

**MINUTES - Approved**

**Meeting of the Healthcare Improvement Scotland Audit and Risk Committee at  
14:00, 23 November 2022, MS Teams Videoconference**

**Present**

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

**Healthcare Improvement Scotland Officers**

Sybil Canavan	Director of Workforce
Lynsey Cleland	Director of Quality Assurance
Ann Gow	Deputy Chief Executive/Director of NMAHP
Ben Hall	Head of Communications
Lindsey McIntosh	Interim Director of Community Engagement
Angela Moodie	Director of Finance, Planning and Governance
Lynda Nicholson	Head of Corporate Development
Robbie Pearson	Chief Executive
Safia Qureshi	Director of Evidence
Zaid Tariq	Deputy for Director of Improvement
Simon Watson	Medical Director

**In Attendance**

Carole Wilkinson	HIS Chair
Peter Clark	Grant Thornton
Rachel King	Grant Thornton
Paul McCauley	Risk Manager
Esther Scoburgh	Audit Scotland

**Committee Support**

Pauline Symaniak	Governance Manager
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**Apologies**

Ruth Glassborow	Director of Improvement
David Rhodes	Head of Finance and Procurement

1.	<b>WELCOME AND APOLOGIES FOR ABSENCE</b>	<b>ACTION</b>
1.1	<p>All present were welcomed to the Audit &amp; Risk Committee meeting; particularly new member John Gibson and Esther Scoburgh from Audit Scotland.</p> <p>The Chair reminded members to advise of any potential conflicts of interest during the course of the meeting.</p> <p>Apologies for the Committee meeting were noted as above.</p>	
2.	<b>MINUTES OF PREVIOUS MEETING/ACTION REGISTER</b>	
2.1	<b>Minute of Audit and Risk Committee meeting on 7 September 2022</b>	
	<p>The minutes of 7 September 2022 were approved as an accurate record of the meeting by the Committee with one amendment as noted below.</p> <p>One of the members sought clarification of several points in the minutes as follows:</p> <ul style="list-style-type: none"> <li>a) The reference to moving to a stable structure in risk 922 relates to introducing a new CRM (customer relationship management software) into the Quality Assurance Directorate to mitigate a risk. As this is nearing successful completion, the risk will soon be removed.</li> <li>b) Regarding independent healthcare, the deficit will be covered by reserves. There is a correction needed to the minutes so that section 6.1e) reads 'deficit of between £20k to £40k'.</li> <li>c) In section 6.2 information governance, the link provided to the Information Commissioner's Office was a link to additional information.</li> </ul> <p>There were no matters arising.</p>	
2.2	<b>Review of action point register of Audit and Risk Committee meeting 7 September 2022</b>	
	<p>The Committee reviewed the action point register and noted that the only action on the register was complete.</p>	
3.	<b>RISK MANAGEMENT UPDATE</b>	
3.1	<b>Strategic &amp; Operational Plan Risk Registers</b>	
	<p>The Director of Finance, Planning and Governance provided the strategic risk register and the high/very high operational plan risks assigned to the Committee. She advised that the changes to the strategic risk register were the combining of two risks and the addition of a new risk related to safety. She drew the Committee's attention to an error on Appendix 1 where the far right column should state "significant" instead of "intolerable".</p> <p>In response to questions from Committee members, the following additional information was presented:</p> <ul style="list-style-type: none"> <li>a) Risk 635, related to the Finance Strategy, is scored at high/12 and it is felt this rating is appropriate even in the current challenging financial context. This is because the financial situation will not prevent the organisation delivering significant outcomes and we are not predicting that we will have a deficit.</li> <li>b) Risk 1072, related to various external pressures, is rated higher because those external factors could have a more significant impact on HIS. There may also be some variation in scoring related to individual risk appetite. There is a typing error in the score presented as well and it will be corrected.</li> </ul>	<p><b>Director FPG</b></p>

