

MINUTES - Approved

**Meeting of the Healthcare Improvement Scotland Audit and Risk Committee at
10.00, 06 September 2023 by MS Teams Videoconference**

Present

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

Healthcare Improvement Scotland Officers

Robbie Pearson	Chief Executive
Sybil Canavan	Director of Workforce
Lynsey Cleland	Director of Quality Assurance and Regulation
Ben Hall	Head of Communications
Angela Moodie	Director of Finance, Planning and Governance
Lynda Nicholson	Head of Corporate Development
Safia Qureshi	Director of Evidence and Digital

In Attendance

Carole Wilkinson	HIS Chair
Ann Marie Machan	Audit Scotland
James Lucas	KMPG
Paul McCauley	Risk Manager
Karlin Rodgers	Head of Finance and Procurement

Committee Support

Tara Duffy	Administrative Officer
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Apologies

Ann Gow	Director of Nursing and Systems Improvement
Simon Watson	Director of Medical and Safety
Clare Morrison	Director of Community Engagement and Redesign
Gillian Woolman	Audit Scotland
Syed Hamood Kalid Shah	KMPG

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.</p> <p>The Chair reminded the members that the meeting will be recorded.</p> <p>Apologies for the Committee meeting were noted as above.</p>	
2.	MINUTES OF PREVIOUS MEETING/ACTION REGISTER	
2.1	Minute of Audit and Risk Committee meeting on 20 June 2023	
	<p>The minutes of 20 June 2023 were approved as an accurate record of the meeting by the Committee.</p> <p>There were no matters arising.</p>	
2.2	Review of action point register of Audit and Risk Committee meeting June 2023	
	<p>The Committee reviewed the action point register and noted that the outstanding actions on the register were now complete. Members were asked to contact the Chair should they wish to add any development needs for the Committee.</p>	
3.	CORPORATE GOVERNANCE	
3.1	Information Governance Update	
	<p>The Director of Evidence provided the Committee with a report which is a routine update on Information Governance and the following was highlighted:</p> <ul style="list-style-type: none"> a) The team has been focused on implementing recommendations from the Information Commissioner's Office audit, preparing for the next National Institute of Standards and Technology audit, and getting ready for the implementation of OneDrive. They have also been supporting the COVID inquiry work. b) The quarterly report from the Information Governance Group, includes representatives from various teams across the organisation. This group is essential for disseminating updates, sharing best practices, learning from adverse events, and calling for action. c) There is a new approach to deliver important messages about good practice in information governance through short video clips. d) A new forum for Scottish Health Records Online was established by the Scottish Government, where health boards can share concerns and best practices. The forum aims to facilitate collaboration among health boards and improve communication with the Scottish Government. <p>The Committee noted the update.</p>	
3.2	Business Resilience & Sustainability	
	<p>The Director of Evidence and the Director of Finance, Planning & Governance provided the Committee with an update on Resilience & Sustainability and the following was highlighted:</p> <ul style="list-style-type: none"> a) Efforts have been made to maintain a pragmatic and practical approach to sustainability work, led by Brian Ross. The team has been working on a shared approach with other national boards and collaborating with Scottish Government for realistic timelines. b) There are challenges related to sustainability in an organisation that primarily operates as tenants with limited travel and key sustainability issues 	

