

minutes (APPROVED)

NHS NATIONAL SERVICES SCOTLAND (NSS)

MINUTES OF AUDIT AND RISK COMMITTEE MEETING HELD ON WEDNESDAY 29 MARCH 2017 IN BOARDROOM 1, GYLE SQUARE, EDINBURGH COMMENCING AT 0930HRS

Present: Mrs Kate Dunlop, Non Executive Director
Mr Mark McDavid, Non-Executive Director (Chair of the Committee)
Mr Douglas Yates, Non-Executive Director

In Attendance: Ms Helen Berry, Scott Moncrieff
Ms Rachel Browne, Audit Scotland
Mr Phil Couser, Director PHI (Minute Item 9)
Mr John Fox-Davies, Director of Strategy and Governance
Professor Elizabeth Ireland, NSS Chair
Ms Jacqui Jones, Director HR (Minute Item 3)
Mr Paul Kelly, Scott Moncrieff
Mr James Lucas, Internal Auditor, KPMG
Ms Louise MacLennan, Head of Equality and Engagement (Minute Item 16)
Mr Matthew Neilson Director Customer Engagement and Development (Minute Item 10)
Ms Eilidh Prentice, Associate Director of Corporate Affairs and Compliance
Mr Colin Sinclair, Chief Executive
Mr Andy Shaw, Internal Auditor, KPMG
Mark Taylor, Audit Scotland
Mr Neil Thomas, Partner, KPMG
Ms Marion Walker, Risk Manager Lead (Minutes Item 14)
Mr Drew McErlean, Committee Secretary (Minutes)

Apologies Ms Julie Burgess, Non Executive Director

ACTION

1. CHAIRMAN'S INTRODUCTION

- 1.1 Mr Mark McDavid 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. MINUTES OF THE NSS AUDIT AND RISK COMMITTEE MEETING HELD ON 8 DECEMBER 2016 [Paper AR/17/02 refers]

- 2.1. It was agreed that the word 'generally' should be removed from the 'Governance Improvements' section of Minute item 18.1. It was agreed that the Audit & Risk Committee Questionnaire would be repeated at to do the Auditor survey at the end of each audit. The Minutes were otherwise agreed as being an accurate record of the meeting.

**Eilidh
Prentice**



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Chair
Chief Executive

Professor Elizabeth Ireland
Colin Sinclair

3. Matters Arising from the NSS Audit & Risk Committee Meeting held on 8 December 2016 [Paper AR/17/03 refers]

- 3.1. All of the action points were complete, covered on the agenda or programmed into a future meeting.

Coordination of Health and Safety Processes across NSS [Paper AR/17/04 refers]

- 3.2. Jacqui Jones noted that oversight of health and safety processes had moved away from being building based to responsibility being held at SBU level. This change had taken some time to become embedded in the organisation. Health and Safety issues were covered via local committees within the SBUs or at Local Partnership Forums. In response to a question from Kate Dunlop it was noted that the time taken to get the new responsibilities embedded had been down to issues around clarity of where accountability lay and the ability to prove that the processes were functioning effectively. There were some challenges around the clarity of accountabilities in shared premises but these had now been addressed. It was noted that these challenges could grow as collaborative work and shared services increase. Assurance about Health and Safety process management was managed via reports to the Staff Governance Committee from which the key issues are then taken to the NSS Board.

- 3.3. The Health and Safety Policy stated that a member of the NSS Board would be an active member of the NSS Occupational Health and Safety Advisory Committee. At the moment this was delegated to the Human Resources Director. It was agreed that this deviation from the policy should be discussed at the meeting of the NSS Board on 7 April to either ratify this arrangement and agree a change to the policy or to appoint a member of the NSS Board to this role.

Elizabeth Ireland

INTERNAL AUDIT

4 Report on Internal Audit Status [Paper ARC/17/05 refers]

- 4.1. Andy Shaw noted the work for this year was on track. The audit of HR Shared Services would not go ahead as this was duplication of other work on this matter..

