

## MINUTES - Approved

**Meeting of the Healthcare Improvement Scotland Audit and Risk Committee at 11:00, 7 September 2022, MS Teams Videoconference**

### **Present**

Gill Graham	Board Member (Committee Chair)
Abhishek Agarwal	Board Member
Keith Charters	Board Member
Christine Lester	Board Member
Robert Tinlin	Board Member

### **Healthcare Improvement Scotland Officers**

Sybil Canavan	Director of Workforce
Lynsey Cleland	Director of Quality Assurance
Caroline Craig	Associate Director of Healthcare Staffing & Care Assurance, NMAHP Directorate
Ruth Glassborow	Director of Improvement
Ben Hall	Head of Communications
Angela Moodie	Director of Finance, Planning and Governance
Robbie Pearson	Chief Executive
Safia Qureshi	Director of Evidence
Simon Watson	Medical Director
Kevin Freeman-Ferguson	Head of Service Review, Quality Assurance Directorate (item 6.1 only)

### **In Attendance**

Carole Wilkinson	HIS Chair
Peter Clark	Grant Thornton
Rachel King	Grant Thornton

### **Committee Support**

Anne Marie Hunter	Administrative Officer
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### **Apologies**

Nicola Hanssen	Board Member
Ann Gow	Director of NMAHP/Deputy Chief Executive
Ruth Jays	Interim Director of Community Engagement
Paul Wishart	Finance Manager

1.	WELCOME AND APOLOGIES FOR ABSENCE	ACTION
1.1	<p>All present were welcomed to the Audit &amp; Risk Committee meeting; particularly new members Abhishek Agarwal and Robert Tinlin.</p> <p>Best wishes were extended to Christine Lester on this her last meeting as a Board Member. Her support and diligence were acknowledged.</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	<b>Minute of Audit and Risk Committee meeting on 23 June 2022</b>	
	<p>The minutes of 23 June 2022 were approved as an accurate record of the meeting by the Committee.</p> <p>It was agreed that the HIS Chair should always be recorded under the 'In Attendance' section as not a member of the Committee.</p>	
2.2	<b>Review of action point register of Audit and Risk Committee meeting 23 June 2022</b>	
	<p>The Committee reviewed the action point register.</p> <p>In response to a request for clarification on action 6.1A '<i>The use of incident logs to capture future learning to be examined</i>' and whether or not that meant these were being captured as a matter of course, it was advised that financial information was being captured as part of an implementation phase with a view to extending to the wider organisation.</p>	
3.	RISK MANAGEMENT UPDATE	
3.1	<b>Strategic &amp; Operational Plan Risk Registers</b>	
	<p>The Committee were asked to review the risk registers presented today for risk and accuracy.</p> <p><b>Strategic Risk Register:</b> of the 11 risks, four were considered to be <i>very high</i> and included COVID-19 and system pressures, Finance, ICT, and NHS Scotland Climate Emergency and Sustainability. It was acknowledged that this was a similar position to June 2022.</p> <p>Following an Executive Team review, future changes were anticipated with the presentation of the strategic risks.</p> <p>A risk appetite session was being planned for the fourth quarter of the financial year. In reply to a question around the timing of this for new Committee members, reassurance was given that risk was regarded as an ongoing continuous discussion and that new board members would be included as soon as possible.</p> <p>Following its postponement last year, the annual internal audit review of risk would take place in November 2022 which would help with the processes.</p>	

