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| HIGHLAND NHS BOARD | Assynt House Beechwood Park Inverness IV2 3BW Tel: 01463 717123 Fax: 01463 235189 www.nhshighland.scot.nhs.uk  |
| DRAFT MINUTE of MEETING of the NHS Board Audit Committee Microsoft Teams | 4 May 2021 9.00am |

Present: Alasdair Christie, NHH Board Non-Executive (Chair)
 Alexander Anderson, NHH Board Non-Executive Director
 Ann Clark, NHH Board Non-Executive Director
 Susan Ringwood, NHH Board Non-Executive Director
 Gerry O'Brien, NHH Board Non-Executive Director
 Stuart Sands, Lay member

Other Non-Executive Directors Present: Prof Boyd Robertson, NHS Board Chair
 Ms Gaener Rodger

In Attendance: David Garden, Director of Finance
 Iain Addison, Head of Area Accounting
 Louise McInnes, Risk Manager
 Joanne Brown, Grant Thornton
 Claire Connor, Grant Thornton
 Chris Brown, Azets
 Stephanie Hume, Azets
 Iain Ross, Head of eHealth
 David Park, Deputy Chief Executive
 Fiona Hogg, Director of Human Resources
 Heidi May, Nurse Director
 Ruth Daly, Board Secretary
 Stephen Chase, Committee Administrator

1 WELCOME, APOLOGIES, AND DECLARATIONS OF INTEREST

The Chair welcomed Stuart Sands to the committee as the new lay member following a competitive recruitment process.

Apologies were received from Sarah Compton-Bishop.

1.1 Declaration of Interests

The Chair advised that as an elected member of the Highland Council he had applied the test outlined in paragraphs 5.3 and 5.4 of the Code of Conduct and concluded that this interest did not preclude his involvement in the meeting.

The Committee noted that the meeting would be recorded for administrative purposes and that the recording would be deleted once the minutes had been completed.

2 MINUTE and ACTION PLAN of meeting held 9 March 2021

- Counter Fraud Update, with regards to the issuing of payroll matches. No current update to report. The Chair requested this be tidied up.
- External Audit: ISA 540 (*see item 4, below*).

- Internal Audit: concerning the fast tracking of some actions to form part of the annual accounts process. *Progress being made with discussions between D Garden and D Park, as shown in the report below.*
- Management Follow Up Report on Outstanding Audit Actions. *On the agenda.*
- Risk management. *On the agenda. Financial Statements workshop to be organised in due course.*
- Committee Annual Work Plan.

The Committee

- **Approved** the Minute and Action Plan of the meeting of 9 March 2021, noting the items outstanding.

3 MATTERS ARISING

There were no matters arising.

4 External Audit

4.1 External Audit Plan for Financial Year ending 31 March 2021

Report by Joanne Brown, Grant Thornton, External Audit.

J Brown confirmed there was no material change to the version previously seen by the committee. The last meeting discussed the issues of the report in detail especially concerning risks and materiality. This is the version submitted to Audit Scotland in accordance with Grant Thornton's Audit Scotland responsibilities.

G O'Brien asked where discussions have got to nationally with Audit Scotland regarding non-financial performance aspects of the audit, given the usual measures will not be relevant to the current year ending, as mentioned in the last minutes. J Brown answered that there have been a couple of conversations with Audit Scotland. Health Boards have been given slightly different guidance on the front end of accounts, as normal performance information might not be available and additional context may be relevant. J Brown noted that typically a failure to reach a performance target would cause Audit Scotland to elevate an organisation up a level of Section 22, however Audit Scotland are currently more concerned with the impact of Covid on the NHS and tracking the NHS Covid Spend.

4.2 Informing the Audit Risk Assessment for NHS Highland 2020/21

Report by Joanne Brown, Grant Thornton, External Audit

The Chair commented that the package provided was very useful especially in terms of highlighting key issues.

J Brown noted that this is a report which Grant Thornton always carry out with the addition of ISA 540 requirements (discussed below). It was asked if the report was attuned to the Audit Committee members roles and understanding of the organisation, and if there were any omissions to note which may have been missed by management.

