evelyn McPhail	Board Member
Ruth Glassborow	Director of Improvement
Ann Gow	Director of NMAHP
Ben Hall	Head of Communications
Ruth Jays	Interim Director of Community Engagement
Safia Qureshi	Director of Evidence
David Rhodes	Head of Finance & Procurement
Simon Watson	Medical Director

1.	WELCOME AND APOLOGIES FOR ABSENCE	ACTION
1.1	<p>All present were welcomed to the Audit & Risk Committee meeting.</p> <p>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.</p>	
1.2	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 16 March 2022	
	The minutes of 16 March 2022 were approved by the Committee as an accurate record of the meeting with the following correction: the final paragraph of section 7.3 to be amended to indicate the Committee's concerns that recurring savings cannot be made.	
2.2	Review of action point register of Audit and Risk Committee meeting 16 March 2022	
	The Committee reviewed the action point register, and noted the status updates against the remaining outstanding actions. In response to a question about the timeline for action 5.3 in respect of Counter Fraud and the National Fraud Initiative update, it was advised that this information will be covered in the standing paper on governance. This will include more information about the new Counter Fraud Service standards in the future.	
3.	EXTERNAL AUDIT	
3.1	Audit Assurance Reports	
	<p>The Interim Head of Finance and Procurement presented audit assurance reports which covered information technology (IT), payroll services, the financial ledger and the Internal Audit review of the Governance Statement. He advised that they all provided an unqualified opinion and had shown improvements since the 2020-21 audit exercise. There were no issues found with the Governance Statement.</p> <p>Grant Thornton reminded the Committee that the Internal Auditors review the Governance Statement annually to check alignment to the Scottish Public Finance Manual. They concluded this year that controls are in place and their assurance is also based on their knowledge of HIS.</p> <p>The Committee noted the assurance reports.</p>	
3.2	Annual Accounts 2021-22	
	<p>The Director of Finance, Planning and Governance provided the draft set of Annual Accounts for 2021-22 and highlighted the following points:</p> <ul style="list-style-type: none"> a) There was a net expenditure of £34.5m with an underspend of £0.2m. b) 86% of spend was on staff costs and that had increased by 9% during the year as a result of staff numbers increasing. At year end the whole time equivalent was 494. c) £1.6m was spent on the Delta House refurbishment bringing the total spend on that to £1.9m. It is expected to cost £2.2m in total. d) Dilapidation decreased during the year from £0.5m to £0.4m. e) The Accounts have been produced in line with the relevant standards. f) The Accounts have already received detailed scrutiny by the Board offline and at the Annual Accounts workshop. 	

	<p>g) There have been some changes since the workshop including revised fair pay disclosure figures, removal of some information about Hospital at Home, Abhishek Agarwal has been added as a co-optee and some language has been updated in the Governance Statement. As well as this, disclosure note 12d will change due to pensions information received and Deloitte have highlighted a few language changes. These will be done in the next version which will be provided to the Board.</p> <p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> h) Possible financial obligations in relation to the Redress Scheme for Survivors of Historical Child Abuse have not been included because disclosure is based on probability and it was decided that this was not probable or quantifiable. i) The Non-Executive Counter Fraud Champion for HIS is Evelyn McPhail. j) Language will be made consistent in relation to the use of healthcare, care and social care. <p>The Committee reviewed the Annual Accounts but awaited consideration of the subsequent agenda items before drawing a conclusion.</p>	
<p>3.3</p>	<p>External Audit: Report to the Board and Auditor General for Scotland on the 2021-22 Audit</p>	
	<p>Deloitte extended their thanks to the HIS Finance Team for their collaborative working and meeting tight deadlines. They provided their ISA260 report and highlighted some of the key points:</p> <ul style="list-style-type: none"> a) The Annual Accounts, including the performance section comply with the relevant standards. b) Dilapidations, PPE (Personal Protective Equipment) transfers and fair pay are new to the report this year. c) All disclosure testing has been completed so only the Letter of Representations will be outstanding at the Board meeting. d) The review of events has been left in case there are any changes. e) Financial balance has been achieved but Deloitte cannot conclude that HIS is financially sustainable in the short term due to the savings plan. f) This is the last year of Deloitte's appointment as External Auditors for HIS and a handover will be completed to the new Auditors in October. g) Regarding quality indicators, these have been consistent year on year. There were no significant adjustments in dilapidations and this is a good set of indicators. h) There is one control finding in respect of management review of the Accounts but tight timescales and delays impacted this. i) The report confirms that the audit opinion is unmodified and any items changed by Deloitte have been updated by management. j) There is one recommendation related to the National Fraud Initiative and submission of the self-appraisal checklist to the Committee. <p>The Director of Finance, Planning and Governance thanked Deloitte and advised that time pressures in preparing the accounts remain a significant challenge. She expressed concern at the wording that indicates HIS is not financially sustainable in the short term and asked the Committee to consider if Deloitte should be asked to revise the wording.</p> <p>Deloitte confirmed that they are able to change the wording but are not able to change the conclusion of their findings. They emphasised the point that their</p>	

