

minutes (APPROVED)

NHS NATIONAL SERVICES SCOTLAND (NSS)

MINUTES OF AUDIT AND RISK COMMITTEE MEETING HELD ON WEDNESDAY 17 MAY 2017 IN BOARDROOM 1, GYLE SQUARE, EDINBURGH COMMENCING AT 0930HRS

- Present:** Mrs Kate Dunlop, Non Executive Director (Deputising as Chair of the Committee)
Ms Julie Burgess, Non Executive Director
- In Attendance:** Ms Helen Berry, Scott Moncrieff
Ms Rachel Browne, Audit Scotland
Mr John Fox-Davies, Director of Strategy and Governance
Ms Laura Howard, Head of Corporate Reporting
Professor Elizabeth Ireland, NSS Chair
Mr Paul Kelly, Scott Moncrieff
Mr James Lucas, Internal Auditor, KPMG
Ms Louise MacLennan, Head of Public Participation and Engagement (Minute Item 15 only)
Ms Lynn Morrow, Corporate Affairs and Compliance Manager (Minute Item 13 only)
Mr Colin Sinclair, Chief Executive
Mark Taylor, Audit Scotland
Mr Drew McErlean, Committee Secretary (Minutes)

Apologies Mr Mark McDavid, Non-Executive Director

ACTION

1. Chair's Introduction

- 1.1 Kate Dunlop welcomed members and attendees to the meeting and apologies were noted as above.
- 1.2 Members confirmed that they had no interests to declare in relation to any of the agenda items.

2. Recent Cyber Security Attacks

- 2.1. Colin Sinclair noted his thanks to everyone who had been involved in managing a very impressive response to the cyber attack that had started on Friday 12 May. The first NSS resilience meeting had taken place around 5pm that day and these had continued over the weekend. The source of the attack was still to be confirmed. NSS IT systems had not been significantly impacted by the attack but 11 other NHS Boards in Scotland had been impacted. The Scottish Government had convened meetings of their resilience group and NSS had provided input to these discussions.
- 2.2. A summary of the work undertaken in NSS which included close liaison with supplier such as ATOS was provided. The response from suppliers had been very supportive. Two IT systems which NSS supported on behalf of other Boards



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Chair
Chief Executive

Professor Elizabeth Ireland
Colin Sinclair

had been taken down as a precautionary measure and both systems had been fully operational by Monday 15 May.

- 2.3. Key issues had been the successful application of the patch supplied by Microsoft and to ensure that staff had known what to do when they arrived at work. It appeared that the communication exercise to staff had been successful. Remote access to systems had also been temporarily limited on Monday 15 May but had since been restored. The only residual issue was to deal with any consequences that may have arisen from the closing down and restoring of systems. A lessons learned exercise and review of IT security would be undertaken.
- 2.4. On behalf of the Board, Professor Elizabeth Ireland noted thanks to Colin Sinclair, the Executive Management Team and all members of staff who had shown great commitment over the last few days and had given reassurance that the issue was being well managed and coordinated within NSS.
- 2.5. The Executive Leads for forthcoming Board Committees in May and June will report verbally as appropriate at the next meetings of these Committees and a written report will be prepared for the meeting of the NSS Board on 29 June.
- 2.6. Mark Taylor commented that cyber security was becoming an increasingly important issue and Audit Scotland would consider the issues that NSS may need to address. It was agreed that national and local IT initiatives which were clearly going to improve patient care must be fully funded to ensure there was robust resilience. There must be commitment to maintaining investment in IT security.

**John Fox-
Davies**

3. Minutes of the meeting of the NSS Audit & Risk Committee held on 29 March 2017 [Paper AR/17/26 refers]

- 3.1 The minutes were agreed as being an accurate record of the meeting.

4. Matters Arising from the NSS Audit & Risk Committee Meeting held on 29 March 2017 [Paper AR/17/27 refers]

- 4.1. All of the actions were either complete, covered on the agenda or programmed into a future meeting of the Audit & Risk Committee.

INTERNAL AUDIT

5. Report on Internal Audit Status [Paper ARC/17/28 refers]

- 5.1. James Lucas referenced the audits that were currently in progress. The report was noted by the Committee.