4.3 Accounting Estimates (ISA 540)

J Brown gave a presentation on this area of the report with C Connor.

The report details the requirement for auditors to understand and assess an organisation's internal controls over accounting estimates, which includes the extent of oversight and governance over the management's financial reporting process relevant to accounting estimates, the risk management process, information system, control activities, and management reviews in relation to accounting estimates. Methods and models, monitoring and related risks are also assessed in terms of bias.

Grant Thornton have identified the following material accounting estimates: Depreciation, Accrued income, Accruals, provision for clinical and medical negligence claims and participation in CNORIS (information from CLO advice), pension and injury benefits, Local Government Pension Scheme (unique to NHS), and valuation of property (plant and

equipment). J Brown noted there is very limited capacity to change accounting policy as all NHS Boards are required by Scottish Government to follow the NHS Accounting Manual.

C Connor described Grant Thornton's audit approach to depreciation noting that different classes of assets are deemed to have different useful economic lives (UEL) and so several items are depreciated based on current value of the estimated remaining life of the asset.

Grant Thornton review management's year-end FHS Practitioner accrual and the method used to calculate the year-end estimate for reasonableness, and a comparison of final costs received by NHS Highland post year-end with year-end FHS Practitioner accrual.

An outline was provided of the process used by the External audit to test for provision for clinical and medical negligence claims and participation in CNORIS.

With regard to pension and injury benefits provision, external audit reviews the provision to confirm it has been calculated in accordance with the NHS Accounts manual, and verifying the year end provision with supporting information supplied by NHS Highland from the Scottish Public Pension Agency and HM Treasury.

In terms of the valuation of property, plant and equipment, NHS Highland appoint management experts Barr (Argyll and Bute) and Burnetts (North Highland) to undertake a programme of valuations across the assets base, valuing land and buildings at least once every five years. An outline was provided of the approach taken by the External audit to review the underlying assumptions in the valuers' report and assesses reasonableness, and the process in place to support the valuers.

A Anderson asked about the factors involved in valuing assets such as medical equipment. J Brown answered that factors include asking how the asset life is derived, if it is consistent with the NHS Accounting Manual Accounting policy and if not what are the nature of the deviations. D Garden noted that the value of assets such as medical equipment is written off over a period of time.

A Clark asked if, given the unusual past year, there might be anything that might be questioned in relation to the accounting estimates. I Addison noted that discussions have been on-going about the appropriate accounting for PPE and equipment received through transfer via other Boards and direct from Government. D Garden advised that there were some significant issues to address such as the healing process with a need to make appropriate provision, and a union case, which involves a number of health boards raising the pay banding of Healthcare Assistants from band 2 to band 3. F Hogg noted that the organisation has been working with trade unions and a job description has been agreed as a result. There is work underway to identify to whom these changes apply potentially backdated to 2018. This could concern a few hundred employees but is currently limited to the initial case. A Clark asked what the implications might be for Adult Social Care. F Hogg answered that this will not have an effect for now, the current negotiations only involve hospital staff. A Anderson noted that this issue may have significant financial implications for care homes. F Hogg noted that there are limiting factors such as job specifics.

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| The Committee noted the presentation and the Chair requested that the PowerPoint presentation be circulated to the Board. |
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INTERNAL AUDIT

5 Internal Audit Summary Report

Report by Chris Brown and Stephanie Hume, Azets, Internal Auditors on behalf of David Garden, Director of Finance.

The plan was presented for approval by the committee. C Brown noted that changes had been incorporated following discussion at the previous meeting.

C Brown also reported on discussion with the Director of Estates who is keen on internal audit providing assurance for changes in the department but is waiting until changes are embedded in the next year after which there will be opportunities for good audits for certain projects.

S Sands raised the issue of homeworking, noting the myriad of risks (e.g. conduct and compliance, health and safety). C Brown affirmed that there are a range of risks such as change in control structures, cyber security, and delegation. S Hume affirmed that these areas are being explored via other reviews and that it could be useful to join the findings, for example in relation to health and safety.

F Hogg noted that we are still in a period of 'emergency' home working and the situation is under consideration. Time will be needed to transition to a standard model with a review possibly required by the second half of the year.