	<p>c) In the operational plan risks presented some of the inherent risk scores are shown as being lower than the residual risk level. The Compass system only allows one risk score to be recorded. Currently some risk owners are recording inherent risk and others residual, hence there is a lack of consistency. Residual risk scored should always be lower than inherent scores. This will be corrected.</p> <p>d) Regarding risk 1166, related to Microsoft licenses, there is not information about how long it takes a user to gain access to the system again if they have been removed due to insufficient number of licenses. This may vary depending on individual or board circumstances. HIS is managing the situation very actively to ensure that we don't have any licenses that are not in use.</p> <p>e) Regarding risk 1171, digital development, the work on the discovery phase for the new website was completed on time.</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>	
<b>4.</b>	<b>EXTERNAL AUDIT</b>	
<b>4.1</b>	<b>Welcome and Introductions to Audit Scotland</b>	
	<p>The Director of Finance, Planning and Governance introduced Esther Scoburgh from Audit Scotland who will be the audit lead for HIS.</p> <p>Esther Scoburgh shared some of her background and experience with the Committee, advising that she has 25 years of experience with the public sector. She highlighted the following points in relation to the HIS audit:</p> <ul style="list-style-type: none"> <li>a) She has reviewed last year's annual accounts and notes that a breakeven position is predicted for this year. She has no concerns about last years' accounts.</li> <li>b) Audit Scotland have concluded that HIS is a less complex body for audit purposes and accordingly the full application of the wider scope audit is not appropriate.</li> <li>c) She will aim to keep to a similar timetable as that delivered last year and will provide an audit plan in early 2023.</li> <li>d) Effective working partnerships and good communications between Audit Scotland and HIS staff will form the basis of the audit work.</li> <li>e) She very much looks forward to working with HIS and with the Audit and Risk Committee.</li> </ul> <p>The Committee welcomed Esther and Audit Scotland as the new External Auditors for HIS.</p>	
<b>4.2</b>	<b>External Audit Actions Progress Report</b>	
	<p>The Director of Finance, Planning and Governance provided the progress report in relation to the single action being tracked related to the CRM system. The deadline for this action has been extended.</p> <p>In response to a question from the Committee about this action being achievable in the new timescale, it was advised that the system has now been successfully set up and tested so the next stage is to use it in real time to identify any refinements. Therefore, the new deadline of September 2023 is achievable.</p> <p>The Committee considered the action on the report and subject to the clarification above, were content with the progress reported.</p>	

<b>5.</b>	<b>INTERNAL AUDIT</b>	
<b>5.1</b>	<b>Internal Audit Update including Internal Audit Actions Progress Report</b>	
<b>5.1.1</b>	<b>Internal Audit Progress Update</b>	
	<p>Grant Thornton provided their progress update on the various audits scheduled for this year, advising that four reviews have been completed while the community engagement review and the risk management review are underway. Two reports are provided later in the agenda. There is a letter rather than a report for the Property Transactions Monitoring review as it was a nil return.</p> <p>The Committee advised that the Board will revisit its risk appetite at a session in January 2023 and wondered how this might affect the risk management audit. Grant Thornton advised that they don't expect it to impact the audit which will be done before the appetite session, however they will take the session into account as necessary.</p>	
<b>5.1.2</b>	<b>Internal Audit Actions Progress Report</b>	
	<p>Grant Thornton provided the report setting out progress against actions from previous audit reports and noted that 11 actions are being tracked, five are complete, five have revised timescales and one is delayed.</p> <p>In response to a question from the Committee about how the audit programme is compiled, it was advised that is largely based on the risk register but also on discussions with the organisation and the identification of any gaps. There are also some contingency days built in. The meeting was advised that the annual audit plan is also considered and approved by the Audit and Risk Committee.</p> <p>A Committee member raised the issue of the use of acronyms and it was agreed that an abbreviations list will be shared with new Board members.</p>	<b>Governance Manager</b>
<b>5.2</b>	<b>Internal Audit Reports</b>	
	<p>Grant Thornton provided the following Internal Audit reports.</p> <p><u>Complaints</u> Grant Thornton highlighted the following:</p> <ol style="list-style-type: none"> <li>The summary finding was reasonable assurance with some improvement required.</li> <li>Risk area 1 relates to awareness and mapping of processes, and resulted in one improvement action.</li> <li>Risk area 2 relates to oversight of complaints and was given a medium rating. This links to the first risk area in respect of process and documentation.</li> <li>Risk area 3 is related to the use of lessons learned from complaints and was rated as low.</li> </ol> <p>In response to a question from the Committee about whether the complaints sample related to only those against HIS or were broader than that, Grant Thornton confirmed that the scope of the audit had been complaints against HIS only.</p> <p><u>Independent Healthcare</u> Grant Thornton highlighted the following:</p> <ol style="list-style-type: none"> <li>The summary finding was reasonable assurance.</li> <li>One of the low rated findings was ensuring that the list of registered providers on the HIS website is comprehensive and checked for accuracy. The improvement action related to this is for HIS to ensure there is a</li> </ol>	

