

ARC (M) 22/03
 Minutes: 16 - 27

NHS GREATER GLASGOW AND CLYDE

**Minutes of the Meeting of the
 Audit and Risk Committee
 held via Microsoft Teams
 on Tuesday 21 June 2022**

PRESENT

Ms. M Kerr (in the Chair)

Ms J Forbes	Mr C Vincent
Ms K Miles	Ms M Wailes

IN ATTENDANCE

Ms L Aird	..	Assistant Director of Finance, Financial Services, Capital & Payroll
Prof J Brown CBE	..	NHSGGC Board Chair
Mr J Cornett	..	Audit Scotland
Ms K Donald	..	Corporate Services Manager
Ms L Duthie	..	Audit Scotland
Mr M Gill	..	BDO
Mrs J Grant	..	Chief Executive
Ms L Maconachie	..	Audit Scotland
Ms F McEwan	..	Assistant Director of Finance, Financial Planning and Performance
Mr C Neil	..	Director of Finance (Designate)
Ms L Russell	..	Interim Secretariat Manager (minutes)
Ms S Smith	..	Azets
Ms E Vanhegan	..	Director of Corporate Services and Governance
Ms R Weir	..	Azets

		ACTION BY
16.	WELCOME AND APOLOGIES	
	<p>The Chair welcomed those present, and apologies were noted from Ms Susan Brimelow OBE.</p> <p>The Chair acknowledged the delay in circulation of papers due to the short timescale between meetings. The members of the Committee confirmed that they had adequate time to read the papers and were content to continue with the meeting.</p>	

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	<u>NOTED</u>		
17.	MINUTE OF PREVIOUS MEETING HELD 7 JUNE 2022		
	The Committee considered the minute of the previous meeting held Tuesday 7 June 2022 [Paper No. ARC(M)22/02] and were content to accept the minute as a complete and accurate record.		
	<u>APPROVED</u>		
18.	MATTERS ARISING		
a)	ROLLING ACTION LIST		
	The Committee considered the Rolling Action List [Paper No. 22/20] and were content to accept the recommendations.		
	<u>APPROVED</u>		
19.	ENDOWMENT FUNDS ACCOUNTS		
19.1	DRAFT ENDOWMENTS FUND ACCOUNTS FOR THE YEAR END 31 MARCH 2022		
	<p>The Committee considered the paper 'Draft Endowments Fund Accounts for the Year End 31 March 2022' [Paper No. 22/21] presented by Ms Lesley Aird, Assistant Director of Finance.</p> <p>Ms Aird highlighted from the report that the income for the year was £9.2m, which was £4.3m less than the previous year income. The decrease was mainly due to research and clinical trials returning to the pre-COVID levels. Investment income increased slightly by £0.2m and donations and legacy income was up by £0.3m.</p> <p>Total expenditure from unrestricted funds amounted to £2.1M, compared with £1.8M in the prior year. The increase in expenditure was mainly due to higher spend in the categories of building and property maintenance and equipment.</p> <p>The year-end market value of the investment portfolio administered by Newton was £101.5M compared with £98.9M in the prior year. The increase in carrying value was due to net investment gains of £2.6M.</p> <p>The Committee acknowledged that this was a significant piece of work for the Auditors and Financial Services Team and noted thanks to those involved in preparation of the comprehensive report.</p>		
	<u>APPROVED</u>		

