

Minutes

B/20/84

NHS NATIONAL SERVICES SCOTLAND (NSS)

MINUTES OF THE NSS AUDIT AND RISK COMMITTEE MEETING HELD ON THURSDAY, 28 MAY 2020 COMMENCING AT 0930 HRS

Present: Ms Julie Burgess, Non-Executive Committee (Chair)
Mrs Kate Dunlop, Non-Executive Director
Mrs Alison Rooney, Non-Executive Director

In Attendance: Mr Lee Dobbing, Service Auditor, KPMG
Mr James Lucas, Internal Auditor, KPMG
Ms Rachel Brown, External Auditor, Audit Scotland
Ms Inire Evong, External Auditor, Audit Scotland
Mrs Carolyn Low, Director of Finance
Mr Deryck Mitchelson, Director Digital & Security
Mr Andy North, Service Auditor, KPMG
Mr Colin Sinclair, NSS Chief Executive

Apologies Mr John Deffenbaugh, Non-Executive Director

ACTION

1. WELCOME AND APOLOGIES

1.1 Ms Burgess, as the new Committee Chair, welcomed all to the meeting and noted the apologies and those in attendance. Before starting the formal business of the meeting, Ms Burgess asked the Committee Members if they had any interests to declare in the context of the Agenda items to be considered. No interests were declared.

2. MINUTES OF THE NSS AUDIT AND RISK COMMITTEE MEETING HELD ON 14 DECEMBER 2019 [paper ARC/20/10 refers]

2.1 The minutes of the previous NSS Audit and Risk Committee (ARC) meeting, held on 4 December 2019, were accepted as a true and accurate record.

3. MATTERS ARISING [paper ARC/20/11 refers]

3.1 Members noted that the majority of actions were completed, covered by the current agenda or scheduled for a future meeting. Members noted that the agenda had been truncated in accordance with the changes to Governance that had been agreed at the NSS Board meeting held on 26 March 2020. This had been put in place as part of the response to COVID-19 pandemic.

3.2 Ms Rooney asked whether NSS had seen an upsurge in Freedom of Information requests since the last meeting. Mr Sinclair advised that there had been an increase in late February/early March but would need to check whether this has been sustained. Members asked for a short paper to be prepared for the next full meeting. **Action: C Sinclair to liaise with Matthew Neilson for next meeting.** **C Sinclair**



Headquarters

Executive Office, Gyle Square, 1 South Gyle Crescent,
EDINBURGH EH12 9EB

Chair: Mr Keith Redpath
Chief Executive: Mr Colin Sinclair

4. NSS INTERNAL AUDIT STATUS UPDATE [paper ARC/20/13 refers]

4.1 Mr Lucas took Members through the paper and highlighted the following;

The paper summarised completed audits to date and provided a status update on work in progress;

- Members noted that the P&CFS Governance and Complaints Handling Process Audits had now concluded and reports would be available for the next meeting.
- Two audits are still in progress -
 - Financial Controls Review- this year's focus was to be on stock management. Given the significant pressures on the PCF warehouse staff in responding to COVID-19 the review will now consider stock management arrangements in SNBTS. The SNBTS Financial Controls (Stock) audit was almost complete.
- Three audits in the plan for 19/20 have been carried forward into the Audit Plan for 20/21:
 - Programme Management (CHI, Child Health and GP IT Reprovisioning)
 - Public Health Intelligence/Public Health Scotland
 - Clinical Waste Management Contingency – Financial Assurance
- Proposed changes to 20/21 plan have been made following discussions with CEO and Director of Finance to reflect the impact of COVID-19 and resultant reprioritisation of services.
 - Annual review of financial controls is brought forward and will focus on governance changes introduced as part of COVID-19 response.
 - Audit of Organisational Change process is now planned for Q4 – reflecting a pause on significant organisational change activity
 - A lessons learned review of the changes in governance introduced a part of COVID19 response will be carried out in Quarter 3
 - A further review of impact on Workforce, with a focus on wellbeing of staff is being developed.