	<p>are often related to arms-length activities.</p> <ul style="list-style-type: none"> c) In terms of resilience, the team is working on procuring a text alert or app system to support resilience planning and conducting scenario workshops. d) The annual plan for resilience is progressing without any major issues. <p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> e) Regarding the NISR (National Information Security Risk) actions, there are 431 actions to be addressed, and the team has a clear plan in place to achieve the target of 60% progress. Contractors have been employed to assist with this, and KPMG is reviewing the progress. f) The team is also focused on gathering evidence, creating policies, and developing procedures to address cyber security challenges. g) There is need for continued investment in cyber security and permanent resources to maintain the progress made. <p>The committee acknowledged the update</p>	
3.3	IT Infrastructure	
	<p>The Director of Evidence provided the Committee with a report on the current IT Infrastructure and highlighted the following:</p> <ul style="list-style-type: none"> a) The Cloud migration work has started, and commercial arrangements with G Cloud are in progress. The migration aims to bring new skills into the team and upskill existing staff. b) ICT backup hardware has been procured, installed, and is nearing completion. The old hardware will be safely disposed of. c) Device updates are not yet complete, with low risk related to user compliance. d) OneDrive and Office 365 are scheduled for implementation, with ongoing communication to staff. e) Cybersecurity managers: A submission is due in January for Cybersecurity managers, with a framework being developed for future submissions. f) Regarding the Corporate website, the hosting platform will cease in November 2023. Plans are in place for an interim website to meet statutory requirements. <p>In response to questions from the Committee, the additional information below was provided:</p> <ul style="list-style-type: none"> g) The possibility of the hosting platform's discontinuation was known since August, and prior plans with NSS for an interim backup solution were in progress. In August, it was confirmed that the interim solution with NSS would not work. Plans for the way forward have been in development since then. h) Requirements for an interim website to meet statutory publication obligations have been outlined. NSS is currently being explored as a potential delivery partner and alternative procurement options are being considered if needed. This interim site will host new information and archive old data. Associated websites will continue to publish information, but we must also address their safety standards and support contracts to stay compliant. Monitoring these sites is crucial to avoid compliance issues. 	

	<ul style="list-style-type: none"> i) A business case is being developed, with considerations on balancing ambition and affordability. The timeline for its presentation to this committee and the board is currently uncertain. j) There was a request for the Executive Team to examine the business case carefully and to set out a proper timeline for the Committee. k) The risk of relying on subset websites if the main one faces extended downtime was emphasised, urging urgent attention to the issue given the importance of web communication in the era of social media. There was a request for a report providing assurance about the status of subset websites and the overall suite of communication. l) The urgency of addressing the website issues was stressed, and work is underway to present choices and options to the board. There are potential discussions with NHS NSS to address capacity, capability, and performance issues which is a top priority. 	Head of Comms
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3.4	Financial Performance Report	
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	<p>The Director of Finance, Planning & Governance provided the Committee with a report on Financial Performance and the following was highlighted in certain areas:</p> <ul style="list-style-type: none"> a) iHub Budget Reallocation: HIS is reallocating the iHub budget of £12.5 million across three directorates. Any budget movement exceeding £500,000 requires approval from the board. b) Scottish Government Request for Reduction: The Scottish Government requested that National Boards consider a reduction of 5% or 10% in their in-year additional allocation funding. This reduction amounts to £0.4 million or £0.7 million for HIS. Most National Boards, including HIS, have tentatively agreed to the 5% reduction. However, it's essential to note that the government hasn't ruled out further cuts to baseline or allocations in the future. c) Business Services Transformation Programme: This programme is an NHS Scotland-wide transformation initiative that involves HR, payroll, finance, and procurement systems. The first phase, scheduled until March 2026, carries a cost of £2.5 million across NHS Scotland, with HIS's share being £3,700. While this doesn't pose an immediate financial risk, it will require significant effort and time in the medium term to transition to new systems. d) Financial Performance (End of July): At the end of the first quarter, HIS reported a 3% (£0.4m) underspend, mainly driven by lower pay costs. This underspend resulted from having 24 fewer Whole-Time Equivalent (WTE) than budgeted, a 4% decrease. Although this staff shortage is expected to decrease as organisational changes conclude, it will likely normalise by September/October. e) Additional Allocations: HIS is expecting total allocations of £8.3 million for the year, with £3.1 million already received by the end of July. While half of the allocations are in hand, a substantial £4 million is still pending. This poses a risk given ongoing discussions within the Scottish Government about possible allocation cuts. f) Savings Targets: HIS's savings target for the year is approximately £2 million, split between £1.6 million recurring and £0.4 million non-recurring 	
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savings. As of the report, £0.4m of these savings have been achieved, and there don't appear to be significant barriers to reaching the target. However, maintaining the balance between recurring and non-recurring savings will be crucial to prevent the reintroduction of recurring costs.