	<p>statement says that they can't conclude that HIS is financially sustainable. They indicated that many Boards will be in this position due to financial challenges and the setting of annual budgets.</p> <p>The Committee agreed that the wording should be reviewed but they accepted the position.</p>	
3.4	Audit Assurance Letters	
	<p>The Interim Head of Finance and Procurement presented the audit assurance letters and advised that these are standard letters which are signed as part of the process to adopt the Annual Accounts.</p> <p>In response to a question from the Committee about the reference to cyber security breaches in the Letter of Representations, it was advised that the wording of the letter is standard and it is drafted by Deloitte for the Accountable Officer to sign. The key wording of the letter is that although there are cyber security risks, there are appropriate controls and mitigations in place. Deloitte advised that it would be acceptable to make minor changes to the wording of the letter but the meaning of the letter cannot be changed.</p> <p>With this clarification, the Committee were content to recommend that the Letter of Significant Issues and the Letter of Representation are signed.</p> <p>Having considered all the reports provided under this section of the meeting, the Committee were content to recommend adoption of the Annual Accounts for 2021-22 to the Board at its meeting on 29 June 2022.</p>	
4.	INTERNAL AUDIT	
4.1	Internal Audit Reports Issued (New Commissions) and Outstanding Actions Progress Report	
	<p>Grant Thornton presented the Internal Audit Actions Progress Report to the Committee and advised that there are currently 14 audit actions being tracked but none of these are high risk.</p> <p>The Committee noted the progress report and supported the change in reporting such that an action can only have its timeline revised once.</p> <p>The Committee Chair drew the meeting's attention to the Internal Audit report on New Commissions which was circulated outwith the meeting due the high number of reports to consider at the end of the year. There were no comments on questions on this report.</p>	
4.2	Internal Audit Annual Report 2021-22 and Plan for 2022-23	
	<p><u>Annual Report 2021-22</u></p> <p>Grant Thornton provided their annual report and highlighted the following points:</p> <ol style="list-style-type: none"> a) The full plan has been delivered with the exception of the Secondary Employment audit but fieldwork has commenced for this. b) They did not issue any "no assurance" reports during the year and no high risk recommendations were made. c) The annual audit opinion is partial assurance with some improvement. This is an improvement relative to last year's report which had one high risk recommendation. d) Thanks are extended to HIS colleagues for their support and engagement with Internal Audit throughout the year. 	

	<p>The Committee noted the annual report.</p> <p><u>Annual Plan 2022-23</u></p> <p>Grant Thornton provided their draft annual plan for 2022-23 which set out the proposed programme of audits. They highlighted the following points:</p> <ul style="list-style-type: none"> e) The programme was created with reference to the strategic risk register, board and committee minutes, and discussions with the HIS Executive Directors. f) There are nine reviews proposed over 90 days which is a high number but there will be discussions around scope and timings. g) They will remain flexible to adapt to different demands and use the contingency days as required. <p>In response to questions from the Committee the following additional information was provided:</p> <ul style="list-style-type: none"> h) Grant Thornton advised that although the number of reviews is high, some of these are shorter reviews or light touch reviews. i) The Director of Finance, Planning and Governance advised that the new Risk Manager will look at assessing the Board's risk appetite, taking into account the timing of the appointment of new Board Members in order that they can be included. <p>The Committee approved the Internal Audit Plan for 2022-23 and agreed that it should be shared with the Committee Chairs to note audits which are of relevance to their remit.</p>	Governance Manager
5.	CORPORATE GOVERNANCE	
5.1	Business Resilience / IT Infrastructure	
	<p>The Deputy for the Director of Evidence provided an update on HIS resilience and sustainability activity, highlighting the following points:</p> <ul style="list-style-type: none"> a) HIS completed the National Sustainability Assessment Tool (NSAT) and is now recruiting two climate change programme managers to ensure delivery of the identified actions. b) HIS submitted the organisation's first climate change risk assessment and adaptation plan to Scottish Government on 9 June. The adaptation plan will support the development of the NHS Climate Emergency and Sustainability Strategy which aims to ensure NHS Scotland is net zero by 2040. c) The last two years have seen significant reductions in travel and waste costs, and the aim is to carry this forward through new ways of working. d) Risks have been identified in relation to this work and added to the risk register. e) Regarding resilience activity, the team has been reviewing and updating HIS resilience key documentation in preparation for the Scottish Government Resilience audit planned for August 2022. <p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> f) The skills set for the climate change programme manager posts are focussed on programme management skills and that forms the basis of the 	