6. Procurement Maturity Assessment [Paper ARC/17/29 refers]

- 6.1. James Lucas noted the background to the discussions that had taken place around the scope of this audit which was undertaken to support the Procurement Transformation Programme. The overall report rating had been 'significant assurance with minor improvement opportunities'.
- 6.2. There was one medium priority finding around perception of the support provided to some rural area Health Boards. Kate Dunlop noted it was a difficult balance between using the same process for all customers and being able to adapt it to niche circumstances. The latter approach could incur significant additional costs. Colin Sinclair noted that the services to these areas accounted for less than 0.5%

of the NSS procurement work. The important issue was to have ongoing engagement to ensure specific needs were being identified but not to allow the scope of the service to be varied in a way that was not cost effective.

- 6.3. Professor Elizabeth Ireland commented that the report was helpful and ongoing reviews to ensure the process continued to work effectively and efficiently would be useful. There had to be a focus on driving costs down for the primary care sector. Colin Sinclair commented that overall the audit was very positive and would be of benefit in taking the transformation programme forward. Carolyn Low welcomed the advisory point in the report around the segregation of the accounts payable and the procurement functions. This would be addressed.

7. **RIE**

- 7.1. This audit related to the blood bank rotas at RIE. The work was still on-going and so the report had not yet been drafted. The next steps in the work were being planned.

8. **Internal Audit Annual Report** [Paper **ARC/17/30** refers]

- 8.1. The shared services reference on page 5 of the report should state 12 days rather than 13 days. The overall audit opinion was 'significant assurance with minor improvement opportunities'. Kate Dunlop welcomed what was a very positive report.

9. **SERVICE AUDIT**

National IT Services Contract Audit Report [Paper **ARC/17/31** refers]

- 9.1. Paul Kelly noted the main message was that there were no significant risks. From 120 audited control objectives there had been 8 moderate exposure risk items and 8 limited exposure risk items identified. It was noted that the ATOS contract for IT services currently ran until 2022 with the option of a 4 year extension. It was agreed that at a future meeting of the Audit & Risk Committee it may be helpful to have a presentation on any strategic issues around the ATOS contract. The report was approved by the Committee and therefore could now be issued to the NHS Board customers.

John Fox-Davies

Practitioner Services Audit Report [Paper **ARC/17/32** refers]

- 9.2. Helen Berry noted that the audit had highlighted 8 'housekeeping' exceptions but there were no significant matters to be brought to the attention of the committee. Professor Elizabeth Ireland thanked the audit team for their work on what was a very complex process. Colin Sinclair noted that NSS had now taken on responsibility for payments to patients under the Scottish Infected Blood Scheme and the first payments had been made with no issues reported. The Committee approved the report.

Payroll Services Audit Report [Paper **ARC/17/33** refers]

- 9.3 Helen Berry noted that there had been 3 low priority findings which was 1 more than in the previous year. There were no matters that needed to be brought to the attention of the Committee. Carolyn Low noted that the digital interface development should help to bring about further control improvements. The Committee approved the report.

10. Scott Moncrieff Service Audit Plans and Timescales**National IT Services Contract Audit Plan** [Paper **ARC/17/34** refers]

10.1. Paul Kelly noted the key audit areas would be unchanged from previous years. The discussions held with ATOs around the planning of the audit were referenced. The audit work which would begin in October 2017.

10.2. It was agreed that in light of the recent cyber attacks there may be some merit in re-visiting the scope to consider if there were any areas that may be particularly vulnerable to future attacks of this nature. Julie Burgess noted that there appeared to be a lot of work going on around PACs, where work was ongoing to tackle a number of risks. It was noted that a short paper which sought to summarise the position would be beneficial. Colin Sinclair noted that he would discuss this with the Director of IT. It was also re-iterated that a report on the issues associated with the cyber attack should be taken to the meeting of the NSS Board on 29 June 2017. The paper on PACs should also be brought to the June Board.

Committee Secretary**Practitioner Services Audit Report** Paper **ARC/17/35** refers]

10.3. Helen Berry noted that the same approach would be taken as in previous years. Planned improvements to the existing processes would be included in the scope of the audit work. Colin Sinclair noted that there was a drive to get Optometrists to use an electronic system of invoicing and payments with the plan to levy a charge on those that did not use that system. Discussions on this proposal continued with the Scottish Government. Professor Elizabeth Ireland commented that in her experience the systems and processes worked very well for General Practices. In particular there were clear and helpful points of contact to deal with any issues.