	<p>Comparing the high risk 1072 <i>COVID-19</i> with the medium risk 1133 <i>Making Care Better Strategy 2017-2022</i>, a question was raised about whether these external impactors were out of kilter. In response, it was explained that impact was more about the wider economic pressures, and that HIS would feel system pressure more. This challenge would be taken on board for next month's review.</p> <p>With regard to 759 <i>Information Governance Strategy</i>, the risk had decreased from high to medium due to awareness sessions being held in June 2022 and the continuation of staff training.</p> <p>In response to questions about the Strategic ICT risk, it was advised that all Boards have their own share of active licence allocation under single Scottish tenancy with Microsoft. Operational involvement would help Boards remove inactive accounts and to have back-up systems for anyone who returned to the organisation. The risk of people having licences removed at random should be avoided.</p> <p>In reply to risk 922 <i>Information Governance Strategy</i> and whether it should be reduced from level 4 to 3. It was advised that transferring a stable structure was in process and the team would be asked to determine whether or not the risk remained at all.</p> <p>In response to a question about risk 1136 <i>Regulation of Independent Healthcare</i> and whether it was based on perceptions and possibly out with HIS's remit, it was advised that HIS regulated healthcare professionals who provided services, without having an alternative regulator, as there was a risk to patients and public.</p> <p>Regarding risk 1165 <i>NHS Scotland Climate Emergency and Sustainability Strategy</i>, the Committee were advised that following the analysis of impact scores and as documented in national audits, HIS were in a good place with carbon zero and sustainability. However, this risk related to the work at a national level and HIS were looking to assume the working relationship with a number of Boards to have a shared approach.</p> <p>In answer to questions raised about Risk 635 <i>Financial Strategy</i> and the potential increased cost to HIS as a result of the cost of living crisis, for example staff preferring to work in the office to keep warm and the climate impact of associated travel:</p> <ul style="list-style-type: none"> <li>a) Financial risk for utilities at HIS was currently very low.</li> <li>b) The possibility of financial risk was noted and would be monitored.</li> <li>c) Although not being considered a finance risk for HIS, and in light of the cessation of the heating allowance, it was suggested that an acknowledgment to staff was required as some may be working at home without having their heating on.</li> </ul> <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><b>Director FPG</b></p>
<p><b>4.</b></p>	<p><b>EXTERNAL AUDIT</b></p>	
<p><b>4.1</b></p>	<p><b>External Audit Update including External Audit Actions Progress Report</b></p>	
	<p>The Director of Finance, Planning and Governance advised that the external auditor was in the process of being changed from Deloitte to Audit Scotland who were currently in the process of appointing a specific team.</p> <p>Referring to the 'External Audit Actions Progress Report – September 2022', it was</p>	

	<p>advised that one of the two outstanding actions had now been completed. The CRM for Independent Healthcare had been delayed, however work was underway to move across over the next couple of weeks.</p> <p>The Committee noted the update and were content with progress reported on actions.</p>	
<b>5.</b>	<b>INTERNAL AUDIT</b>	
<b>5.1</b>	<b>Internal Audit Report: Secondary Employment Review</b>	
	<p>Grant Thornton reported on this additional piece of work due to an allegation. The case was taken to the Counter Fraud Services and was subsequently closed without any further action.</p> <p>Management were seeking assurances over the systems of control in place and planned to undertake a review of processes with regards to secondary employment and what lessons could be learned.</p> <p>There were two recommendations at different levels:</p> <ul style="list-style-type: none"> <li>a) Medium level - HIS should provide a one-page local guidance document to line managers which would give information on secondary employment and their responsibilities for monitoring this, and the frequency of monitoring. A reminder should be sent to all staff via the staff intranet about the need to declare secondary employment and the process.</li> <li>b) Advisory level - HIS ICT to become more proactive in asking managers about secondary employment at the very least when setting employees up on systems.</li> </ul> <p>The Committee noted that:</p> <ul style="list-style-type: none"> <li>c) as the second recommendation was 'advisory', a management response was not required. The risk was mitigated by actions being put in place against the first recommendation.</li> <li>d) work on the guidance was in progress to meet the 30 September 2022 timeline.</li> </ul> <p>The Committee discussed various points which included:</p> <ul style="list-style-type: none"> <li>e) to implement a retrospective review of contracts would be a very large task for management but may be possible. It would require a clear one page communication to all staff to give them knowledge of secondary employment and encourage conversation. However, it was acknowledged that a retrospective procedure would have to be phased in as the current standard form was not compatible, and consideration to the capacity of the Human Resources team was required.</li> <li>f) whilst there was the responsibility to ensure people abided by clear guidance, it was imperative that staff should always feel valued.</li> <li>g) the secondary employment part of the contract was aligned to the Code of Conduct document which reinforced peoples' responsibilities to ensure they do not put themselves into a difficult position.</li> <li>h) every two years HIS participates in the National Fraud Initiative, led by Audit Scotland, where employment across public bodies is checked.</li> </ul> <p>The Committee noted the report and were content with the management action agreed.</p>	