	<p>job descriptions. They will be part of the wider programme management pool and offer flexibility in this regard. Although the labour market is challenging at the moment, there has been interest in the posts but a failure to recruit could result in targets being missed.</p> <p>g) Business continuity arrangements are being refreshed and will include creation of gold and silver commands. Development of mandatory training such as that for business continuity is underway. Some mandatory training will be prioritised for particular cohorts of staff.</p> <p>The Deputy for the Director of Evidence then gave an update on IT infrastructure which covered the following points:</p> <p>h) The Digital Services Lead has undertaken reviews into existing IT risks and infrastructure. A business case was created to address these risks and ensure there are appropriate levels of cyber security in place.</p> <p>i) Some of the actions underway are deployment of MS Intune for improved security, upgrading of laptops and strengthening of the ICT (Information and Communications Technology) team.</p> <p>In response to questions from the Committee, the following additional information was provided:</p> <p>j) A review highlighted there are insufficient numbers of ICT staff and recruitment is well underway. Contractors have been extended until the new posts are in place.</p> <p>k) Nationally the situation with Microsoft licenses has improved after it was identified there were insufficient numbers for NHS Scotland. This includes a more disciplined approach to staff joiners and leavers.</p> <p>The Committee considered the updates on sustainability and IT infrastructure and were assured by the progress reported. The Committee asked for an update on the development of the new website at its next meeting.</p>	Director of Evidence
5.2	Financial Performance Report	
	<p>The Director of Finance, Planning and Governance presented the financial performance report which set out the position at the end of May 2022. She highlighted the following information:</p> <p>a) Spend to date is £6.2m which represents a £0.2m overspend. This has been driven by spend on laptops which was brought forward and by lower than anticipated staff turnover. This is expected to correct itself but will be closely monitored.</p> <p>b) The full year financial forecast is £0.4m over budget but in reality the resource spending review (RSR) supersedes budget assumptions.</p> <p>c) The RSR is not a budget but is an outline of spending plans for the rest of parliament up to 2026/27. The health and social care budget has a 3% increase but in reality this is a reduction due to higher than predicted inflation of 11%.</p> <p>d) The significant points in the RSR are the proposal to hold total public sector pay bills at 2022-23 levels and to return the workforce to pre-covid levels. Boards are asked to self-fund any pay increases above 2%. This could equate to approximately £1m for HIS this year. More detail will be available</p>	

	<p>after all Boards have submitted their quarter 1 financial results. The Executive Team will meet the following the week to discuss the implications for HIS.</p> <p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> e) HIS has not had an overspend in recent years but it is still early in the year so there is time to respond appropriately. Financial risks will be managed and it is anticipated that the budget position will be more challenging in the next five to six years. The biggest risks lie within additional allocations. f) The financial outlook will also impact the Workforce Plan which is currently being developed. g) Regarding the impact of the RSR on the organisational strategy, HIS has a significant role in helping Boards to redesign and alleviate pressures. This is even more important following the RSR. There will need to be a balance between our scrutiny and improvement function versus local, bespoke support. We will need to consider how best to deploy our resources and what activities add most value. h) The development of the National Care Service (NCS) will not dilute HIS' focus because the NCS is fundamental to the contribution that HIS will make, especially given our role in social care. HIS is an enabler across the system and Scottish Government is open to what HIS can invest to support Boards. <p>Having scrutinised the financial performance report, the Committee were assured by the information reported, whilst recognising the uncertainty at this time related to the detail of the RSR.</p>	
<p>5.3</p>	<p>Update to Corporate Code of Governance</p>	
	<p>The Director of Finance, Planning and Governance presented an updated Code of Corporate Governance and outlined the key changes:</p> <ul style="list-style-type: none"> a) There are updates to the terms of reference for the Board and Committees following review during the annual reporting cycle and changes within the Standing Financial Instructions. There are no changes in the Standing Orders section. b) Regarding spend or business cases, the wording has been clarified about what comes to the Board for approval. c) The procurement thresholds have changed to bring HIS into alignment with other Boards and to meet Internal Audit recommendations. This means that amounts up to £5k no longer need three quotes and a decision can be made by the individual. For context, the total spend that would have been affected last year by this is £500k. d) Non-competitive tenders for clinical advisers now need to be approved by the Medical Director or the Director of Nursing, Midwifery and Allied Health Professionals. <p>The Committee considered the detail of the updated Code and were content to recommend to the Board this it is approved with one change. This relates to Part K, Section 2 where the wording will be changed to “requests to or from Scottish Government”.</p>	