19.2	ENDOWMENT FUNDS AUDITOR'S REPORT	
	<p>The Committee considered the paper 'Endowment Funds Auditor's Report' [Paper No. 22/21] presented by Mr Martin Gill, BDO.</p> <p>Mr Gill provided an overview of the key elements of the report and highlighted that there had been investments materiality of £1.87M based on gross assets. Specific materiality of £223,000 based on total income was used for all other financial statement areas.</p> <p>Mr Gill provided an update on Benford's Law and noted that the NHSGGC data bar was broadly in line with expectations, therefore, no issues were noted.</p> <p>The Committee noted that the work on dividends was now complete.</p> <p>Mr Gill highlighted the following adjustment to the report which was amended before it was finalised:</p> <ul style="list-style-type: none"> • £440,000 partial liquidation of shareholder noted as a deduction rather than gain. • In addition, the following item was below the materiality threshold and therefore not adjusted in the final accounts; £20,000 sample item noted as donation as opposed to research/fee income • During the audit, BDO identified £140,000 which was then compared to the independent bid price. No further action was required in relation to this <p>The Committee noted that overall there were no identified inappropriate journals, or evidence, of bias or management override of control procedures during the audit. He reported that data was analysed through the output data analytical tool and no anomalies were identified.</p> <p>Mr Gill reported that no instances of fraud during the year had been reported.</p> <p>The Chair highlighted that the Auditor's Report was incorrectly addressed to the 'Endowments Sub Committee' and not the Audit and Risk Committee. The Auditors agreed to correct the addressee of the document prior to the reporting to the Trustees' meeting.</p> <p>The Committee discussed the governance route of the report and noted that it would also go to the Endowment Management Committee for information.</p> <p>The Committee noted that in relation to auditor's fees, there was no reference to non-audit services. It would need to be investigated whether this needed to be disclosed.</p>	<p>Mr Gill</p> <p>Mr Gill</p> <p>Ms Aird</p>

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	<p>Following consideration and scrutiny of the accounts, the Committee were assured and content to recommend to the Board of Trustees that the accounts should be adopted at the next meeting.</p> <p>In summary, the Committee was content to note the Audit Report by BDO, the Endowments Funds Auditor, along with the Endowments Funds Annual Accounts for the financial year ended 31 March 2022, and recommend that the accounts were adopted by the Board of Trustees of the Endowments Fund.</p> <p><u>APPROVED</u></p>	
20.	NHSGGC ANNUAL REPORT AND ACCOUNTS 2021-22	
	<p>The Committee considered the paper “Annual Report and Accounts 2021-22” [Paper No. 22/23] presented by Ms L Aird, Assistant Director of Finance.</p> <p>Ms Aird thanked the team involved in the preparation of the accounts for the vast amount of work that had been carried out.</p> <p>Ms Aird highlighted that the Board achieved its three key financial targets; Revenue Resource Limit, Capital Resource Limit and Cash Requirement in 2021-22.</p> <p>The report highlighted that during 2021-22 the Board continued to make significant capital investment across Acute and Community services. The Committee noted that in 2021-22 there was a total infrastructure investment of £96.1m. The main areas of investment in the year were refurbishment works at a number of sites; investment in medical equipment; energy schemes to support the climate change initiative; health centres and minor works.</p> <p>Ms Aird noted the performance against key Non-Financial Targets highlighting that NHSGGC continued to work in partnership with key stakeholders to ensure health and social care services across NHSGGC were working together on recovery and remobilisation.</p> <p>The Committee acknowledged that throughout 2021-22 the level of activity delivered across NHSGGC fluctuated in response to different waves of COVID-19 infection. The Committee were assured that, despite the continued pressures and challenges of COVID-19 during 2021-22, NHSGGC made steady progress in reaching a number of key service priority milestones agreed with Scottish Government and outlined in the Phase 4 Remobilisation Plan.</p> <p>Ms Aird highlighted that a total of 13 of the 25 measures contained within the Remobilisation Plan either met or exceeded the March 2022 planned position, with a further 4 measures narrowly missing the target. The Committee were assured that a number of actions were already underway in key areas.</p>	