<b>5.2</b>	<b>Internal Audit Update including Internal Audit Actions Progress Report</b>	
	<p>Grant Thornton presented the Internal Audit Update Actions Progress report, and advised that there had been 20 outstanding actions as at June 2022.</p> <p>It was highlighted that an item on GDPR and Information Governance from 2019, had been closed.</p> <p>Ten actions had been completed and, of the remaining actions for 2021/2022, seven were on track and three had revised timescales.</p> <p>It was noted that further details were included in the appendices of the report and there were no further comments.</p> <p>Grant Thornton also provided the Internal Audit Progress Report and updated the Committee on the following reviews:</p> <ul style="list-style-type: none"> <li>a) the final review relating to the 2021-22 internal audit plan had been finalised. The review looked at the controls in place in regards to secondary employment.</li> <li>b) the Complaints review and the Property Transactions Monitoring review were underway and the latter was near completion.</li> <li>c) the Equality Impact Assessments were ready to commence.</li> <li>d) Independent Healthcare, Risk Management and Community Engagement were being scoped.</li> </ul> <p>Responding to a comment from a Committee member, Grant Thornton advised that Community Engagement, which was scoped in 2021/22, remained at the planning stage due to the timing of a change in the Head of Department position. It was noted that an initial meeting had been scheduled to take place next week.</p> <p>The Committee noted the updated and were content with progress of the plan.</p>	
<b>6.</b>	<b>CORPORATE GOVERNANCE</b>	
<b>6.1</b>	<b>Independent Healthcare Fees 2022/23</b>	
	<p><i>Kevin Freeman-Ferguson, Head of Service Review, joined for this item.</i></p> <p>A paper entitled Regulation of Independent Healthcare – Finance Update and Fees for 2023-2024 was received from the Director of Quality Assurance and the Head of Service Review. It was explained that the paper looked at what 20% and 10% increases would look like within the current statutory fee limits. It also provided figures in monetary terms.</p> <p>The Committee were asked to review the current financial position and to make a recommendation to the Board on the level of fee increase for regulated Independent Healthcare (IHC) services for the year 2023-24.</p> <p>The Committee were advised that:</p> <ul style="list-style-type: none"> <li>a) the fees had to be fair and proportionate, and relevant to the cost of the regulating sector.</li> <li>b) HIS required the appropriate skills to regulate as the sector was volatile and difficult to predict.</li> <li>c) wider public health considerations were required.</li> <li>d) the cumulative impact of pay awards for this and next year would also be taken into consideration.</li> <li>e) an outcome deficit of between £20k to £40k was forecast for this year, and it</li> </ul>	