- g) **Full-Year Forecast:** The full-year forecast for HIS indicates a £1 million underspend. This underspend is redistributed into four areas: E-rostering, One Team Board, cybersecurity, and the 5% reduction requested by the Scottish Government.

In response to questions from the Committee, the additional information below was provided

- h) The NHS financial position and budget gaps across the NHS was discussed during a seminar last week, which highlighted the challenges faced by individual boards.
- i) There was concern that budget reduction requests lack consistency and a clear strategy, with a seemingly ad-hoc approach to seeking available funds. Colleagues in the Scottish Government are also struggling with similar budget reduction requests, underlining the need for a more cohesive strategy. It was suggested that we should proactively be examining our additional allocation requests and establish a coherent approach in case they get cut. We must ensure that we don't end up with isolated overspends or have our funding spread thin across various areas.
- j) An exercise was conducted about a month ago to assess all our new commissions, outstanding and prospective ones. An attempt was made to prioritise and rank them, but it presented challenging as nearly everything we're asked to do has a Scottish Government or ministerial priority behind it. While alternatives have been suggested and projects pushed back on, there's still a significant volume of work being requested. With the confirmed funding we have, it is believed we can deliver our annual delivery plan with minor adjustments. However, if additional cuts come into play, it would require fundamental changes to our plan, which have been made clear in our response to the Scottish Government.
- k) There was concern that the Scottish Government may request us to undertake various projects and initiatives without providing the necessary funding, which is a significant risk given the importance. It was suggested that we may need to push back on some of these requests to manage our resources effectively.
- l) It was suggested that we must acknowledge that the Scottish Government's priorities can be fragmented, and it's crucial for us to engage and influence effectively. The past year showed how priorities can shift, impacting our current programmes and commissions. We need to collaborate with the government to establish clear and coherent priorities.
- m) It was noted that IT budgets are often allocated in a way that anticipates spending at various intervals throughout the year, especially for hardware and equipment purchases. It may appear as an underspend now, but the budget allocation could align with when the spending is expected to occur. However, considering the current inflationary environment, it's a valid

	<p>concern that costs may increase and this is something that should be monitored closely to ensure that we can catch up on spending without overextending the budget. This was noted as an action point to investigate further.</p> <p>The Committee agreed to endorse the ihub budget moves for it going to the Board for approval.</p>	<p>Director of Evidence</p>
<p>3.5</p>	<p>Governance Update</p>	
	<p>The Head of Finance and Procurement provided the Committee with an update on Governance.</p> <p>There were no non-competitive tenders received in the reporting period.</p> <p>Regarding counter fraud services, the National Fraud initiative review has been completed, and no fraud was detected in the 133 records reviewed. The Fraud Annual Action Plan is progressing, with three actions completed, five on track, and one at risk. The action at risk is related to mandatory training on counter fraud services, and efforts are being made to bring it up to the required level.</p> <p>The updated Fraud Annual Action Plan is included in the report.</p> <p>The Committee noted the update and there were no questions.</p>	
<p>3.6</p>	<p>One Team Update</p>	
	<p>The Chief Executive provided the committee with a One Team Update paper and highlighted the following:</p> <ul style="list-style-type: none"> a) One Team initiative's role within a larger context of organisational change in the NHS. b) The organisation's strategy aims to make it more responsive, agile, and flexible by 2028. c) Workforce efficiency is a crucial component, considering that a significant portion of the budget is allocated to staffing. d) There are ongoing redesign efforts in specific directorates and these changes fit into the broader transformation. e) There are investments in organisational development to support One Team and the wider NHS transformation. <p>In response to questions from the Committee, the additional information below was provided:</p> <ul style="list-style-type: none"> f) One Team is not the final destination but rather one step in a broader process of organisational evolution and change. g) There have been recent strategy development sessions that demonstrated how the organisation is becoming more flexible and connected. Practical examples, such as collaborative work on guidelines and dementia, showcase how One Team is being implemented in day-to-day operations. h) Opportunities for the One Team approach are arising from both broader organisational changes and organic possibilities. There is importance of recognising and seizing One Team opportunities in existing projects and areas of development, even if not immediately visible but expected to become clearer in the coming months. i) There are ongoing efforts to gauge staff understanding of One Team through regular temperature checks, staff surveys, and focus groups. There 	