A Anderson asked about the commissioning of engineering work following problems noted in large builds in Edinburgh and Glasgow. C Brown agreed that there is a need for greater assurance than in the past because of the knowledge of problems elsewhere in Scotland with major projects but with the aim not to duplicate assurances other people are providing.

G O'Brien asked if 470 days is normal for an Internal Audit Plan and how the time is utilised. C Brown replied that 450 days is normal so the audit is slightly over budget. 20 days have been included for training (not typically an internal audit activity). With regard to timings, C Brown noted that all NHS client work has been pushed back due to the Covid situation, but the planning is in place to bring the whole cycle forward.

S Sands noted that there are a number of issues around recruitment and retention on the plan, and asked if now is the time to get the best value for these items with regard to their inclusion on the risk register. In addition he asked how many applications are moving to the Cloud system and if there is there sufficient budget to alleviate the risk.

S Hume clarified that Azets' IT specialists have met with the Head of eHealth and there is now a draft scope in place for the two applications to be transferred (the endoscopy system and care portal). Phase 1 will report back to the Audit Committee in September and phase 2 in December.

F Hogg noted that it may be useful to split out recruitment and retention with retention being something which could be tackled sooner rather than later, and then recruitment could be tackled towards the back end of the year.

The Committee **Approved** the report.

PROGRESS REPORT

C Brown commented that the Risk Management and Board Assurance Reviews are set to be ready for June.

The Committee **Noted** the report.

5.1 Individual Reports for Consideration

(a) IT Stock Control

Internal Audit was asked by management to carry out the IT Stock Control review in response to Counter Fraud Services identifying instances of frauds in some Boards where items had effectively been stolen at the point where items had come in to the organisation but not yet tagged, and therefore not identified as stolen until a later stage.

The terms of reference for the audit were outlined and management assurance of processes were provided. It was concluded that while no instances of fraud were identified, mitigation is inadequate and therefore Internal Audit cannot provide assurance:

- There were issues identified around accommodation and process with regard to the storing, issuing and tracing of equipment.
- It was acknowledged that there were supply chain issues.
- It was recommended there be a segregation of duties and delegated authority in all instances.
- There is a consensus that all equipment purchased during Covid will be used going forward.

- An IT inventory and asset management is recommended.

S Sands asked about the reference in the report to management not providing information, was this due to the information not being available or an unwillingness to provide it? S Hume answered that there was no unwillingness but a lack of certainty that the information existed. S Sands asked if assurance can be given that there was no fraud with the level of missing documentation, and if the implementation dates for the management actions were realistic. S Hume answered that assurance can be given for the 24 items which were tracked as part of the report but no further. She noted that most, though not all, of the implementation dates for identified management actions are realistic; some of the timeframes may not be practicable.

S Ringwood asked if there was an information governance risk. S Hume answered that this was an associated risk as it was not reviewed directly.

The Chair invited I Ross to respond to the 17 actions. I Ross responded that the report has been shared with his team and the timings are thought realistic. A team has been put together to implement the actions and their work is underway. Representations have been made to the Director of Estates with regard to support for issues concerning accommodation.

A Anderson asked if eHealth does its own procurement. I Ross answered that the majority of orders of eHealth are made through National Contracts but this was not possible with regard to the major supplier (HP) withdrawing their services. An existing framework contract was used for the agreement with Dell to take over the supply. I Ross noted that eHealth does not perform procurement outside National Contracts or agreed framework contracts, and provided assurance that all devices are secured via password activity and encryption.

A Anderson asked if there is a GDPR risk via equipment coming in via other means such as personal equipment. G O'Brien noted the issue of splitting out eHealth issues from organisational issues in order to capture the gains and losses. D Park noted that this is an asset control audit and not a cyber-security audit. In addition he noted that there are issues relating to historic processes, especially with regard to outsider contractors such as GPs. D Garden noted the work done by eHealth and highlighted that this report came at a difficult time and therefore it is important to separate out the issues around the weaknesses identified by the report and the support given to the organisation during the pandemic. I Ross confirmed that the life of devices will be documented. Appropriate checks and balances are applied to requests for items, with line manager sign off necessary to ensure decisions are based on need not want. The issue with cancelling phone card sim cards was a complex one as several were already in use in medical devices and therefore had to be identified before the contract was terminated.