4.2 Mr Lucas added that KPMG would be as flexible as possible to accommodate any further reviews NSS considered useful and recognised the increased pressure on the organisation during the pandemic conditions. Mr Lucas highlighted that other clients are also looking at the impact of IT Infrastructure changes and cyber security protocols. Mr Bell advised that both P&CFS and D&S colleagues were working to produce guidance and additional training relating to information governance whilst working from home Mr Mitchelson added that whilst he welcomed the suggestion of an additional IT review, he believed this would not be necessary as there were already significant controls in place around cyber security and working from home, and this was also reflected in the recent Network and Information Systems Directive Audit that had taken place.

4.3 Ms Rooney welcomed the updated plan and asked whether the additional reviews identified would be included in the original 211 days of audit or would be carried out during the contingency provision. Mr Lucas advised that these would be an addition.

4.4 Ms Burgess thanked Mr Lucas for his report and asked that in light of the changes that had been made/proposed it would be sensible for Mr Lucas to present the updated plan to the next meeting. **Action: J Lucas to provided updated internal audit plan to next meeting.**

J Lucas

5. HIGH LEVELS FINDINGS [paper ARC/20/18 refers]

5.1 Mr Lucas took Members through the High Level Findings Report and highlighted the following;

- Members were asked to note that at the current time there was no protocol to allow KPMG to downgrade findings once they had been published, and it should be noted that, had this been possible, the IT findings would not have been so high. Some findings were still open, but after discussions with Mr Mitchelson the intention was to revisit the findings, with the expectation that these would also be closed in the next few months. Significant progress had been made and Members should take comfort from this.
- The findings of the PgMS report had evolved considerably since the audit had taken place and it was also noted that this had been carried out during a period where PGMS were already working at improvements to governance. The findings were therefore high at the time but recommendations had now been implemented;

5.2 Members thanked Mr Lucas for his update and had no further questions.

6. SERVICE AUDIT REPORT AND OPINION [paper ARC/20/14 refers]

6.1 Mr North took introduced the three Service Audit reports, noting that this was KPMG's first cycle of reporting as Service Auditor and that there had been differences in the approach taken this year to those in previous years.

6.2 Mr North highlighted the change in the scope of the IT service audit, which for the first time considers the controls carried out by both NSS and ATOS in delivering national IT services to Boards. It was hoped that the detail and rigour in reporting provided achieved the overall objective set by the board in changing Service Auditors after a number of years. Members were also asked to note that the IT report underpinned both the P&CFS and payroll reports and that the reports should be considered together on that basis. Mr North explained the format of the report to the committee and explained that in all three reports there were exceptions to the control objectives stated which resulted in a qualified opinion. This had arisen due to difficulty in obtaining evidence of the operation of the controls as defined in a structured and systematic manner. It was stressed that these exceptions did not indicate the absence of controls or fundamental control issues.

6.3 Members discussed the findings of each report in full and expressed concern at the qualified opinions and sought clarification of the context in which they were made as this was not immediately obvious from the reports. Mr Sinclair and Mr Redpath asked whether there had been a change in International Auditing Standard for this type of audit, and whether this would explain the significant difference between previous reports which were unqualified, and the audit opinion this year. Mr North advised that there had been no changes to the IAS 3402. He further clarified that under IAS 3402 there were three possible outcomes achieved:

- An Unqualified opinion where there had been no material exceptions to the controls as defined.
- Qualified opinions reflect findings which are considered material to the operation of the controls as defined.
- An adverse opinion would occur where controls were absent or failed.

Members asked that this therefore be clarified in the reporting as it was not made clear in the documents received as to what 'qualified' actually meant in this context.

6.4 Members asked for clarification on what the issues had been around obtaining evidence and Mr North responded that in the main these had been around evidence only being available on screen during any transaction and this had not been witnessed during the audit. Ms Low asked whether, in order to provide reassurance for NSS customers, there were any areas of real concern that NSS should focus on. Ms Low highlighted the following:

- For previous auditors where there had been any issues with obtaining evidence there would have been the opportunity for NSS colleagues to work with them to provide the assurance required. This did not appear to happen this year;
- The systems being reviewed are legacy products, designed 20 years ago to do things in a particular way which may not, now, provide the evidence in the way that the auditors may have expected it to be available.

Members reflected that this should be taken into account when scoping out future service audits. Mr Redpath added that in his experience the term 'material' issues would be used, he therefore sought assurance that the qualifications were not significantly material as to cause undue concern. After further discussion it became apparent that there were no material issues, the qualification was based on being unable, due to legacy systems, obtain specific evidence.

