NHS NATIONAL SERVICES SCOTLAND (NSS)

MINUTES OF AUDIT AND RISK COMMITTEE MEETING HELD ON WEDNESDAY 28 MARCH 2018 IN BOARDROOM 2, GYLE SQUARE, EDINBURGH COMMENCING AT 1035HRS

Present: Mr Mark McDavid, Non-Executive Director (Chair)
          Ms Julie Burgess, Non Executive Director
          Ms Jane Davidson, Non Executive Director
          Ms Kate Dunlop, Non-Executive Director
          Ms Alison Rooney, Non Executive Director

In Attendance: Mr Martin Bell, Acting Director of Strategy & Governance
               Ms Helen Berry, Scott Moncrieff (Items 1-10)
               Ms Rachel Browne, Audit Scotland
               Professor Elizabeth Ireland, NSS Chair
               Mr Paul Kelly, Scott Moncrieff (Items 1-10)
               Ms Carolyn Low, Finance and Business Services Director
               Mr James Lucas, Internal Auditor, KPMG
               Ms Louise MacLennan, Head of Equality and Engagement (Item 18)
               Mrs Eilidh McLaughlin, Associate Director Corporate Affairs and Compliance
               Mrs Lynn Morrow, (Item 15)
               Mr Andy Shaw, Internal Auditor, KPMG
               Mr Colin Sinclair, NSS Chief Executive
               Mr Mark Taylor, Audit Scotland
               Mrs Marion Walker, Risk Manager Lead, (Item 16)
               Mrs Lynsey Bailey, Committee Secretary (Minutes)

Apologies Fraser Nicol, Scott Moncrieff

1. WELCOME AND APOLOGIES

1.1 Mark McDavid welcomed members and attendees to the meeting. 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. eHEALTH FUNDING

2.1 Those in attendance were provided with a high level overview of the discussions at the earlier Commercial in Confidence session about the recent emerging eHealth funding issue. Mr C Sinclair tabled a draft action plan and requested feedback over the next few days to allow it to be taken to the NSS Board meeting scheduled for 6 April 2018. Members added that they were also keen to identify solutions that could be applied more widely, to ensure appropriate structures were in place for other programmes that used NSS as an intermediary for their budget transactions. Members noted...
that NSs had undertaken an internal investigation and had set up a panel of Non-Executive Directors to consider its findings. Members had agreed that the process in place was robust but as all actions in the action plan had not yet been completed, it was recognised that it was yet unknown if the plan was comprehensive or whether further actions would require to be identified.

2.2. Members were supportive of the recommendations within the tabled paper and were pleased to note that positive discussions were taking place with Scottish Government to negotiate the appropriate re-allocation of the £9.1m being returned by NHS Tayside. Members were also assured that NSS’s Standing Financial Instructions were being reviewed and updated as necessary, in line with recent recommendations. Overall, Members felt the response to this issue had been comprehensive and robust.

3. MINUTES AND ACTION LIST FROM THE NSS AUDIT AND RISK COMMITTEE MEETING HELD ON 1 DECEMBER 2017 [Papers ARC/18/02 and ARC/18/03 refer]

3.1 Following a brief discussion, the minutes were agreed as an accurate record of the meeting.

3.2. Members noted that the majority of the actions were complete. The only exception was Action 7.3 with regard to the Statutory and Mandatory Training Audit Report. Professor E Ireland had advised that this had been delayed due to the March 2018 NSS Board meeting being cancelled due to the snow. However this had been rescheduled to follow the upcoming NSS Board meeting on 6 April. In addition, Members were reassured that Professor E Ireland had the Non-Executive Director appraisal arrangements well in hand.

4. REPORT ON INTERNAL AUDIT STATUS INCLUDING COMPLETED REVIEWS [Papers ARC/18/04 and ARC/18/05 refer]

4.1. Members noted the contents of the paper, which updated on the progress to date against the 2017-18 internal audit plan. There were no significant deviations from the plan although some reports were now due to be submitted slightly later than originally planned. However, Members were assured that, for these reports, the audit itself had not been extended, only the report production timescale.