The Committee **noted** the report.

6 Final 2021/2022 Internal Audit Plan

The Committee **noted** the circulated report.

7 Management Follow Up Report on Outstanding Audit Actions

7.1 Follow Up Report on Outstanding Audit Actions 2019/2020

7.2 Follow Up Report on Outstanding Audit Actions 2020/2021

I Addison provided an overview of the outstanding actions from Internal Audit reports (p.147 in the suite of papers). Seven reports are identified against which management actions have been agreed. The summary of progress (p.148) notes 29 actions: 19 of which are complete, 10 are partially complete, and other actions not yet due.

S Ringwood commented that it was not easy to the identify priorities of the items. A Anderson noted that some actions do not have associated dates and queried if this was deliberate or an oversight. A Clark asked what 'partially complete' meant. S Sands noted that 'partially complete' is hard to quantify, perhaps it should be referred to as 'in progress/mitigating'. D Garden commented that he has been in discussion with Pam Dudek to design an improved template for outstanding actions which will go to EDG on a monthly

basis with more scrutiny and weighting. A Clark commented that the new method of reporting on culture programme work streams may be worth adopting. I Addison responded that 'partially complete' means that the item is on track to be completed but not within a given timescale.

On the second paper, identifying issues prior to April 2020 the summary of outstanding actions listed 21 outstanding actions, 5 complete, and 13 partially complete, all of which were due by 31 March 2021. There has been no response on the community planning report's outstanding actions but awareness that work is ongoing.

The Chair asked for the report to be circulated to the chairs of the committees. He noted that the June committee is already quite full and therefore suggested a special meeting in the summer of the Audit Committee to resolve these issues with full reports from the executive directors or the sponsors of the original internal audit to close off matters.

The Committee

- **Noted** the position and that the report would be circulated to the chairs of the committees.
- It was also **noted** that a special meeting be planned in the summer to close off the management follow-up issues.

7.3 Report from Maternity Services

H May spoke to the SBAR provided by Mary Burnside.

National Maternity strategy 2017 progressed well to 2019 which culminated with a visit from the national Best Start team including Jane Grant the Chief Executive and national lead for Best Start and it was felt that the Highland team was doing well. The impact of Covid has been significant and has had a consequential impact on progress with the management actions. A Project Manager was appointed in late 2019 but had to be released and relinquish the role to oversee the COVID-19 vaccination programme. This post was currently being advertised.

The Best Start project is being restarted. Caithness Maternity Unit is being updated and plans are in place for an updated Community Midwifery Unit in Skye as part of the new hospital build. The Midwifery Hub in Invergordon is going to be developed into a Community Midwifery Unit which will increase patient choice regarding place of birth and staffing requirements are currently under consideration. A huge amount of redesign is required for Raigmore maternity and neonatal services and this issue has been brought to the fore by a request from NHS Grampian to assist in supporting an additional 300 women from Dr Gray's Hospital giving birth in NHS Highland.

During 2020 a bid was put in to develop an improved perinatal mental health service. This was successful and the funds are recurrent.

Progress is being made with the 'Continuity of the Carer' project (part of National Best Start Strategy) to aim to ensure that the midwife or midwifery team follow women through their pregnancy and labour. This has been working better in rural and remote areas.

However, with remobilisation and the possibility of a third wave of Covid there is anxiety about how this could affect the work. A request was made to present a review paper in six months' time outlining progress.

A Clark asked what the 'business as usual' governance route is for the Best Start project board to report into and how would you assess the residual risk to the board in terms of the continuing potential risks outlined. H May answered that the Best Start programme feeds into the Maternity and Neonatal Services Strategy and Coordination Committee (chaired by H May) and this in turn feeds in to the Clinical Governance Committee. The Project Board also had links with both the national and work with the Executive Oversight Group for the north of Scotland for the maternity redesign work.