	<p>consistent check to find unregistered services.</p> <p>c) The other low rated findings related to document control processes and communications with providers.</p> <p>The Committee welcomed the report and the efforts of the Independent Healthcare team as this has been a complex area of work for the organisation with numerous risks.</p> <p><u>Property Transaction Monitoring Report</u> Grant Thornton highlighted that this was a nil return and there were no additional points to raise.</p> <p>The Committee examined the audit reports provided as well as the additional information in response to questions, and were content with the information reported for these areas of internal controls.</p>	
<b>6.</b>	<b>CORPORATE GOVERNANCE</b>	
<b>6.1</b>	<b>Financial Performance Report 31 October 2022</b>	
	<p>The Director of Finance, Planning and Governance provided a paper setting out the financial position as at the end of October and highlighted the following:</p> <ul style="list-style-type: none"> <li>a) The baseline position is a £300k overspend which is 1.5% of the budget. This is being driven mostly by pay spend.</li> <li>b) For additional allocations, £6.2m of the funding has been received or confirmed, leaving £2.5m unconfirmed. Of this, £1.3m has been spent and there are 21 whole time equivalent staff allocated to these projects. This represents a risk in respect of additional allocation funding.</li> <li>c) We continue to escalate the matter of additional allocations outstanding to Scottish Government but at this point in the year, it would not be possible to spend all of the amount not yet received. Therefore we are reviewing what funding is actually needed at this point.</li> <li>d) The high-level baseline outturn for the year is anticipated to be £31.9m, which is £0.4m/1.2% over budget. The tolerance level is 1% and therefore we are confident that we will reach a balanced outturn by the year end.</li> </ul> <p>In response to questions from the Committee, the additional information below was provided:</p> <ul style="list-style-type: none"> <li>e) Regarding the collective responsibility for Directors to get back to budget, the Chief Executive advised that all Directors are doing their utmost to achieve this. As well as this, the Executive Remuneration Committee has oversight of Directors' performance and all Directors have an objective in this regard.</li> <li>f) It is not possible to carry forward any funds as a general rule, even when the funding has been confirmed late in the year.</li> <li>g) Regarding the areas for investment that were approved for this year, it has taken longer to spend the money associated with these so they have generated savings. However they have not been paused. They will be reviewed as part of the 2023/24 budget process, where a further decision point will be taken to ensure that they represent the best use of resources in the current challenging operating context.</li> <li>h) There is confidence of reaching a balanced budget given that the overspend</li> </ul>	