5. Internal Audit Strategic Plan for 2017 -2018 [Paper ARC/17/06 refers]

- 5.1. The plan which was presented to the Audit & Risk Committee in December 2016 had been updated with the revised timetable. Professor Elizabeth Ireland noted that there may be a need to update the plan to take account of the large scale changes that could impact the organisation. Colin Sinclair noted that the Transformational Change Programme for Health and Social Care may bring about structural changes within NSS and increase the amount of collaborative working with other NHS Boards. Both of these issues would have a governance impact so the audit requirements would be affected. The requirement to produce a national LDP target across all of the Specialist NHS Boards in Scotland would bring about a new governance challenge.

- 5.2. Eilidh Prentice noted that the audit work had been planned for next year but there was scope for flexibility to change the priorities. Mark Taylor noted that as the Transformational Change Programme developed it was critical that the audit implications were recognised and that gaps in the audit scope did not arise. Colin Sinclair advised this was recognised by the NHS Chief Executive Officers Group which was also aware of the need to ensure there was very clear governance and no unnecessary bureaucracy. Andy Shaw noted that the Auditors would work closely with NSS to ensure the audit plan was developed appropriately.

**James
Lucas**

- 5.3. Julie Burgess had contacted the Chair of the Committee to stress that audit of IT Resilience and Business Continuity must explicitly address and check the links to clinical business continuity. This would be added to the scope.

6 Charging Models [Paper **ARC/17/07 refers]**

- 6.1. James Lucas referenced the background to the audit and the work done to look at pricing models and how work was costed. There had been 2 medium priority and 1 low priority findings. With reference to the first medium priority finding, Carolyn Low noted that the approach in the Public Health Information (PHI) SBU may not be aligned with the other SBUs currently but the key issue was about funding allocation and recovery of costs. There was a need for a consistent approach and some further discussions were scheduled on how this could be achieved.
- 6.2. With regards to the second medium priority finding Carolyn Low confirmed that a consistent costing model would be rolled out in May 2017 and there would be appropriate controls in place to ensure that this was applied rigorously. In response to a question from Kate Dunlop it was noted that the biggest issue was in the PHI SBU. Colin Sinclair noted that a significant challenge was getting other NHS Boards to understand what NSS activities were covered by core funding and what services were chargeable – e.g. Programme Management. Phil Couser noted that the majority of PHI work was not core funded. In some cases there was competition from consultancies and so charge out rates reflected this.

7. Accounts Receivable and Treasury [Paper **ARC/17/08 refers]**

- 7.1. James Lucas noted that NSS made payments to Health Practitioners of circa £2.2bn per annum. The Treasury function within NSS was rated as low risk as there were no investment transactions. In general terms processes were robust but there were areas where the volume of manual work was too high and needed to be reduced. The report noted 4 medium priority and 4 low priority findings.
- 7.2. Carolyn Low acknowledged that too many invoices were raised, some of which were not required. If manual work of this nature was reduced it would allow appropriate focus on the key commercial issues that required more focused management. This was now being addressed. Elizabeth Ireland noted that the proposed new regional structures may help to improve efficiency in the raising of invoices. The changes that were being introduced within NSS provided an opportunity to improve efficiency and centralise a lot of the work. Mark McDavid asked when NSS would be ready to roll this out. Carolyn Low noted that this type of efficiency improvement was essential as no more staff would be recruited to support the existing inefficient manual processes.
- 7.3. Kate Dunlop noted the importance of reducing the incidence of late payment of invoices as such practice was unacceptable and resulted in unnecessary administration overheads being incurred. In relation to the finding on data hygiene a review would be conducted to ensure there was compliance with any relevant legislation as at May 2018. In response to a question from Mark McDavid it was acknowledged that whilst the processes did provide some opportunities for fraud there had been no evidence found of this during this audit.

8. Efficiency and Effectiveness Paper **ARC/17/09 refers]**

- 8.1. One low priority issue had been raised in this audit. The Committee noted that this report gave a high level of reassurance on a very important issue.