6.5 Ms Browne added that when the reports were circulated to Boards and reviewed by Audit Scotland, those studying them would be aware of the levels of qualification and their materiality. In this case as the level was 'qualified' not 'adverse' Boards may welcome comment on levels of risk, to assist them when making decisions on any additional audits they may wish to make for their own Boards. They would of course make their own decisions, but the terminology would be understood.

6.6 All agreed that for future testing, especially for P&CFS, it would be essential to ensure the scoping exercise reflected the type of controls, especially around the legacy systems, that should provide the necessary evidence that controls were fully adhered to. Mr North, Mr Bell and Mr Pinkerton to work together for future reporting. **Action: Mr Bell/Mr Pinkerton and Mr North to liaise re future evidence based testing.**

**M Bell/A North/
A Pinkerton**

6.7 Members went on to discuss the payroll findings. Mr North advised that out of 5 objectives only one of those had been reported as qualified. This related to customer enquiries and what had been identified was a lack of evidence to demonstrate prioritisation. Ms Howard advised that this was already being addressed as part of the Transforming Finance programme and the introduction of ServiceNow platform which provides the detail required to provide this evidence. This will be rolled out to all NSS customers in 20/21.

6.8 The discussions and actions were summarised as:

- Further narrative and context to be included in reporting;
- Scope of evidence to be reviewed for future audits;
- Improvements in availability of evidence for future audits;
- Inclusion of materiality and risk of findings;
- NSS to produce an action plan around service descriptions.

Ms Low and Mr Bell to take bring an action plan around future audits to a future meeting of the Committee. **Action: Ms Low and Mr Bell to provide action plan to future meeting.**

C Low/M Bell

7. EXTERNAL AUDIT MANAGEMENT REPORT [paper ARC/20/19 refers]

7.1 Ms Browne took Members through her report which summarised the interim work on key controls in the financial systems. Members noted the caveat that this had all taken place pre-COVID and that this was being taken into account now that the testing was being done. Confirmation of final timings would be provided shortly.

7.2 Members noted the content of the paper and thanked Ms Browne for her update.

8. PROGRESS ON ANNUAL ACCOUNTS

8.1 Ms Howard provided Members with a short verbal update on progress on NSS Annual Accounts. It was noted that due to the NHS Scotland response to the COVID-19 pandemic, Scottish Government had approved an extension of up to three months to the final accounts process. NSS had continued to work as quickly as possible, and the accounts had been shared with the auditors three weeks later than normal. This was due to the fact that the NSS accounts could not be finalised until evidence from both Scottish Government and other Boards had been supplied. Testing was now underway and hopefully there would be no further delays. However, it was recognised that Audit Scotland work had also been affected by the pandemic.

8.2 Ms Browne thanked Members for their support and understanding of the additional pressures and potential delays and were being as flexible and pragmatic as possible to support Boards. There was an acknowledgement by Audit Scotland that many NSS staff had been central to the COVID-19 response and some of the aspects of the audit process had been postponed until the next financial year to support this. It was noted that these were all non-financial pieces.

8.3 Ms Browne was unable to provide a set date for when the process would be complete and NSS colleagues were providing information to Audit Scotland as fast as possible, which was very much appreciated. As soon as a firm date was available Ms Browne would be in contact to enable NSS to set up the appropriate Audit & Risk Committee and Board meetings to allow final signature. **Action: Audit Scotland to forward final dates to NSS once available.**

R Browne

8.4 Members thanked Ms Howard and Ms Browne for their updates.

9. PROGRESS ON ANNUAL REPORT AND ACCOUNTS PARTS B – NOTE 1 ACCOUNTING POLICIES [paper ARC/20/16 refers] AND LOSSES AND SPECIAL PAYMENTS [paper ARC/20/17 refers]

9.1 Members noted and approved the content of both papers and were content to approve/adopt as requested.

10. ANY OTHER BUSINESS

10.1 Members had no further business to raise at this point.

11. DATE OF NEXT MEETING

11.1 Members noted the next meeting was scheduled for Wednesday, 17 June 2020 at 09:30 on TEAMS. It was agreed that this would take the form of two separate sessions: 1. Normal Committee Business 2. Development Session focused on Annual Accounts.

There being no further business the meeting finished at 1145 hrs