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	<p>Ms Aird highlighted that NHSGGC continued to work closely with the Oversight Board in respect of the QEUH and RHC escalation to Level 4 of the Scottish Governments Performance Framework and confirmed that the Board had been de-escalated to level 2.</p> <p>The Committee noted that NHSGGC received funding to cover £284M in additional COVID-19 funding in year which included costs incurred by the six IJBs and £68.5m in unachievable savings relief.</p> <p>The Committee noted the update provided.</p> <p>NOTED</p>	
21.	EXTERNAL AUDIT PAPERS	
	<p>The Committee considered the External Audit papers “ISA260 and NHSGGC Annual Audit Report 2021-22” [Paper No. 22/26] presented by Mr J Cornett, Audit Scotland.</p> <p>Mr Cornett informed the Committee that two matters had been identified as outstanding, which the IJB’s would consider. He reported that no issues were anticipated.</p> <p>The Committee acknowledged the draft letter of management representation sent on behalf of the Board.</p> <p>The Committee noted the Annual Report and Consolidated Accounts For the Year Ended 31 March 2022. Mr Cornett highlighted the recommendation that the processes were reviewed and considered in order to prevent reoccurrence. Mr Cornett highlighted that the issues identified around capitalisation of assets and specific disclosures in the Remuneration and Staff Report were isolated, however, had the potential to become more prevalent. Mr Cornett assured the Committee that there were no specific issues that needed to be highlighted.</p> <p>Mr Cornett explained that audit of the Remuneration and Staff Report identified issues with the content and accuracy of the information presented. This was largely due to changes in the disclosure requirements in 2021/22, however, the report recommended in future that a cold review of the Remuneration and Staff Report by a person independent of the preparation process before being submitted for Audit. The Committee noted that appropriate amendments had been agreed to ensure the final version of the Remuneration and Staff Report was accurately presented in accordance with applicable guidance.</p> <p>The report reflected the Board de-escalation to Stage 2 of NHS Scotland’s National Performance Framework with effect from 13 June 2022. Mr Cornett extended thanks to Ms McEwan, Ms Aird and the</p>	

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	<p>Financial Team for delivering the audit accounts and bringing reporting back in line with the pre-pandemic timeline.</p> <p>In response to a question regarding capitalisation and reconciliations, and whether there had been an improvement with communication, the Committee were assured that a new reconciliations policy had been adopted.</p> <p>The Committee agreed a change to the wording in page 53 of the accounts in relation to the two amber reports on Delayed Discharges and Time of Day Discharge, which were both noted as areas of <i>interest</i> for the Board and would be amended to areas of <i>focus</i> in order to reflect the importance.</p> <p>The Committee discussed the disclosure of pension benefits figures. The Committee noted that the Cash Equivalent Transfer Value (CETV) calculations were checked. The Committee were assured that there can be movement year on year, therefore, the figures submitted were an accurate reflection.</p> <p>The Committee were satisfied to note the report and received assurance. The Chair thanked the Audit Team on behalf of the Committee and the Management Team for their work.</p> <p><u>NOTED</u></p>	<p>Mr Cornett</p>
<p>22.</p>	<p>NSI AND NSS SERVICE AUDITS</p>	
	<p>The Committee considered the paper “NSI and NSS Service Audits” [Paper No. 22/24] presented by Ms L Aird, Assistant Director of Finance, to advise the Committee of the outcome of the National Single Instance (NSI) and National Services Scotland (NSS) Service Audits for 2021-22.</p> <p>The NSS Service Audits reports were commissioned by NSS to provide assurance to NHS Boards in respect of national payment arrangements for Family Health Service (FHS) contractors and various shared IT systems that are managed on behalf of NHS Scotland by NSS (including Atos, NSS digital and IT security support services).</p> <p>Ms Aird reported that NSS suspended post payment verification checks during the financial year in line with COVID-19 advice and guidance issued by the Scottish Government. This matter was disclosed in the service audit report as it was considered to be of fundamental importance to the understanding of the financial statements, however, it did not alter the overall unqualified audit provided. Internal verification arrangements of these payments meant that this does not materially impact on the NHSGGC system of internal control or financial governance arrangements.</p>	

