

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9.30 am on Monday, 20 February 2023 via MS Teams.

Present:

Mr M. Connor (Chair), Non-Executive Board Member; Mr P. Allenby, Non-Executive Board Member; Ms K. Kasper, Non-Executive Board Member, Councillor S. Jenkinson, Non-Executive Director.

In Attendance:

Mr R. Aitken Associate Director of Operation Ms J. Bennett, Associate Director for Quality Improvement & Safety; Ms J. Browning, Observer; Ms H. Charles, Observer; Mr J. Crombie, Deputy Chief Executive; Mr J. Fraser, Grant Thornton; Ms C. Grant (Audit Scotland); Ms K. Hood, Observer; Mr T. Logan, Head of Operations Hard FM; Ms D. Marklow, Observer; Mr C. Marriott, Director of Finance; Ms N. McCloskey-Sellar, Observer; Mr A. McCreadie, Deputy Director of Finance; Mr G. McGuire, Observer; Ms C. McIntyre, Observer; Ms O. Notman, Head of Financial Services; Mr S. Nugent (Audit Scotland); Mr J. Old, Financial Controller; Mr A. Philips, Grant Thornton; Ms M. Reid, Observer; Mr D. Thompson, Board Secretary; Ms L. Watson, Observer; Ms. L Weir, Observer; and Miss L. Baird, Committee Administrator.

Apologies: Councillor H. Cartmill.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

Welcomes and Introductions

The Chair welcomed members and regular attendees to the meeting. He also welcomed the newly appointed External Audit team from Audit Scotland. He noted that a number of additional staff were observing the meeting as part of the NHS Lothian Talent Management Programme. He gave a brief overview of the purpose of the Audit Committee and how it discharges its duties on behalf of the Board.

45. Minutes of the previous meeting held on 21 November 2022

- 45.1 The minutes of the meeting held on 21 November 2022 were accepted as an accurate record and approved.
- 45.2 There was some discussion around item 41.5 & 41.6 of the minutes that related to the organisation's pursuit of civil cases where criminal cases could not be proven. The Committee agreed to reinstate previously closed actions from November to the running action note, so that Mr Marriot and Mr Old can detail how this has been addressed. **CM/JO**
- 45.3 The Committee agreed that there were no other matters arising from minutes that were not covered in the running action note.

46. Running Action Note

- 46.1 The Committee noted the actions marked complete or items on the agenda for further discussion and those that were not due for consideration detailed within the report.
- 46.2 The Committee accepted the running action note and the information therein.

47. Risk Management

- 47.1 NHS Lothian Corporate Risk Register (CRR) - The previously circulated report was received.
- 47.2 The risk appetite statement and how this correlated with very high risks both within and outwith the gift of the organisation was reviewed. Members acknowledged the well-crafted statement and that those risks outwith the organisation's gift related to national discussions.
- 47.3 The Committee reviewed the January 2023 updates provided by the leads concerning risk mitigation, as set out in the assurance table, and considered by the February 2023 Board.
- 47.4 The Committee noted the Corporate Management Team (CMT) did not make any CRR recommendations to the February 2023 Board.
- 47.5 The Committee noted that the rationale for any material worsening risks, will be set out in the CRR papers, which will be submitted to the Strategic Planning and Performance Committee (SPPC) prior to its submission to the Board.
- 47.6 The Committee approved the updated risk management policy and procedure prior to it being presented to the April Board meeting for approval.
- 47.7 The Committee approved the NHS Lothian risk appetite statement in the context of the Blueprint for Good Governance in NHS Scotland (second edition), published in December 2022.

48. Internal Audit

- 48.1 Members noted that the timing of Mr Clark's departure from Grant Thornton and the appointment of his replacement Ms Mayne had been unfortunate, but it was hoped that she would be in place for the April Audit and Risk Committee; Mr Fraser would present the papers in Mr Clark's and Ms Mayne's absence with the support of Mr Phillips.
- 48.2 Internal Audit Progress Report – February 2023 – the previously circulated report was received.
 - 48.2.1 It was noted that, since the November 2022 meeting, four reports were finalised, one was almost complete, one was in the final scoping stages.
 - 48.2.2 It was noted that the West Lothian IJB audit was complete, and East, Edinburgh and Midlothian were making substantial progress.