	<p>at this time is only 1.2% of budget. There are a number of levers to achieve this but still some uncertainties, for example, if the pay award is larger than the offer made of 7% then this will create additional challenge in reaching a balanced budget.</p> <p>Having scrutinised the report provided and considered the additional information above, the Committee were content with the financial performance reported.</p>	
<b>6.2</b>	<b>Integrated Planning 2023/24</b>	
	<p>The Director of Finance, Planning and Governance provided a paper and set out the following key points:</p> <ol style="list-style-type: none"> <li>a) As with previous years, an integrated approach is proposed for the budget, operational plan and workforce plan with a strengthened link to Directorates such that each Directorate will have a target.</li> <li>b) A number of assumptions have been made: baseline funding will be flat; there will be a 5% pay increase next year which will need to be self-funded; the total additional allocations will fall relative to the amount this year.</li> <li>c) This leaves a funding gap of £1.5m which will need to be self-funded by using the levers of process improvement, headcount and the Delta House sub-let. It is hoped there will still be funds for areas of investment.</li> <li>d) The Scottish Government budget will be announced on 15 December 2022 and this will provide some clarity such that a final budget can be provided to the Board seminar in January 2023.</li> <li>e) The work programme will inform the Annual Delivery Plan submission to Scottish Government.</li> <li>f) Since the paper was written, the first drafts of directorate budgets are being received and savings are lower than needed. Therefore next year will be challenging financially. More detail will be provided to the Board meeting in December.</li> </ol> <p>In response to questions from the Committee, the following additional points were made:</p> <ol style="list-style-type: none"> <li>g) Regarding the balance between having funds for investment versus other resources, having those investment funds enables benefits to be realised that can secure recurring savings and therefore long term financial stability.</li> <li>h) There have been more recurring savings this year but this has not been consistent across all of the organisation but we may need to take risks to deliver the £1.5m savings on the budget.</li> <li>i) The Executive Team will hold a session the following week on integrated planning plus the One Team has oversight of the work.</li> <li>j) The business cases for investment will be reviewed as part of the planning round to ensure they remain the right areas for investment. Of these, the process improvement work is already underway.</li> </ol> <p>The Committee considered the paper and endorsed the approach to integrated planning for 2023/24.</p> <p><i>Robbie Pearson, Ann Gow and Lynsey Cleland left the meeting at this point.</i></p>	
<b>6.3</b>	<b>Information Governance</b>	
	<p>The Director of Evidence referred to the Information Governance paper issued in advance and highlighted the following points:</p> <ol style="list-style-type: none"> <li>a) The update covers September to October and includes the usual update on activity.</li> </ol>	

	<p>b) The team are now preparing for the Information Commissioner’s Office audit. A forward plan and request for evidence have been received. Some areas are problematic for sourcing evidence, often because HIS is too small an organisation to make activities worthwhile.</p> <p>c) The national information governance review is underway across the public sector in Scotland and details are provided in the appendix.</p> <p>The Committee were content with the information reported and did not have any questions.</p>	
<b>6.4</b>	<p><b>IT Infrastructure Update Inc: National Information Systems Regulation &amp; Sustainability Update</b>  <i>Kevin McInnery, Digital Services Lead, joined for this item.</i></p>	
<b>6.4.1</b>	<p><b>IT Infrastructure Update</b></p> <p>A paper on IT Infrastructure was presented to the Committee, and the Director of Evidence highlighted the following points:</p> <ul style="list-style-type: none"> <li>a) An external partner was brought in to review the organisation’s infrastructure and improve resilience. They recommended a cloud based approach and this proposal will be presented to the Executive Team.</li> <li>b) Cyber security progress is on target and a successful exercise was carried out that morning with the Scottish Business Resilience Centre.</li> <li>c) Staffing has been strengthened in the ICT (Information and Communications Technology) Team but it has not been possible to recruit to all posts in the business case. The main impact of this is on the resilience roles.</li> <li>d) Website redevelopment is progressing well and useful insights have been gained from feedback sessions. However it has been difficult to engage with external users of the website due to current system pressures. As this is considered very important, the deadline has been extended. The main deliverable at this stage is the insights report and the user requirement specification for the new website. A key part of moving forward will be reviewing how we work such as streamlining and reducing duplication of effort.</li> </ul> <p>In response to questions from the Committee, the following information was provided:</p> <ul style="list-style-type: none"> <li>e) Regarding the move to a cloud based solution, it will improve cyber security because the latest updates will be available and Microsoft will take care of all the hardware. It doesn’t make our data any more of a larger target than now, because much of our data already sits on Office365. The data centre for the cloud is UK based and there are multiple back-ups. For a small fee, additional resilience can be purchased, such as having our data replicated at an additional UK centre.</li> <li>f) Work will be ongoing to ensure the new website meets user needs, both internal and external. There may be multiple routes of access to the website, for example one for members of the public and one for clinicians. The new website will change the way we work and improve the user experience.</li> </ul> <p>The Committee noted the update.</p>	
<b>6.4.2</b>	<p><b>Sustainability Update</b></p> <p><i>Robbie Pearson, Ann Gow and Lynsey Cleland rejoined the meeting during this item.</i></p> <p>The Director of Evidence provided a paper setting out progress towards</p>	