9. PHI Scottish Government SLA [Paper ARC/17/10 refers]

- 9.1. Andy Shaw noted that PHI delivers £28.8 million of work under the direction of the Scottish Government which is covered by the SLA. The audit had identified 1 medium and 1 low priority issue. Phil Couser noted the establishment of the SLA had helped to improve the overall process. This needed to be applied robustly to ensure that the scope of work undertaken by PHI staff stayed within the SLA definition. However it was recognised that it was not always easy to distinguish between new work and natural extensions of existing work. Colin Sinclair noted that NSS was clear about what it was funded to do but there had to be flexibility in the system which would allow NSS more discretion in the allocation of resource to complete requested work.
- 9.2. It was still a challenge to deal with a large number of statutory organisations where the inter-relationships were not coordinated. In response to a question from Colin Sinclair it was noted that the new digital strategy may provide an opportunity to drive higher standards based on the SLA
- 9.3. It was confirmed that the review had not included any discussion with the Scottish Government about their perspective of how the SLA met their needs. Elizabeth Ireland commented that it would have been helpful to have had that view included in this review.

10. Customer Engagement [Paper ARC/17/11 refers]

- 10.1. James Lucas noted the background to the audit which was a follow up on previous work that identified the need for more strategic engagement with customers. All of the findings from the previous audit which had been presented to the Audit & Risk Committee in May 2016 showed good progress when they had been reviewed as part of the current audit. There had been 3 low priority issues identified in this audit.
- 10.2. Matthew Neilson commented that he felt the audit report was a positive outcome. The findings in the report had been in line with expectations. The roll out of the Customer Hub was under way and a paper on how the Customer Experience Index (CEI) could be delivered would be presented to the Executive Management Team in due course. A Customer Insight Manager had been recruited and this would help to move the analysis of customer information forward. On the third finding a Model Complaints Handling procedure was being implemented and the Customer Engagement Team would work alongside the Strategy and Governance Directorate on this. This would give NSS an enhanced reporting tool which would enable better visibility of recurring themes in customer feedback.
- 10.3. In response to a question from Kate Dunlop it was noted that in response to the internal feedback, KPIs and objectives had been put in place which would give better focus to the 'customer at the heart' element of the NSS values. Professor Elizabeth Ireland noted that more work would be needed to look at how customer needs developed as the wider public sector reform progressed. This report was very positive but the actions taken from this and the 2016 report needed to be put to use in a way that enabled NSS to offer better support across the public sector as a whole. There was a need to use the information gained from customers to inform and shape the future strategy of health and social care development.

11 SERVICE AUDIT**National IT Services Contract Audit Report** [Paper **ARC/17/12** refers]

- 11.1. Paul Kelly noted that from 120 control objectives audited, 8 items with moderate risk exposure and 8 items with limited risk exposure had been identified. There were no significant risks. All of the follow up recommendations from the 2015 – 2016 audit had been fully resolved. A full report of the work done in 2016- 2017 would be brought to the meeting of the Audit & Risk Committee on 17 May 2017.

Payroll Services Audit Report [Paper **ARC/17/13** refers]

- 11.2. Helen Berry noted what had been done to agree the programme of testing for 2016 – 2017. All follow up actions from the 2015-2016 audit had been resolved.

Practitioner Services Audit Report [Paper **ARC/17/14** refers]

- 11.3 Helen Berry noted that the testing work undertaken since December 2016 had identified 2 exceptions which both had limited risk exposure. Of the 14 follow up actions from the 2015 – 2016 audit, 12 had been resolved. Of the 2 remaining, 1 was partially complete. In relation to the finding G.O.S. 4.3. (Ophthalmic Services) the same issue had been identified during the 2016 – 2017 audit work. However the cost of any additional mitigation work had to be considered against the very limited risk that existed with the current controls.

EXTERNAL AUDIT**12. Progress on Interim Audit** [Paper **ARC/17/15** refers]

- 12.1 Rachel Browne noted that in the work to date there had been no significant issues found and the final report would be tabled at the meeting of the Audit & Risk Committee on 22 June 2017. The work on the role of Public Sector Boards was noted. It was agreed that a discussion with the Chair of NSS to discuss the development of this work would be helpful.
- 12.2 Work was progressing to clear the data matches identified by the National Fraud Initiative biennial exercise. The work to complete the Financial Statements Audit would begin on 24 March 2017. Carolyn Low noted feedback from the Finance Team that there was a very effective working relationship with the new Audit Scotland Team.

