Audit and Risk Committee Minutes - Approved

Meeting of the Audit and Risk Committee of Healthcare Improvement Scotland at 10.30, 23 June 2025, MS Teams

Attendance

Present

Robert Tinlin (Committee Chair)

Abhishek Agarwal (Non-Executive Director)

Keith Charters (Non-Executive Director)

John Lund (Non-Executive Director)

Nikki Maran (Non-Executive Director)

In Attendance

Sybil Canavan, Director of Workforce

Eddie Docherty, Director of Quality Assurance and Regulation

Ann Gow, Deputy Chief Executive

Mhairi Hastings, Interim Director of Nursing and Systems Improvement

Evelyn McPhail, HIS Chair

Clare Morrison, Director of Engagement and Change

Kevin McInneny, Head of Digital Services

John McKee, Head of Communications

Angela Moodie, Director of Finance, Planning and Governance

Janet Napthine, Interim Director of Finance and Corporate Services

Robbie Pearson, Chief Executive

Safia Qureshi, Director of Evidence and Digital

Karlin Rodgers, Head of Finance and Procurement

Auditors

KPMG: James Lucas, Syed Shah

Audit Scotland: Esther Scoburgh, Joni McBride

Apologies

Judith Kilbee (Non-Executive Director)

Simon Watson, Medical Director – Director of Safety

Claire Gardiner, Audit Scotland

Meeting Support
Pauline Symaniak, Governance Manager

1. Welcome and Apologies for Absence

1.1   Welcome and apologies
The Chair welcomed all to the meeting, in particular Janet Napthine attending her first meeting and Angela Moodie attending her final meeting. There were no declarations of interest. Apologies were noted as above.

2. Minutes of Previous Meeting / Action Register

2.1   Minutes of Audit and Risk Committee meeting on 5 March 2025
The minutes of the meeting held on 5 March 2025 were accepted as an accurate record. There were no matters arising.

Decision: The Committee approved the minutes.

2.2   Review of Action Point Register of Audit and Risk Committee meeting on 5 March 2025
The updates were noted and it was agreed to close those actions recommended for closure. It was noted there are two actions in progress.

Decision: The Committee approved closure of those actions recommended for closure.

3. Committee Governance

3.1   Aide Memoire for Committee Chairs on Cross Cutting Themes
The Committee Chair reminded the meeting that the aide memoire links with the Assurance Framework and assists the Committees and Board to consider the levels of assurance provided within papers and gain appropriate assurance of matters presented.

Decision: The Committee noted the aide memoire.

4. Annual Accounts

4.1   Service Audit Reports
The Head of Finance and Procurement provided the Service Audit Reports in respect of IT and payroll services provided by National Services Scotland (NSS) and the financial ledger hosted by NHS Ayrshire and Arran. In respect of the IT and payroll audits, there were minor qualifications which NSS have agreed to address.

In response to questions from the Committee, it was advised that in relation to payroll a recent business continuity exercise flagged process implementation as an area for improvement. HIS sits on the quality board for payroll services which will provide assurance of quality as NSS increases the number of payroll services it delivers.

Decision: The Committee considered the reports and accepted the moderate level of assurance offered.

4.2   Annual Report and Accounts Update

The Director of Finance, Planning and Governance provided the updates to the draft Annual Accounts since they were considered at the Board's Annual Accounts workshop on 22 May as well as the note of that meeting.

Decision: The Committee noted the update and accepted the significant level of assurance offered.

4.3   Annual Report and Accounts 2024-25

The Director of Finance, Planning and Governance the provided the updated draft Annual Accounts for 2024-25.

In response to a question from the Committee about demonstrating impact, it was advised that updates were made to the accounts based on feedback but there was insufficient time for a full revision. Work is ongoing to develop an impact framework.

The HIS Chair extended thanks to colleagues who worked on the Annual Report and Accounts.

Decision: The Committee agreed to recommend adoption of the accounts to the Board at their meeting on 30 June subject to minor adjustments and accepted the significant level of assurance offered.

4.4   Annual Internal Audit Report and Opinion 2024-25

KPMG provided their annual report and opinion with an illustrative conclusion in line with the new Internal Audit global standards. It was advised that six audits were completed during the year and the overall opinion is significant with minor improvements.

The Chair of the Committee advised that private meetings were held with both auditors that morning.

Decision: The Committee accepted the audit opinion.

4.5   Draft Annual Audit Report 2024-25

Audit Scotland presented the draft audit report noting that an unmodified opinion is provided and the service arrangements are noted as appropriate. They advised that local internal controls were operating effectively. The auditor asked if there were any issues of fraud since completion of the audit and management advised there were none.

Decision: The Committee accepted the audit opinion.

5. Corporate Governance

5.1   Digital Solutions Group Update: Information Governance; IT Infrastructure; Business Resilience and Sustainability

The Director of Evidence and Digital provided this report and highlighted the following key points:
   a) Formal migration to the cloud has commenced.
   b) The recent phishing simulation exercise resulted in the majority of staff not responding appropriately and therefore targeted training and awareness raising is in place.
   c) Freedom of Information activity is missing targets in some cases and therefore training is in place.

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

d) It is a requirement of the cloud migration contract with Azure that data will be held within the UK. Controls are in place to ensure effective delivery.

e) Regarding phishing, systems are in place to catch some alerts as they arrive to enable them to be dealt with and a planned visit to the Cyber Security Centre of Excellence (CSCoE) will provide more learning. There was targeted training for any member of staff who did not respond appropriately and there will be ongoing monitoring.

Decision: The Committee noted the update and accepted the moderate level of assurance offered.
Action: Provide an update to the Committee after the visit to the CSCoE.