	<p>was projected that it would be covered by existing reserves.</p> <p>f) the services required notification of the recommendation by December 2022.</p> <p>The Head of Service Review updated the Committee on the background.</p> <p>g) Healthcare Improvement Scotland commenced regulating independent clinics in Scotland on 1 April 2016.</p> <p>h) we have regulated independent hospitals and private psychiatric hospitals since 2011 when we took over regulation of these services from the Care Commission.</p> <p>i) the original assumption that there were around 200 independent clinics providing aesthetic treatments has proven to be a significant underestimate, and there were now over 500 registered services, including independent hospital and private psychiatric hospitals, which provided a diverse range of services that extended far beyond aesthetics.</p> <p>j) in recognition that the regulation of the Independent Healthcare sector was considerably more complex than originally anticipated and that effective regulation of this sector was important in protecting public health as well as providing assurance on the quality of services, there was now a new financial model for this work. In addition to the regulator fees, our funding now included a Scottish Government contribution to the HIS baseline for the regulation of independent healthcare services of £260,000.</p> <p>In the discussion that followed, the points below were highlighted:</p> <p>k) sufficient fees should be raised to cover our costs but not to have higher reserves.</p> <p>l) figures outlined did not include internal costs nor bad deb provision which could have an impact.</p> <p>m) reserves needed to be balanced according to the circumstances.</p> <p>n) reputational risks would be lower as people would want to ensure we were regulating these clinics.</p> <p>o) fees should be set to allow us to deliver services whilst safeguarding safety and quality.</p> <p>p) the complexity of the risk was hard to over state; there was a 900% growth in the number of services registered.</p> <p>q) would like to see more insight into bad debt within the sectors.</p> <p>r) there has perhaps been a reluctance to increase fees in the past.</p> <p>The Committee agreed that an increase of 10% was justified and were content to recommend this to the Board.</p>	
<b>6.2</b>	<b>Information Governance</b>	
	<p>The Director of Evidence referred to the Information Governance paper and confirmed that the Information Commissioners Office (ICO) would conduct an audit of Healthcare Improvement Scotland in January 2023 to establish compliance with the Data Protection Act 2018.</p> <p>She also highlighted that evidence gathering had begun and an ongoing improvement plan was being developed as part of our evidence submission. The identified improvement would be brought to the next Information Governance meeting in October 2022.</p> <p>With regard to Freedom of Information requests, she advised that Healthcare Improvement Scotland had been asked to undertake a review of one decision that</p>	

	<p>had previously been upheld. An outcome from the Scottish Information Commissioners Office (SICO) was awaited around policy decisions in the use of masks in clinical areas. It was explained that, although we had provided signposting to the Scottish Government website, we should have been more specific and, on that basis, the complaint may be partially upheld. It was agreed that the link could be provided to SICO to speed up resolution.</p>	
<b>6.3</b>	<b>IT Infrastructure and Website Update</b>	
	<p>A paper on IT Infrastructure, Cybersecurity, Staffing and Website was presented to the Committee, and the Director of Evidence highlighted the good progress across all areas.</p> <p>With regard to the website redevelopment, she added that contracts had been signed with the external partner for the three month discovery phase. The discussions included scope and who should be interviewed. Internal sessions with staff would be held to receive feedback. Actual changes to the website were anticipated next year during the next phase.</p> <p>In response to a concern raised about maintenance and the withdrawal of the existing website support provider, the Committee Chair advised that was the reason HIS was moving to a different provider.</p> <p>The Committee noted the update.</p>	
<b>6.4</b>	<b>Business Continuity Update</b>	
	<p>The Director of Finance, Planning and Governance presented a paper for awareness.</p> <p>She stated that the resilience team were stood up again, following the pandemic where resilience was covered under the COVID-19 Emergency Response Team. Their focus was on response guidance, updating policies and plans, and identifying and reviewing critical services.</p> <p>In response to a question about how critical support services were defined, the Director of Finance, Planning and Governance said that a list had originally been created and is kept up to date by the Resilience Group which is represented by each Directorate.</p>	
<b>6.5</b>	<b>Climate Change and Sustainability</b>	
	<p>The Director of Evidence presented a paper which gave an update on sustainability and climate change for information and awareness.</p> <p>She reported that following a concerted effort, the second sustainability assessment tool had been submitted and our score from last year had increased. HIS awaited confirmation of either a bronze or silver award.</p> <p>Travel was being considered in a different context, and the staff engagement tool was well received.</p> <p>Regarding section 3, she advised that we had been clear that we needed additional support and that conversations with other boards were ongoing about collaboration on specific areas.</p> <p>The Committee noted the update and were content with progress reported.</p>	