	<p>sustainability targets and highlighted the following:</p> <ul style="list-style-type: none"> <li>a) There has been a growing demand for audits, plans and reports, requiring data collation and the creation of improvement plans. As it wasn't possible to recruit to the two dedicated programme manager posts, this work is being delivered by one post in addition to regular duties.</li> <li>b) We are ensuring that the ask is reasonable considering the small size of our Board. The workload is being managed by prioritising but there is insufficient capacity to take forward actions or deliver improvements. There is a strong staff network but it's not appropriate to deliver actions through that group. The National Board Directors of Finance will soon meet with Sustainability Leads to identify options for a shared approach.</li> <li>c) There are other ways in which HIS can influence sustainability externally through our specific work programmes, for example, reducing hospital infections or reducing single use items.</li> <li>d) The organisation is ambitious in what it wants to achieve but this needs to be balanced with the resource available.</li> </ul> <p>The HIS Chair advised that the level of demands on small Boards has been raised with the sponsor team in Scottish Government. The Committee made the suggestion of using a staff task force to take forward actions.</p> <p>The Committee noted the update.</p>	
<b>6.5</b>	<b>One Team Update</b>	
	<p><i>Lindsay Fielding, Strategic Lead, Internal Improvement Oversight Board (IIOB), joined for this item.</i></p> <p>The Chief Executive referred to the paper issued in advance and highlighted the following points:</p> <ul style="list-style-type: none"> <li>a) There is a large range of pressures and challenges at the moment, and efforts so far have been insufficient to meet these. Therefore One Team is a more coherent programme to enable progress to be made and to ensure the organisation will be agile and responsive for the future.</li> <li>b) The board is chaired by the Chief Executive and there are four workstreams with an executive sponsor – working environment, efficiency, workforce and redesign.</li> <li>c) The One Team programmes will work within agreed policies and will be responsible to the Chief Executive as Accountable Officer. Reports will be provided to Committees and the Board.</li> </ul> <p>In response to a question from the Committee about culture change and communications, it was advised that messages are being shared with staff which emphasise that they are empowered to make changes. The HIS Foundation Improvement Skills programme has equipped a large cohort of staff with the necessary skills to effect change. There is also a communications plan and a dedicated place on the Source for information.</p> <p>The Strategic Lead for IIOB added that staff are engaged and passionate about change. Improvement sprints are being delivered now to tight timelines to remove waste from systems and there is a pipeline of activity.</p> <p>The Committee noted the update.</p>	