5. INTERNAL AUDIT STRATEGIC PLAN 2018-19 [Paper ARC/18/06 refers]

5.1. Members briefly discussed the paper, which outlined the annual internal audit plan for 2018-19. They were content to approve, pending the addition of some follow-up on the eHealth funding issues. Members also agreed that the scope for the Workforce Planning review fell too focused on process.

6. INTERNAL AUDIT CHARTER [Paper ARC/18/07 refers]

6.1. Members reviewed the Internal Audit Charter to ensure it continued to meet the assurance requirements of NSS and the committee. They were advised that it was broadly in line with charters for other Audit and Risk Committees with some slight adaptation to make it specific to NSS and its work. On this basis, Members were satisfied that it continued to be fit for purpose.

7. FINANCIAL CONTROLS [Paper ARC/18/08 refers]

7.1. Members noted that the report indicated that there was an inconsistent approach to negotiating third party contract income which could be improved in respect of the approval process. There had also been three medium
findings. In light of this, Members sought and received reassurance about the process maturity. They also requested clarification on what would happen should a contract exceed its threshold within the contract period. Members were provided with an overview of work being done to develop a centralised register of contracts/service level agreements.

7.2. Members expressed concerns about the recommendation of having agreements with individual NHS Boards. The felt that this potentially added governance that was not needed. Members suggested that there was need to understand the implications (e.g. for the National Distribution Centre), and find a balance of providing sufficient oversight without adding bureaucracy. Otherwise, Members were content to accept the recommendations.

8. NATIONAL IT SERVICE CONTRACTS AUDIT REPORT [Paper ARC/18/09 refers]

8.1. Members were updated on the moderate level risks and noted that a final update would be brought to the next meeting on 23 May 2018, which would include the management responses. Members discussed the concerns raised regarding patching issues, given the cyber-attack threat level, and the available escalation mechanisms to enable early action. Members were keen to receive assurances on any actions being taken in response to this.

9. PAYROLL SERVICES AUDIT REPORT [Paper ARC/18/10 refers]

9.1. Members were updated on the outcome of the interim testing completed in December 2017. One exception had been identified around the secondary checking of new posts. However, Members were assured that this was being followed up on and would be reviewed for the final report.

10. PRACTITIONER SERVICES AUDIT REPORT [Paper ARC/18/11 refers]

10.1. Members were updated on the outcome of further testing which had been undertaken since December 2017. Members were assured that the exceptions found during this testing had been of a housekeeping nature, and rated as having limited risk exposure.

11. EXTERNAL AUDIT PROCESS UPDATE [Paper ARC/18/12 refers]

11.1. Members were advised that testing was being completed and the the Director of Finance and Business Services would receive a draft report in early April 2018. Initial findings indicated there were some areas that needed some final refinement (e.g. access controls, separation of duties). Members also noted the updates provided on the wider dimension work, which would be included in the annual report.

12. REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 (RIPSA) - COUNTER FRAUD SERVICES’ AUTHORISATION

12.1. Members were advised that a query had been raised about whether Counter Fraud Services’ RIPSA authorisation for conducting surveillance still applied if and/or when doing work outside of health. Following advice from Central Legal Office and other relevant bodies, it had been considered that there was no reason that it would not apply as RIPSA authorisation centred on how the surveillance was conducted rather than the specific subject matter. Mr C Sinclair advised that he was content with level of assurance provided and was bringing this to Members’ attention so that they were aware. Members requested that a paper be circulated for completeness and clarity.
13. **GP IT RE-PROVISIONING PROJECT BUSINESS CASE** [Paper ARC/18/13 refers]

13.1 Members discussed the paper, which updated on the preparations for the GP IT Re-provisioning Project Full Business Case. Members were keen to receive assurance of due diligence on all respects (clinical, information governance etc.). They also requested clarity on where the governance and accountability lay, and more information on the costs and benefits. It was agreed this would be brought to a future meeting.