5.2 Financial Performance Report

The Interim Director of Finance and Corporate Services provided the financial performance report as at the end of May 2025 and noted that the overall position is a £300K underspend. The significant financial deficit across NHS Scotland was highlighted as well as ongoing challenges for HIS to secure recurring savings.

In response to questions from the Committee, the following additional points were made:
a) Regarding areas for investment, there is a mix of areas that will release savings and areas that require investment but won't release savings.

b) The NHS Scotland deficit data was from a point in time and there may be improvements since then. There is a risk for HIS in not securing recurring savings but we would still be within the required 3% of budget and have various ways to leverage more savings.

c) Regarding recurring savings, a significant proportion are expected from only two areas but there are savings plans behind these and it will be monitored by the Executive Team.

The Committee emphasised the need for further action to be taken to secure the necessary level of recurring savings in 2025-26 and to avoid carrying further undelivered savings in future years.

Decision: The Committee considered the financial performance and accepted the moderate level of assurance offered.

5.3 Counter Fraud

The Head of Finance and Procurement provided the update on counter fraud activity advising that all counter fraud standards are being met except the one that Counter Fraud Services (CFS) is leading. She advised that the National Fraud Initiative has concluded with a higher number of matches for HIS but no cases of fraud identified.

In response to questions from the Committee, the following information was provided:
a) Cases in relation to independent healthcare (IHC) services are sometimes referred through CFS but are usually not fraud and are forwarded to the appropriate place such as the IHC team in HIS.

b) In relation to a recent high profile NHS fraud case, learning from this is already in place including segregation of duties and rules for appraisal of tenders.

Decision: The Committee approved the Fraud Annual Action Plan for 2025-26 and the submission of the Counter Fraud Standards Self-Assessment for 2024-25. The Committee accepted the significant level of assurance offered.

5.4   Intelligence Implementation Group Update

The Director of Evidence and Digital provided the update on the delivery of actions from the Digital and Intelligence Strategy by the Intelligence Implementation Group (IGG) in relation to recommendations from the Responding to Concerns review. It was advised that the work is in the discovery phase.

In response to questions from the Committee, the following additional information was provided:
   a) In terms of what will be delivered, there are different options depending on the resource available. The work is being taken forward initially within current resources.
   b) The discovery phase will provide a picture of what is presently in place and once this is available, short term and medium term goals will be mapped.
   c) Regarding sharing intelligence internally, there needs to be a cultural shift towards this as well as the means to do so. Learning is being taken from how the police service shares intelligence.

Decision: The Committee noted the update and accepted the moderate level of assurance offered.
Action: Demonstration of progress against a timeline to be added to future papers.

5.5   Code of Corporate Governance

The Head of Finance and Procurement provided updates to the Code in terms of changes to terms of reference following review and adjustments to the Standing Financial Instructions in light of changes to procurement thresholds.

Decision: The Committee endorsed the changes for presentation to the Board and accepted the significant level of assurance offered.

6. Internal Audit

6.1   Internal Audit Update: Draft IA Charter 2025-26; Internal Audit Reports - Responding to Concerns, Measuring Impact, Quality Performance Committee; Internal Audit Actions Progress Report

KPMG presented the above reports and the following points were discussed:
   a) The Responding to Concerns Escalation Protocols audit provided partial assurance with improvement required and four medium risk findings. The report will be shared with Scottish Government which will require an additional covering later.
   b) The Measuring Impact audit provided partial assurance with one moderate finding. It was noted that an evaluation framework was previously developed in HIS but not taken forward. The opportunities for further joint working with Public Health Scotland were noted as well as that already in place.
   c) The Quality and Performance Committee audit provided significant assurance with minor improvements required including the recording of interests for all of those who attend.

Decision: The Committee approved the Internal Audit Charter and accepted the audit progress report.
Action: Wording to be amended in the Responding to Concerns Escalation Protocols audit in relation to use of the word conflict. Audit reports to be shared as appropriate with the leads for other Committees.

7. Risk Management

7.1   Strategic and Operational Plan Risk Registers

The Interim Director of Finance and Corporate Services provided the latest strategic and operational plan risks, noting that the paper reflected the review of the Board's risk appetite. The paper also provided terms of reference for the new sub committee for risk.

The Vice Chair of the Committee/Chair of the Risk Sub Committee advised that the purpose of the sub committee is to provide assurance on risk management to the Board. In particular to ensure that the risk landscape at a strategic level is reflected at the operational level and to ensure an appropriate model of risk management is in place. Initial focus will be on the highest risks.

Decision: The Committee gained assurance on the overall management of risk and approved the terms of reference for the Risk Sub Committee. The Committee accepted limited assurance on the strategic risks which are out of appetite. Regarding the risks which are within appetite, the Committee accepted significant assurance when the residual score is medium or low and moderate assurance when the score is high.

Action: Regular updates to be provided to the Quality and Performance Committee and the Audit and Risk Committee on progress with managing the high risk related to regulation of independent healthcare.

8. Standing Business

8.1   Board 3 Key Points
The following key points were agreed: internal audit reports and sharing them with other appropriate Committees; cybersecurity; recurring savings 2025-26.

8.2   Feedback Session
The Committee noted this was a full agenda but this reflects end of year activity. The revised paper format was welcomed as it provides more focused information.

9.Any Other Business

9.1   Any Other Business
The Chair extended thanks on behalf of the Committee to Angela Moodie for her stewardship of the organisation's finances and support to the Committee.

10.Date of Next Meeting

Next meeting will be held on 3 September 2025.

Approved by: Rob Tinlin, Chair

Date: 3 September 2025