	<p>is a positive trend with more employees being well-informed about One Team. The focus is on broadening the understanding of One Team, shifting from being just a programme of work to encompassing the entire organisation's initiatives.</p> <p>j) A management cascade is being developed to communicate changes effectively.</p> <p>The Committee noted the update.</p>	
<p>3.7</p>	<p>Independent Healthcare Fees</p>	
	<p>The Director of Quality and Regulation provided the Committee with a paper on the Independent Healthcare Fees and highlighted the following:</p> <ul style="list-style-type: none"> a) The proposal is for a 10% increase in fees for independent healthcare services for the next financial year (2024-2025). The statutory maximum for registration fees has already been reached, and the proposed increase will take other fee categories either to the statutory maximum or close to it. The projections are based on a 5% pay increase, which may vary depending on future pay negotiations. b) The financial projections for both this financial year and 2024-2025 indicate a deficit outturn. These deficits will be covered by existing reserves, but it's essential to understand that carrying reserves is not sustainable, and Audit Scotland's opinion is against holding reserves. The reserves may not be carried forward in future years, depending on the audit materiality level. c) The fee structure is considered outdated, and the proposed fee increases are expected to exhaust the scope for further increases without legislative changes. A fundamental change to the fee structure would require extensive discussions and legislative amendments, which may take a long time to implement. In the short to medium term, discussions with the Scottish Government aim to raise the statutory maximum fees and improve processes for removing services from registration if they fail to pay fees. d) The financial projections for the next year, with the 10% fee increase, still result in a deficit. Reserves currently cover these deficits, but they are expected to run out in about three years. For long-term financial sustainability, discussions with the Scottish Government are essential. <p>The following additional information was provided after questions from the Committee:</p> <ul style="list-style-type: none"> e) Senior time, including that of senior leaders and clinical support from nursing and medical directorates, is now fully integrated into the figures. This means that the cost of senior personnel is included in the calculations for the fee increases. f) There was a 10% fee increase last year and there will be another 10% fee increase this year. While most of the services are commercial, some non-commercial services, such as hospices, are affected by fee increases. There is a need for a more fundamental review of the fee structure to address these issues and it is important to balance fees with potential negative impacts. g) The statutory fee levels were set in 2016 and at the time, they were set at a level where they were not expected to be reached. A consultation on fees legislation is necessary as part of changes to enact the regulation of independent medical agencies. There are ongoing discussions with finance colleagues to potentially increase the statutory fee levels by about 10% annually for several years. The increase is intended to provide headspace 	