<p><b>6.6</b></p>	<p><b>Business Continuity Update</b></p> <p>The Director of Finance, Planning and Governance gave a brief verbal update in addition to the paper which covered:</p> <ul style="list-style-type: none"> <li>a) Business continuity procedures are being updated and this includes looking at a new text messaging alert system.</li> <li>b) Regarding possible industrial action, the resilience group are reviewing plans but have nothing to escalate at the moment. It will continue to be monitored.</li> </ul> <p>The Committee noted the update.</p>	
<p><b>6.7</b></p>	<p><b>Governance Update: Non-competitive Tender Log; Gifts and Hospitality; International Travel; Counter Fraud</b></p> <p><i>Gordon Young, Head of Service, Counter Fraud Services, joined for this item.</i></p> <p>The Director of Finance, Planning and Governance presented a Corporate Governance Report and highlighted the following:</p> <ul style="list-style-type: none"> <li>a) The appendix sets out the non-competitive tenders approved in the quarter, several of which related to securing clinical expertise.</li> <li>b) There have been two new requests for international travel since the previous Committee meeting but one of these has now been cancelled and will be removed from the register. A Freedom of Information request was recently received concerning international travel. The nature of it suggests that it may have been submitted to all Boards.</li> <li>c) The quarterly Counter Fraud Services report has been provided and there have been two cases of suspected fraud, both relating to secondary employment against HIS. One case has concluded and is not suitable for criminal proceedings but workforce policies will be applied. The other case is outstanding.</li> </ul> <p>In relation to International Travel, the HIS Chair confirmed that all requests are considered by the Chair and Chief Executive to ensure the requests are appropriate and of benefit to the organisation.</p> <p>In response to a question from the Committee about changes in procurement since Brexit, it was advised that procurement rules have not changed as they are specific to NHS Scotland standing financial instructions and HIS generally does not procure items of an especially high value.</p> <p>Gordon Young then delivered a presentation about the new Counter Fraud Standards which covered the following areas:</p> <ul style="list-style-type: none"> <li>d) The new Standards were launched in NHS Scotland on 1 April 2022 and work has been ongoing since then with fraud liaison officers in Boards.</li> <li>e) There are twelve key components with multiple actions associated with each. However, HIS already has a lot of these actions in place due to the partnership working with Counter Fraud Services.</li> <li>f) A new bribery and corruption strategy will be created which HIS will be able to adopt.</li> <li>g) A self-assessment will be required at the end of the year but the aim is to avoid this being an onerous report and a hub has been created on Sharepoint where evidence can be placed.</li> <li>h) The expectation is that Boards will not comply with all components of the standards in the first year but will work towards this over subsequent years.</li> </ul>	

	<p>In response to questions from the Committee, the following additional information was provided:</p> <ul style="list-style-type: none"> <li>i) HIS is confident that it will meet many of the components by the end of the year because there has been close working with Counter Fraud Services.</li> <li>j) The driver for the standards is to give Boards a framework that allows them to see best practice and gives them assurance on their approach to fraud.</li> <li>k) There has been a significant increase in fraud referrals which may be due to the cost of living crisis. Common types are working while on sick leave and theft of equipment.</li> <li>l) Regular summits are held with the four UK nations and they are all having a similar experience. The numbers in Scotland are in line with the other UK countries.</li> </ul> <p>The Committee considered the information and were assured that the controls were effective. They thanked Gordon Young for his presentation.</p>	
<b>6.8</b>	<b>Delta House Sub-let Update</b>	
	<p>The Director of Finance, Planning and Governance shared a verbal update on the Delta House sub-let as follows. The National Services Scotland (NSS) Finance, Procurement and Performance Committee approved the sub-let of a single floor at Delta House. An announcement will shortly be made to both organisations' staff. A memorandum of understanding is being drafted and more detail on the commercial arrangements will be provided to the Board in December. There is a possibility they will need more space in future but that will be negotiated as the need arises.</p> <p>The Committee noted the update and welcomed this arrangement.</p>	
<b>7.</b>	<b>STANDING BUSINESS</b>	
<b>7.1</b>	<b>Board 3 Key Points</b>	
	<p>The Chair listed the key points as:</p> <ul style="list-style-type: none"> <li>• Financial performance.</li> <li>• Sustainability reporting.</li> <li>• Positive audit report for Independent Healthcare.</li> </ul>	
<b>8.</b>	<b>ANY OTHER BUSINESS</b>	
	<p><i>Grant Thornton and Audit Scotland left the meeting for this item.</i></p> <p><b><u>Private item – Internal Audit Update</u></b></p> <p>The Director of Finance, Planning and Governance gave the Committee an update on the Internal Audit tender.</p>	

<b>9.</b>	<b>DATE OF NEXT MEETING</b>	
	The next meeting of the Committee will be held on 16 March 2023.	
	Person Presiding: Gill Graham Signature: Gill Graham Date : 2 <sup>nd</sup> March 2023	