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	<p>The Committee noted that the report was provided for assurance. The Committee then discussed the cycle of IJB accounts and acknowledged that the IJB Partnership arrangement transactions provided assurance regarding the work carried out with NHS and Local Authorities.</p> <p>The Committee noted the different timelines for IJB and Health Board accounts and received assurance that any significant issues arising from the subsequent audits of the IJB financial statements at year end would be fed back through the Board. The Committee noted that the IJB accounts and audit information was available publicly.</p> <p>The Committee were assured that the processes and controls in place were operating as expected.</p> <p><u>NOTED</u></p>	
<p>23.</p>	<p>FINANCIAL STATEMENTS 2021-22 – STATEMENT OF ASSURANCE AND REVIEW OF SYSTEMS OF INTERNAL CONTROL</p>	
	<p>The Committee considered the paper “Financial Statements 2021-22 – Statement of Assurance and Review of Systems of Internal Control” [Paper No. 22/25] presented by Ms L Aird, Assistant Director of Finance.</p> <p>The Committee reviewed the draft Statement of Assurance in respect of the system of internal control within NHS Greater Glasgow and Clyde for 2021-22. The Committee were in agreement with the statement that reflected that NHSGGC had a framework of governance and internal control that provided reasonable assurance regarding the effective and efficient achievement of objectives. The Committee were content for the Chair to sign the statement on behalf of the Audit and Risk Committee.</p> <p>It was the opinion of the Audit and Risk Committee that, overall, there was a satisfactory system of internal control in place within NHS Greater Glasgow and Clyde throughout 2021-22.</p> <p>The Committee acknowledged that the Scottish Public Finance Manual required Audit Committees of Sponsored Bodies to notify the Scottish Government of any significant issues that were considered to be of wider interest. The Committee noted that, based on the review of the system of internal control and the Annual Fraud Report, there were no significant matters which require to be reported. The Committee were content with the draft letter that had been prepared and approved for the Chair to sign the letter on behalf of the Committee.</p> <p>The Committee reviewed the draft Governance statement included in the report noting that the Governance Statement for 2021-22 had been prepared in accordance with Scottish Government guidance. The Committee were content to approve the draft Governance statement provided. The final version would be submitted to the Board.</p>	

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	<p>The committee scrutinised all the reports related to the annual accounts and approved the recommendations noted in the paper 'Financial Statements 2021-22 - Statement of Assurance and Review of Systems of Internal Control'. As this paper concluded the items on the agenda related to the annual report and accounts, the Chair revisited the recommendations made at agenda item 5 (para 20 above) in respect of the 2021-22 Annual Report and Consolidated Accounts. The committee was satisfied that it could now approve the recommendations as presented.</p> <p><u>APPROVED</u></p>	
<p>24.</p>	<p>BEST VALUE</p>	
	<p>The Committee considered the paper "Best Value Statement" [Paper No. 22/27] presented by Ms E Vanhegan, Director of Corporate Services and Governance.</p> <p>The Committee were advised that Audit Scotland had recommended the Best Value process could be further enhanced with the production of an annual update. Therefore, an annual report had been produced on the Best Value Framework and supporting evidence for NHS Greater Glasgow and Clyde (NHSGGC). The guidance re-grouped the previous 9 characteristics of Best Value into five themes: Vision and Leadership; Governance and Accountability; Effective Partnerships; Use of Resources; and Performance Management. In addition, there were two cross cutting themes: Equality and Diversity; and Sustainability.</p> <p>In response to a question regarding the governance route, the Committee noted that the paper would be submitted to CMT in July 2022. The Committee were reassured that Corporate Directors had been involved in the process. The Committee agreed that dual sign off on the statement would be required.</p> <p>The Committee were assured that the Best Value Statement reflected the activity throughout the year and were content for Ms J Grant to sign off the statement as the Accountable Officer and Ms M Kerr to sign off on behalf of the Audit and Risk Committee. Ms Vanhegan agreed to discuss the governance route further with the Chairman.</p> <p><u>APPROVED</u></p>	<p>Ms Vanhegan</p>
<p>25.</p>	<p>ANNUAL REVIEW OF CORPORATE GOVERNANCE</p>	
	<p>The Committee considered the paper "Governance Framework Review" [Paper No. 22/28] presented by Ms E Vanhegan, Director of Corporate Services and Governance.</p>	

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	<ul style="list-style-type: none"> • The Committee received the Annual Review of Corporate Governance for assurance and were content to endorse the work undertaken to update the Governance Framework for onward approval by the NHSGGC Board. • The Committee received the NSI and NSS Service Audits and were assured that the processes and controls were operating as expected. • The Committee considered a paper on the Best Value Statement and were content to approve the Best Value Statement. • The Chair formally expressed thanks to the Finance and Audit Teams for the vast amount of work that had been carried out. <p><u>NOTED</u></p>	
27.	DATE AND TIME OF NEXT SCHEDULED MEETING	
	Tuesday 13 September 2022, 9.30am, Microsoft Teams	