	<p>while they continue to seek a fundamental review of the regulatory framework with the Scottish Government.</p> <p>h) They are considering approaches from other countries, particularly the Care Quality Commission (CQC) in the UK, which has a broader definition of regulated health services. We need to understand the potential drawbacks and benefits of different approaches and aims to have a full discussion on the subject.</p> <p>i) The 10% fee increase is not fixed and can vary based on economic conditions. We follow a process of proposing fee increases, engaging with services, and consulting with them. Service providers' are typically reluctant to fee hikes and there is an approach of explaining the reasons behind the proposals and maintaining open communication.</p> <p>j) There is a timeline for moving forward with the fee increases at the start of the next year.</p> <p>The Committee agreed to endorse the IHC fee increase for it going to the Board for approval.</p>	
4.	INTERNAL AUDIT	
4.1	Internal Audit Update	
	<p>James Lucas of KMPG provided the Committee with the audit report and highlighted the following:</p> <p>a) The report provides updates on performance against the internal audit plan and it includes an update on any overdue actions that are being tracked with management.</p> <p>b) The report contains a waterfall chart (located on page 88 of the pack) to provide a visual representation of the number of actions started with in the period. 17 actions have been picked up from Grant Thornton as we transitioned over and three have been added from the governance statement audit, totalling 20 actions for the period.</p> <p>c) Management has closed four moderate findings and time has been spent with management to understand the background of these findings as we transitioned from Grant Thornton's previous reports.</p> <p>d) There are eight overdue items listed in Appendix B, one of which is related to formalising the review and search for unregulated independent healthcare services. It was agreed that this item is closed based on discussions and presentations about the ongoing discussions on reforming this area presented by Lindsay in a previous paper.</p> <p>e) Regarding the progress against the plan, three audits are currently underway, with audit reports scheduled for the November committee meeting. This would account for three of the five audits, and one government statement audit has already been done.</p> <p>After discussion the following was noted:</p> <p>f) Progress aligns with expectations for an organisation of this size. However, there is room for improvement in terms of extending and revising deadlines, which there is plan to work on with management.</p> <p>g) It was suggested that reports are circulated ahead of time for thorough review before the meeting.</p>	
5.	RISK MANAGEMENT UPDATE	
5.1	Strategic & Operational Plan Risk Registers	
	<i>Paul McCauley, Risk Manager, joined the meeting.</i>	

	<p>The Director of Finance, Planning & Governance provided the committee with a report on the current Strategic & Operational Plan Risks, and the Risk Manager emphasised the following points:</p> <ul style="list-style-type: none"> a) The Register now includes two new risks - "Organisational Change" and "Our Response to the COVID Inquiries." These risks align with the organisation's approach to risk appetite and tolerance and there is focus being put on addressing the risks that are out of appetite. b) It's essential for the committee to consider risk tolerance levels. With the example of the "Regulation of Independent Healthcare" risk, which currently has a score of 12 (out of 25) and four points out of appetite. If this risk is reduced by one point (either by impact or likelihood), it would come within appetite. The point raised is to showcase how risk tolerance plays a role in assessing risks. c) The "Development Patient Safety Risk" indicates that more focus is now on the organisation's response to this risk rather than the risk itself. The risk has been rewritten to reflect this approach. This risk will be a standing item on the Safety Network's agenda. d) The executive team plans to conduct a more in-depth review of the 13 strategic risks, and the results will be reflected in the next Risk Committee meeting. <p>After the discussion, the following points were highlighted:</p> <ul style="list-style-type: none"> e) There was suggestion to potentially escalate the website development risk to a strategic risk, given the complexity and challenges discussed earlier. f) The final column on the "out of appetite risk table" should reflect the "maximum in appetite scores" rather than the "minimum in appetite scores." g) Regarding the relationship between the likelihood and impact of risks and how they affect the overall risk score, it is important for evidence-based approaches and tracking metrics to justify risk assessments. The impact and likelihood should not be viewed as mutually exclusive and there is a need to consider the specific circumstances and nature of the risk when assigning scores. It was suggested that a broader discussion on the relationship between impact and likelihood is needed. h) Address the inconsistency in risk assessments where inherent risks transition from a medium to a high level after implementing controls and mitigations. Potentially presenting this concern to the risk advisory group for further examination and cleansing in the upcoming session. <p>The Committee examined the risk register and were content with the discussion.</p>	<p>Director of Finance, Planning & Governance</p>
6.	STANDING BUSINESS	
6.1	Board 3 Key Points	
	<p>The Chair listed the key points as:</p> <ol style="list-style-type: none"> 1. IT Infrastructure 2. Financial Performance Report 3. One Team 	
7.	ANY OTHER BUSINESS	
7.1	There were no other matters of business noted.	
8.	DATE OF NEXT MEETING	
	29 November 2023	
	<p>Person Presiding: Gill Graham Signature: <i>Gill Graham</i> Date : 29 November 2023</p>	