**Rachel
Browne****NSS UPDATES****13. Internal Audit Actions Report** [Paper **ARC/17/16** refers]

- 13.1 Eilidh Prentice noted that a number of actions were due to be completed by the end of March and would be reported on at the meeting of the Committee on 17 May 2017. Colin Sinclair noted the need to have a clear view of what actions were needed to ensure the ePayroll and eFinance Interface work was complete by the end of June 2017. Carolyn Low noted that a very clear, unambiguous message had been given to ATOS on the importance of this as they had responsibility for delivery of the live system environment. Tensions within NSS to complete this work concurrently with the Financial Year end work would be managed so that the interface could be in place by the June deadline.
- 13.2 The Committee commented that the updated format of the report now provided much clearer information in a format that was helpful to the members. The paper was focused on the correct information.

14. Risk Management Update [Paper ARC/17/17 refers].

- 14.1 Marion Walker noted that Risks 3436 (EDISON), and 4331 (SIBBS payments) had been reduced from Red to Amber status since the report was written. Therefore the number of red risks was now 6. In the period to 28 February 4 new red risks had been raised of which 2 were reputational and 2 were clinical. The other risks that had been mitigated to Amber from Red during the period were also noted.
- 14.2. The Risk Appetite had been discussed at the previous meeting of the Audit & Risk Committee on 8 December 2016, the Information Governance Committee meeting in January 2017 and the March Board Development meeting. These discussions would be documented in a paper for approval at the meeting of the NSS Board on 7 April. The strategic risks discussed at the Board Development meeting and the Executive Management away day in March would be documented in a paper to be considered at a future meeting of the Executive Management Team.
- 14.3. It was noted that the 'clinical' flag to assess risks was clearly being used effectively as this ensured that the risks were focused on patient rather than technical issues. Colin Sinclair noted the importance of ensuring appropriate focus on risks that would emerge in the future.

15 Fraud Update Report [Paper ARC/17/18 refers]

- 15.1. Carolyn Low noted that the objective had been for work on fraud issues to be more pro-active and less re-active. This was reflected in the report of work done in relation to counter fraud workshops, training and the development of appropriate fraud detection processes and tools. In the period covered by the report there had been 7 intelligence alerts raised with 'attempted bank account takeover' the most frequent issue.
- 15.2. In the third quarter of 2016 -2017 there had been 122 fraud alerts received by Counter Fraud Services (CFS) which represented a decrease of 33% from the same period in the previous year. It was too early at this stage to know whether or not this was attributable to the pro-active work that had been done. As at 31st December 2016 there had been 16 active investigative operations being conducted by CFS but no active cases for NSS. The annual meeting between representatives of the NSS Board and CFS would be scheduled shortly and Carolyn Low would contact members of the Board about this. Elizabeth Ireland thanked Douglas Yates for the work he had done on behalf of the NSS Board in relation to the issue of counter fraud activity.

**Carolyn
Low****16. NSS Feedback, Comments, Complaints and Concerns Report [Paper ARC/17/19 refers]**

- 16.1 Louise MacLennan noted that NSS was on track to implement the new Model Complaints Handling procedures by the target date of 3 April 2017. This would be reflected in changes to the reports produced for future meetings of the NSS Audit & Risk Committee. During the period of the report NSS had received 134 complaints which was a decrease of 15% from the previous quarter. The annual report to the Scottish Government would be sent by 30 June 2017.
- 16.2 The most frequent issue for complaints to the Scottish National Blood Transfusion Service (SNBTS) continued to be about where donors were refused the opportunity to donate, in particular where donors were told that their blood type was not required.

- 16.3. There had been two complaints referred to the Scottish Public Ombudsman Service (SPSO). The first related to a perceived delay in provision of dental treatment where the SPSO had concluded that NSS had followed the correct procedures. Therefore the complaint had not been upheld. The second related to a disclosure issue around a transgender patient which had resulted from the use of both the person's original and new CHI number (which denotes gender). NSS had responded to the complaint and the SPSO investigation was still underway.