Payroll Services Audit Plan [Paper **ARC/17/36** refers]

10.4. Helen Berry noted that the approach would be unchanged from previous years. The audit would include the interface between eESS and the payroll system. Colin Sinclair noted that this area may present some opportunities for shared services and so reassurance around all control aspects was very important.

EXTERNAL AUDIT**11. Annual Accounts Part A Reports and Certificates** **ARC/17/37** refers]

11.1. Laura Howard noted that report reflected the activities of NSS in the year to 31 March 2017 and identified any potential emerging issues for the year to 31 March 2018. The key changes to the report and accounts around remuneration were noted. It was noted that page 12 of the report should be amended to note 'Mr Douglas Yates first term of office ended on 30 April 2017'.

Laura Howard

11.2. There had been a financial surplus of £751k in the year to 31 March 2017 which was primarily related to the delayed occupation of the Jack Copland Centre. There had also been a small capital surplus. It was noted that the staff sickness absence rate had been 4.3% for the full year against the Scottish Government target of 4%. It was a challenge to identify a suitable benchmark organisation for this particular measure.

11.3. It was agreed that the reference to the delays in the Jack Copland Centre should be amended to emphasise the scale of the work undertaken to address the issues that had resulted in occupancy of the building being delayed.

Laura Howard

- 11.4. Mark Taylor noted that the responsibilities of the External Auditor had been changed in relation to reporting and they now had to give a report that all statutory requirements had been adhered to.
- 11.5. The Audit & Risk Committee noted their thanks to the team in Finance Department for their work in producing the annual report and accounts.
- 12. Annual Report and Accounts Part B – Note 1 Accounting Policies [Paper ARC/17/38 refers]**
- 12.1 Laura Howard noted that the work complied with the requirements of the Scottish Government Annual Accounts Manual. The changes that had been introduced for the current year were noted. Others changes had been notified but would not be effective until 2018 -2019. Preparatory work for these would be required but the changes were not expected to create any issues for NSS.
- 13. Progress on Annual Accounts 2016/2017 (Audit Scotland)**
- 13.1. Mark Taylor noted that the Audit Scotland team was now on-site and working to plan. No significant issues had merged to date and the work should be completed in time to allow full reporting at the next meeting of the Audit & Risk Committee on 22 June 2017. It was noted that some planning would be required to look at any Malware issues or other vulnerabilities that may have arisen as a consequence of the recent cyber attacks. Rachel Browne noted that work on the financial statements had been underway for 2 weeks and confirmed that all the support required had been provided.

NSS UPDATES

- 14. Internal Audit Actions Report [Paper ARC/17/39 refers]**
- 14.1 Lynn Morrow advised that most of the actions had completion dates beyond 31 May 2017. Good progress had been made with the actions to date and there were no requests for deadline extensions. Kate Dunlop noted this was a very positive report which reflected the maturity of the audit actions process.
- 15. Broader Actions on Risk Management following HIS Report [Paper ARC/17/40 refers].**
- 15.1 John Fox-Davies noted that the paper referenced three actions on which updates had been requested for this meeting of the Committee. The first item related to Directors and Senior Managers compliance with the Integrated Risk Management Approach (IRMA) and recording risks on the Risk Register tool. At the moment the use of this tool was inconsistent. For example, the IT SBU used a different model for capturing some risks but it adhered to the IRMA guidelines. Work was underway to establish consistent use of the tool across NSS.
- 15.2. In relation to the review of risks to consider if anything significant might be missing from the NSS Risk Register, it was noted that the additional items suggested had been discussed by the Executive Management Team at their meeting on 24 April. As a consequence eight new risks were now being considered for recording on the NSS Risk Register. The third item related to ensuring there was good awareness amongst staff about the need for highly effective risk management processes. The work done to date was noted.
- 15.3. Julie Burgess noted that she was starting to feel a sense of reassurance (with some progress towards “assurance”) about the approach that was being taken to

risk management as it was evident that robust processes were in place.