<b>6.6</b>	<b>Financial Performance Report</b>	
	<p>The Director of Finance, Planning and Governance presented a paper on the Financial Performance Report as at 31 July 2022.</p> <p>She reported that there was an overspend one third of the way through the year which was due to higher staff costs. At the forecast section, she hoped the potential £700,000 overspend could be reduced to £500,000. It was noted that 80% were people costs and that there were a lot of risks and unknowns at this stage. For example, uncertainty about the pay settlement following the Union's rejection of the 5% offer.</p> <p>There was also insecurity around additional allocation funding with no confirmation of the remaining £6 million. Clarification of priorities was required to achieve a balance within the one percent tolerance of the budget without having an impact on delivery. A cut in delivery would be required to get back to budget.</p> <p>The paper provided a longer term update about the Internal Improvement Oversight Board (IIOB) and the five workstreams within their remit. Regular reporting on their progress would become available.</p> <p>The Committee recognised the seriousness around achieving budget figures.</p> <p>The Director of Finance, Planning and Governance and the Chief Executive had met with each budget holder and collated back to budget ideas, but these would not be instant fixes.</p> <p>Looking at the consolidated position, some areas still showed an overspend. The Scottish Government allowed one percent overspend only, but some areas were two percent over. It was noted that time was of the essence, we would continue with the good initiatives, and continue to monitor the situation over the next few months.</p> <p>The Director of Finance, Planning and Governance response to questions included:</p> <ul style="list-style-type: none"> <li>a) Allocations within our budget were based on the assumption that they would be funded. Delivery would be severely impacted were an allocation to be stopped.</li> <li>b) IIOB reported to Staff Governance Committee but many items would come to this Committee for a progress update. A separate paper on recurrent savings would be required going forward.</li> <li>c) We were trying to have costs and benefits quantified for each of the five workstreams in order to prioritise and direct the resources appropriately. Some of the bigger workstreams would become business cases.</li> </ul> <p>The Chief Executive advised that staff were being kept updated about the range of risks at staff huddles, and highlighted the input from the Partnership Forum. He acknowledged the importance of balancing the books and being fit for the future to have a coherent story across the workforce and finance.</p> <p>Having scrutinised the financial performance report, the Committee were assured by the information reported, whilst recognising the challenges in relation to the budget.</p>	
<b>6.7</b>	<b>Governance Update: Non-competitive Tender Log – Finance Control Breaches – Minimum Quote Exceptions – Counter Fraud</b>	
	The Director of Finance, Planning and Governance presented a Corporate	



	<p>Governance Report and asked the Committee to gain assurance of the effectiveness of the internal controls related to procurement, non-competitive tenders and counter fraud.</p> <ul style="list-style-type: none"> <li>a. Minimum Quote Exceptions (MQE): were picked up on an individual basis, and this was the last time that this was reported to this Committee.</li> <li>b. Non-competitive Tenders (NCT): the Committee were referred to Appendix 1. It was noted that the National Fraud Initiative was due to start next year, HIS would provide data to Audit Scotland, and the Committee would be kept updated on the results.</li> <li>c. External Audit Self-appraisal checklist: the Audit and Risk Committee were referred to Appendix 3 and then to the link to Appendix 1 within that document. They were advised that Part A was designed to assist Committee members when reviewing, seeking assurance over or challenging the effectiveness of HIS's participation in the National Fraud Initiative (NFI) in Scotland.</li> </ul> <p>The Committee considered the information and were assured that the controls were effective.</p>	
<b>7.</b>	<b>STANDING BUSINESS</b>	
<b>7.1</b>	<b>Board 3 Key Points</b>	
	<p>The Chair listed the four key points, on this occasion, as:</p> <ul style="list-style-type: none"> <li>1. Independent Healthcare: <ul style="list-style-type: none"> <li>a. should HIS return money prorate if someone withdraws registration?</li> <li>b. the actual report should go to 'reserve business'.</li> </ul> </li> <li>2. Discuss progress on website design as a whole: <ul style="list-style-type: none"> <li>a. as one of the most invested areas.</li> <li>b. defensive/offensive architecture to make HIS less vulnerable.</li> </ul> </li> <li>3. Emphasis on board to review the risk appetite.</li> <li>4. Finances – the level of scrutiny being applied.</li> </ul>	
<b>8.</b>	<b>ANY OTHER BUSINESS</b>	
	No other business was raised.	
<b>9.</b>	<b>DATE OF NEXT MEETING</b>	
	The next meeting of the committee would be held on 23 November 2022 at 2pm.	
	<p>Person Presiding: Gill Graham</p> <p>Signature: <i>Gill Graham</i></p> <p>Date : 23/11/22</p>	