17. Review of ARC Terms of Reference [Paper ARC/17/20 refers]

- 17.1 Eilidh Prentice noted that there were no proposed updates to the Terms of Reference and this was agreed by the Committee. These would be tabled at the meeting of the NSS Board on 24 June for sign-off. It was noted that due to recent and scheduled retiral of two members of the Committee, and intimated apologies for the meeting of the Committee scheduled for 17 May 2017, this meeting would still be quorate but there would be no contingency. Therefore the option of co-opting Non Executive Directors to the Committee may have to be taken until the planned recruitment of new Non-Executive Directors was complete and new appointments to the various sub-committees were in place.

18 Committee Highlights for the NSS Board Meeting on 7 April 2017 [Paper ARC/17/21 refers]

- 18.1 **Key Audit Matters:** The meeting reviewed the approved Internal Audit Plan for 2017-18 which includes proposed timescales for audit activity. Members discussed the changes taking place, and anticipated, in NHS Scotland and commented that the audit plan may, in due course, need to be updated to take account of these changes. It was noted that there is scope within the plan to change priorities. It was also noted that any further audit work on IT resilience should consider the clinical implications of any resilience issues.

A number of completed internal audits were reported and were well received. In relation to the audit on Accounts Receivable and Treasury it was noted that there was a clear opportunity to consider whether the need for some (internal to the NHS and Scottish Government) transactions could be removed, thereby creating efficiency and reducing workload. The update on actions from previous internal audit activity was well received.

An update on service audit activity was provided. This was progressing without any significant issues. Similarly work was also progressing well with external audit activity and it was noted that there were effective working relationships between the Finance Team and Audit Scotland colleagues.

Key Risk Matters: The regular risk update was provided and a number of individual risks were discussed. It was noted that, similarly to the discussions at the March Board development session, the Executive Management Team had considered possible new strategic risks at their recent offsite. These would be the subject of a paper to be reviewed at the April EMT meeting. It was noted that the new clinical "flag" was now being used within the risk system.

Emerging Themes for Board Awareness

The Fraud report was well received and the shift towards more pro-active work in this area, which was reflected in the report, was noted.

The Feedback, Complaints, Concerns and Compliments paper was reviewed. Good progress towards the implementation of the new model complaints handling procedure was noted. The report identified that two complaints had been referred to the Scottish Public Services Ombudsman (SPSO). For the first the SPSO had concluded that NSS had followed correct procedures. The second was still under review.

Governance Improvements e.g. actions which have strengthened governance of Committee and should be shared

A report was received on the coordination of Health and Safety processes across NSS. It was raised that the policy requires a member of the Board be on the Occupational Health and Safety Advisory Committee. This role is currently delegated to the Director of HR. It was requested that this be discussed at the April 7th Board meeting.

The terms of reference for the ARC was reviewed. No changes were proposed ahead of the terms of reference being tabled for sign off at the June NSS Board. It was noted that, at present, the 17th May ARC meeting would be quorate, but that, if circumstances were to change, the option of co-opting a Non-Executive Director to the Committee might need to be considered.

19 Any Other Business

- 19.1 Mark McDavid noted that this would be the final meeting of the Audit & Risk Committee attended by Douglas Yates and noted his thanks to Douglas for his input to the work of the Committee over his period of service.

20 DATE OF NEXT MEETING

- 20.1 The next NSS Audit and Risk Committee Meeting would be held on Wednesday 17 May 2017 at 0930hrs (this meeting would be chaired by Kate Dunlop in the absence of Mark McDavid).

FOR INFORMATION

21 Audit & Risk Committee Forward Programme 2017 [Paper AR/17/22 refers].

- 21.1. The programme was noted.

22. Internal Audit Charter [Paper AR/17/23 refers].

- 22.1 The Paper was noted.

23. Annual Audit Plan [Paper AR/17/24 refers].

- 23.1 The plan was noted.

There being no further business the meeting finished at 12.05 hrs