16. NSS Feedback, Comments, Complaints and Concerns Report [Paper ARC/17/41 refers]

16.1. Louise MacLennan referenced the work that had been undertaken to implement the new NHS Management Complaint Handling Procedure (MCHP) across NSS and the programme of communication that had supported this. Work to design a face to face training programme was underway for roll out in the Autumn of 2017. The Audit & Risk Committee would begin to see the new KPIs being reported in the Quarter 1 Feedback report for 2017 -2018.

16.2. In quarter 4 of 2016 – 2017 there had been 134 complaints received which was the same number as quarter 3 but a decrease of 11% from the same period in the year to 31 March 2016. A response rate within target of 99% had been achieved in quarter 4. There had been no new complaints referred to the SPSO. Of the two complaints to the SPSO reported in Quarter 3, one had been closed with no further action required and the other was still under investigation.

16.3. The number of complaints received by SNBTS that related to the opportunity to donate blood had remained at a consistent level. The work that had been done to improve communication on this issue was noted. Professor Elizabeth Ireland commented on the improvements in medical science which meant that the blood donations supply could be much better organised. As a consequence the service only needed to take donations for the specific blood types required. It was agreed that the issues around the Oxygen Therapy service would be considered by the Clinical Governance Committee.

Julie Burgess

17. Annual Review of NSS's Standing Orders (including report on scheme of delegation approvals) [Paper ARC/17/42 refers]

17.1 The Clinical Governance Committee would be reviewing their Terms of Reference on 17 May 2017. Therefore further changes to the Standing Orders may be made in advance of the final version being tabled at the meeting of the Audit & Risk Committee on 22 June 2017. The Terms of Reference for the Remuneration and Succession Planning Committee had been updated to note that the Employee Director would be one of the three Non-Executive Directors of the Committee

18. Audit 7 Risk Committee Annual Report to the Board [Paper ARC/17/43 refers]

18.1 The Draft Report would be updated when the work of the External Audit Team was completed. The final version of the Report would be tabled at the meeting of the Audit & Risk Committee on 22 June 2017. It was agreed that the Chair of NSS, the Chief Executive Officer of NSS and the Chair of the Audit & Risk Committee would meet in advance of the NSS Board meeting on 29 June to identify any audit issues that should be referred to the Board.

Committee Secretary

19. Losses and Special Payments Annual Report [Paper ARC/17/44 refers]

19.1 Laura Howard noted that all losses and special payments had been authorised in accordance with the Standing Financial Instructions. The Employee Claim settlements were mainly as a consequence of injuries received at work. In relation to the largest single employee claim for £69k it was noted that a lessons learned exercise would be undertaken by the Executive Management Team to ensure that the risk of any repetition of this type of claim had been fully mitigated.

20 **Committee Highlights for the NSS Board Meeting on 29 June 2017** [Paper ARC/17/45 refers]

20.1 **Key Audit Matters**

The satisfactory progress reported to date on the completion of the 2016 – 2017 audit work.

The positive reports received from Scott Moncrieff for the 2016 – 2017 service audits and the agreement of the audit plans for 2017 – 2018.

Key Risk Matters

The update provided in relation to the recent cyber attacks and the work that was underway to review any issues around the most vulnerable systems. This would be formally reported on at the meeting of the NSS Board meeting on 29 June 2017.

21 **Any Other Business**

Scottish Government Budget Process

- 21.1. Mark Taylor noted that a review of the Scottish Government budget process meant that there could be increased reference to the Reports and Accounts of public bodies to determine if they were being effective and efficient in the spending of public money. This may impact the content of the Report and Accounts in the future.

Papers for NSS Board and Sub-Committee Meetings

- 21.2. Professor Elizabeth Ireland commented that the presentation and content of papers for meetings may be reviewed in an attempt to reduce the volume of some of the reports and to increase the discussion around the critical issues raised in the papers.

22 **DATE OF NEXT MEETING**

- 22.1 The next NSS Audit and Risk Committee Meeting would be held on Thursday 22 June 2017 at 0930hrs

FOR INFORMATION

23 **Audit & Risk Committee Forward Programme 2017** [Paper AR/17/46 refers].

- 23.1. The programme was noted.

There being no further business the meeting finished at 11.50