5.4	Governance update: Review of Gifts and Hospitality Register; Non-competitive Tender Log; International Travel; Counter Fraud	
	<p>The Director of Finance, Planning and Governance presented this report which collated into one paper a number of updates previously provided to the Committee as separate papers. Two areas were highlighted as follows:</p> <ul style="list-style-type: none"> a) As a result of the RSR, the level of travel and attendance at events will be reviewed to ensure it is appropriate. b) The National Fraud Initiative self-appraisal checklist will be provided to the next Committee meeting in September 2022. <p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> c) The non-compliance in the correct use of the PECOS procurement system has improved following the reduction in the number of requisitioners and approvers. This exercise to review users will now be completed annually. d) Regarding attendance at events, there are numerous controls in place. It is discussed by the Executive Team to decide what attendance is most appropriate. Travel and accommodation may vary for two people attending the same event because these costs fluctuate depending on when they are booked. International travel is jointly approved by both the Chair and Chief Executive to ensure it is appropriate and adds value for the organisation. All travel is robustly challenged and some is not approved. Travel needs to be balanced with maintaining our international reputation, financial considerations and sustainability considerations. <p>The Committee examined the information presented and were assured by the controls in place. The Committee approved the publication on the website of the Register of Gifts and Hospitality for 2021-22.</p>	
6.	RISK MANAGEMENT UPDATE	
6.1	Strategic & Operational Plan Risks	
	<p>The Director of Finance, Planning and Governance presented the strategic risks and the high/very high operational plan risks assigned to the Committee. The following main points were highlighted:</p> <ul style="list-style-type: none"> a) There are 11 strategic risks which is a reduction of one since the March report due to a workforce risk being closed. b) Risk scores have changed as a result of the new risk appetite being applied after the new Risk Management Strategy was approved by the Board in March. c) There are 9 high/very high operational plan risks with a new risk on the report related to Standards & Indicators. There is a strong ICT theme through the other risks on the report. d) The new Risk Manager will undertake a review of the strategic risks to ensure they align to the new Risk Management Strategy and display consistency across the scoring. <p>In response to questions from the Committee, the following additional points were made:</p> <ul style="list-style-type: none"> e) Incident logs are populated only by those incidents which are notified. The use of incident logs to capture future learning will be examined. f) Regarding the risk related to Covid-19, the ongoing pandemic has generated adaptability in the improvement programmes delivered by the ihub in response to local scenarios. However, there are ongoing issues with recruitment due to challenges in securing the right skills and experience. 	Director of Finance, Planning and Governance

	<p>g) Areas of new risk may exist related to a significant change in Board membership over the next few months and changes to both External and Internal Auditors. The Director of Finance, Planning and Governance will consider how to capture the risk about the changes to the Board. The risk related to the change in auditors is very low.</p> <p>The Committee considered the risk reports and, subject to the comments above, gained assurance that the risks presented were being effectively treated, tolerated or eliminated.</p> <p>It was agreed to review where the risk management item should be placed on the agenda to ensure effectiveness of the discussions.</p>	<p>Director of Finance, Planning and Governance</p> <p>Director of Finance, Planning and Governance</p>
7.	STANDING BUSINESS	
7.1	Board Report key points	
	<p>The key points agreed were:</p> <ul style="list-style-type: none"> a) Financial performance b) Resilience update c) Internal Audit Plan 2022-23 	
8.	ANY OTHER BUSINESS	
	<p>The Committee Chair asked the meeting to note that the Committee Members held their annual meetings in private with the External Auditor and separately with the Internal Auditor before today's meeting, as required in the Committee's terms of reference.</p> <p>The Director of Finance, Planning and Governance advised that HIS is working with other national boards to look at potential joint procurement of Internal Auditors. NSS is also examining options for in-house delivery of this function for national boards. The scoping work is at an early stage.</p> <p>It was agreed that draft Committee minutes will be made available to Committee members at an earlier date than that for circulation of papers.</p>	Committee Secretary
9.	DATE OF NEXT MEETING	
	The next meeting of the committee will be held on 7 September 2022.	
	<p>Person Presiding: Gill Graham Signature: Gill Graham Date: 7 September 2022</p>	