- 48.2.3 It was noted that the initial list of audits that the 2023/24 Internal Audit Plan would comprise of had been shared with Mr Marriot and the Non-Executive Directors. It was expected that the draft list would be reviewed and finalised to allow the draft 2023/24 Plan to be brought to the April Audit and Risk Committee Meeting for approval.
- 48.2.4 Mr Fraser would pick up comments from Mr Marriot on the plan sent to Ms Brown and Mr Clark and set up a meeting to discuss the plan in full. **JF**
- 48.2.5 The Committee accepted the report.
- 48.3 Internal Audit Follow-up of Management Actions Report (February 2023) – The previously circulated report was received. It was noted that, in the period since November 2022, six management actions had been closed, and 23 new actions were added. Of the remaining open management actions, 18 were not yet due, and eight actions were in progress.
- 48.3.1 It was noted that the outstanding actions relating to analytics were either complete or the deadlines had been revised. The Chair thanked Mr Crombie for his support in escalating the outstanding actions on behalf of the Committee to expedite a response.
- 48.3.2 The Committee discussed the roles of Police Scotland and the Procurator Fiscal relating to instances of violence and aggression in the workplace, where a staff member has been assaulted. The Chair noted that the previous action to engage with the Chair of the Staff Governance Committee had stalled but he would continue to pursue a date to meet with Mr McQueen, Ms Ireland, and Mr Allenby to discuss this matter further out with the meeting. **MC**
- 48.3.3 The Committee accepted the report.
- 48.4 Critical Systems – Ventilation Internal Audit Update – The previously circulated report was received.
- 48.4.1 The report explained that all actions had been completed with the exception of the standard operating procedure for signing off permits from a clinical perspective when a ventilation unit is taken offline, which would be completed soon.
- 48.4.2 The Committee noted their appreciation for the extensive work carried out by Estates and Facilities to address the issues identified within the internal audit as well as the wider aspect of ventilation as a whole.
- 48.4.3 The Committee acknowledged the latest update from Estates and Facilities on progress made with the audit action plan and noted the considerable progress to date.
- 48.4.4 The Committee accepted the report.

- 48.5 Internal Audit Report 2022/23 Waste Management – The previously circulated report was received.
- 48.5.1 The audit focused on NHS Lothian Waste Management had identified four medium rated findings and provided a moderate level of assurance to the Committee. The findings related to policy detail, timely completion of reports and audits and monitoring of mitigating actions.
- 48.5.2 It was noted that testing had identified that there was a Waste Management Officer in post.
- 48.5.3 The Committee accepted the report.
- 48.6 Internal Audit Report 2022/23 Information Security – The previously circulated report was received.
- 48.6.1 The internal audit focused on information security had identified four medium and one low rated finding with an overall assurance rating of moderate. Findings related to asset management and end of life assets, password complexity and the policy around this, awareness training and incident response.
- 48.6.2 The Committee noted that ‘Privileged’ and ‘Super Users’ were staff who had enhanced permissions that allowed access to backend settings, to create accounts and passwords etc.
- 48.6.3 There was some discussion around the vulnerabilities associated with interactions with other systems and partners such as Primary Care, action taken to reduce the risk to the organisation and safeguard patient data. It was noted that many of these applications were national legacy systems and therefore mitigating action was out with the control of NHS Lothian and would need to be taken forward nationally.
- 48.6.4 The Committee noted that eHealth has vulnerability management processes in place, with regular interviews, scans and where issues were identified they were resolved immediately. Legacy issues were placed on the local risk registers and escalated as required.
- 48.6.5 The Committee accepted the report.
- 48.7 Internal Audit Report 2022/23 Mandatory and Statutory Training – The previously circulated report was received.
- 48.7.1 The Committee took significant assurance from the audit on Mandatory and Statutory Training and noted the one advisory finding that related to NHS Lothian not including training modules required or recommended by statutory law or legislation.
- 48.7.2 Of the 11 areas audited, eight had achieved over 80% mandatory and statutory compliance. Two directorates were just below the 80% threshold: Edinburgh Partnership (79%) and Directorate of Primary (76%). Estates had only achieved 27% compliance but this was expected as many staff did not have access to a computer in their role.