14. **AUDIT CONTRACT RENEWALS** [Paper ARC/18/14 refers]

14.1. Members noted the content of the paper which advised that the option of a single year extension to the current supplier framework was being taken. Members were advised that the costs would reduce by roughly 10% but this may be adjusted slightly based on the changes to the audit plan. A new framework agreement would be decided in time for the end of the 2018/19 financial year.

15. **INTERNAL AUDIT ACTIONS REPORT** [Paper ARC/18/15 refers]

15.1. Members were advised that there were no concerns at present. A request was made for an extension to the Information Governance and Data Security action due to other related, ongoing work and to have this report presented at the NSS Information Governance Committee in future. Members were content to approve this, pending an update to reflect that the data security element of the action had been completed. Members also sought and received assurance that NSS would have no significant issues regarding the General Data Protection Regulation when it came into effect on 25 May 2018.

16. **RISK MANAGEMENT UPDATE** [Paper ARC/18/16 refers]

16.1. Members were content with updated risk appetite wording. Members also received confirmation that the risk relating to the Community Health Index had been added to the strategic watchlist. They also agreed that Risk 4870 (EDISON System Retrial) should be kept on the strategic risk watchlist initially as a precaution, and that any residual risks arising from the eHealth funding issue should be added to the register. Members were provided with an overview of the work being done to develop training, as well as the ongoing discussions around linking up risk management approaches and identifying where risks were potentially being over or under scored for any reason.

17. **FRAUD UPDATE (INCLUDING FRAUD ACTION PLAN REVIEW)** [Paper ARC/18/17 refers]

17.1. Members considered the paper, which provided an update on current NSS fraud prevention initiatives and the current status of any concerns, issues or cases. Members were assured by the report and noted its contents.

18. **QUARTERLY FEEDBACK CONCERNS AND COMPLAINTS REPORT** [Paper ARC/18/18 refers]

18.1 Members were pleased to note that NSS maintained a high response rate of 96% in relation to the target for how quickly complaints should be responded to and that no complaints had been lodged with the Scottish Public Services Ombudsman (SPSO). They were also pleased to note that the number of complaints had reduced, both from the last quarter and compared with the same quarter in 2016/17. SNBTS complaints tended to be mostly in relation to opportunity to donate and Members briefly discussed how this...
was being addressed. Members also discussed the areas listed as no returns. Mrs L MacLennan clarified that that this meant no response had been received rather than a "nil" return. Members were given an overview of the work being done to address this. Finally, Members noted the lessons learned from a previous complaint in relation to a transgender patient and CHI, which had been referred to the SPSO. They were content that this was now closed.

19. REVIEW OF NSS AUDIT AND RISK COMMITTEE CONSTITUTION AND TERMS OF REFERENCE [Paper ARC/18/19 refers]

19.1 Members were invited to provide feedback on the updated Terms of Reference. Members made some observations regarding formalising the provisions for In Camera and Commercial In Confidence sessions. Members also suggested it could be worth benchmarking against other Audit and Risk Committees’ Terms of Reference, if possible.

20. ANNUAL SELF-ASSESSMENT OF NSS AUDIT AND RISK COMMITTEE EFFECTIVENESS [Paper ARC/18/20 refers]

20.1 Members briefly discussed the format of the self-assessment questionnaire and agreed they were content for it to be issued. E McLaughlin

21. SUB-COMMITTEE HIGHLIGHTS REPORT FOR THE NSS BOARD [Paper ARC/18/22 refers]

21.1 Mrs E McLaughlin agreed to draft up the Sub-Committee Highlights report in time for submission to the next formal NSS Board meeting on 6 April 2018. E McLaughlin

22 ANY OTHER BUSINESS

22.1 Referring back to the Audit Contract Discussions. Members were advised that there were attempts being made to find a “once for Nationals” approach to this. It was noted that there was also capacity to extend beyond contracts as necessary.

23 DATE OF NEXT MEETING

23.1 The next NSS Audit and Risk Committee Meeting would be held on Wednesday 23 May 2018 at 0930hrs

24. FOR INFORMATION

24.1 There being no further business the meeting finished at 12:35 hrs