There were different levels of residual risk in connection with the support to NHS Grampian. In particular, there were risks associated with the model to be adopted, either a community-

led model or a consultant-led model. It was important to prioritise working towards implementing the safest model.

The Committee **noted** the update and that a further update will be provided in six months.

8 RISK MANAGEMENT AND CORPORATE RISK UPDATE

L McInnes spoke to the report noting that there is no change since the last meeting. Two development sessions were held during March 2021 for the Executive Directors Group to review the strategic risks currently on the Board Risk Assurance Framework, reviewed in terms of which ones need to be de-escalated, and that strategic risks are reviewed to ensure they meet the Board's objectives and the Annual Operational Plan.

L McInnes is currently meeting with individual directors to prepare the list of risks to be approved before the end of May to then be taken to the Board meeting in June. She is looking at associated operational and divisional risks, for example, from Argyll and Bute, so that the gaps can be filled in and lead in to setting risk appetite to communicate to the Board. Work has also started in response to the draft Internal Audit report.

The Chair asked if there was confidence embedding risk processed across the management levels of NHS Highland. L McInnes answered that this is variable. Training and awareness has started in the North Highland Community and Acute division, a couple of directorates within the acute sector. There is a gap with the rural general hospitals but assistance is being provided.

A Clark asked if there was confidence that risks in terms of acute services are aligned with the Board's governance framework with clear line of sight to committees. L McInnes answered that work is starting to ensure that acute risks are linked into the relevant governance committees, based on risk ratings of 16 or above are linked to level 1 strategic risks. Any operational risks with ratings of 10 or 12 or above for Level 2 directorate level will be automatically linked to the Chief Officer's risk register.

S Sands asked if there are target dates for the achievement of the target levels of risk for the Risk Register. L McInnes answered that target dates are reviewed against when mitigation is due – this is a work in progress.

The Committee **noted** the report.

8.1 Minute of the Risk Management Steering Group meeting: 3 March 2021

The Committee **approved** the minute.

9 COUNTER FRAUD UPDATE

I Addison noted that the Counter Fraud newsletter was too late for the meeting but will be circulated amongst the committee after the meeting.

It was reported that Sarah Macaulay has been appointed as technical accountant and fraud liaison officer, to complete the annual accounts and deal with counter fraud matters, like her predecessor, Barbara Milne.

A Clark asked if it is always the case that Counter Fraud Liaison Officer is also the Technical Accountant. I Addison affirmed that there is no specific role of Counter Fraud monitor, this is part of the remit of the Technical Accountant, and acknowledged that it is a difficult balance.

The Committee **noted** that a report will be delivered to the next meeting on this item.

10 FINANCIAL GOVERNANCE: ANNUAL ACCOUNTS PRODUCTION UPDATE

The team is in the process of putting together the accounts with the first draft due to go to external auditor in the next week. A paper was circulated to the Committee, for information, on accounting policies which the team is working to. There are no differences to the policies from the previous year. The paper emphasises how the accounts are recorded according to the policies identified.

G O'Brien asked if there was an anticipated issue relating to the reference (on p.185 of the suite of papers) to the valuer's statement that "The range of uncertainty has not been identified and therefore we are unable to quantify the potential impact on the accounts" in relation to property, plant and equipment. I Addison answered that every Board in Scotland has a similar situation. This was confirmed by J Brown who noted however that the guidance is not blanket this year and this might have a Covid-specific emphasis, although there is no anticipation of valuations of matter.

The Committee

- **Noted** the position.

11 GOVERNANCE COMMITTEE ANNUAL REPORTS

The Committee

- **Approved** the reports on block.

12 AUDIT SCOTLAND

The Chair directed the committee to the link and recommended a couple of items of reading interest on equality outcomes.

13 PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE UPDATE

No update to report.

14 ANY OTHER COMPETENT BUSINESS

The Chair noted that an agenda item would be added for the next meeting to appoint a Vice Chair to the Committee in line with new Board regulations. Any interested parties should contact the Chair to discuss.

15 DATE OF NEXT MEETING

The next meeting of the Committee will take place on **22 June 2021** at **2pm** as part of the Board, on a virtual basis.

The Meeting closed at 11.21 am