- 48.7.3 The Committee welcomed the overall positive nature of the audit report. Members acknowledged that 100% compliance within the organisation would be unachievable when staffing pressures, annual leave, and sickness absence are taken into account.
- 48.7.4 Following a brief discussion on the risk of not including training modules required or recommended by statutory law or legislation in mandatory training. The Committee requested that Mr Fraser revisit the advisory rating, in light of their concerns around data protection and the risk this posed to organisational reputation and bring back an update to the April Audit and Risk Committee. **JF**
- 48.7.5 The Committee accepted the report.
- 48.8 Internal Audit Report 2022/23 Local Procurement – The previously circulated report was received.
- 48.8.1 The audit had focused on organisational compliance with procurement processes specifically relating to tenders undertaken locally. Findings had identified one medium, three low and one advisory finding with an overall rating of moderate assurance.
- 48.8.2 The Committee accepted the report.
- 49. External Audit**
- 49.1 Audit Scotland: NHS Lothian Audit Planning Update to the Audit and Risk Committee – the Committee received a brief presentation from the new External Auditors on their audit planning to date. The presentation drew attention to the code of audit practices, the audit environment, ISA 315, the criteria that Audit Scotland would use, and the external audit fee proposed.
- 49.2 It was noted that the audit plan would be circulated at the end of March and brought back to the April meeting for full discussion.
- 49.3 The Committee expressed disappointment at the increased cost of the external audit fee but recognised that this was a matter for national discussion. Therefore the Board and Audit Scotland would continue as normal until the outcome of national discussions was known.
- 49.4 The Committee agreed to stick to the same timescales as they have done previously during the pandemic and submit the annual accounts within the assigned deadline.
- 49.5 The Committee accepted the update on progress made by Audit Scotland since they had been appointed as external auditor.
- 50. Any Other Competent Business**
- 50.1 There were no other items of competent business for consideration.
- 51. Reflections on the meeting**
- 51.1 The Committee reflected that there was nothing to report to the Board at this time.

52. Date of the Next Meeting

- 52.1 The next meeting of the Audit and Risk Committee will be held on Monday 17 April 2023 at 9.30 a.m. via Microsoft Teams.

The following items were considered in private by the Audit & Risk Committee, under a restricted section of the agenda, as permitted by Standing Order 9.5.

53. Counter Fraud Activity

- 53.1 Counter Fraud Activity – The previously circulated report on counter fraud activity and the attached operation report was received.
- 53.2 The Committee noted that Counter Fraud Services' (CFS) awareness products were available to staff via the TURAS and Learnpro systems. In quarter three an additional 128 Members of staff had completed the fraud awareness modules, bringing the total to 322 to date.
- 53.3 The Committee noted that three intelligence alerts had been received from Counter Fraud Services and disseminated to all relevant and interested parties within the organisation.
- 53.4 On fraud detection, the Committee noted the number of referrals and operations that were currently open, including brief updates on their progress, as well as the number of referrals and operations closed during the reporting period.
- 53.5 The Committee accepted the report as a briefing on the current status of counter fraud activity.
- 53.6 The Committee agreed that the report provided a moderate level of assurance that all cases of suspected fraud had been accounted for, and appropriate action had been taken.

54. SBAR Waiting List Initiative Additional Payments

- 54.1 The previously circulated SBAR on waiting list initiative payments provided a summary of the Counter Fraud Services investigation into some waiting list initiative payments and the mitigating action taken by the Board to recover some of the funds through civil action.
- 54.2 Based on the circumstances reported, the Committee accepted the recommendation to cease any civil recovery actions.
- 54.3 The Committee continued to support the implementation of management actions following the internal audit review of Waiting List Initiative Payments.

Signed by the Chair: 17/04/2023