

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	28 June 2022 10.12am	

Present: Mr Alasdair Christie, NHS Board Non-Executive (Chair)
 Mr Gerry O'Brien (Vice Chair)
 Mr Alexander Anderson, NHS Board Non-Executive
 Ms Gaener Rodger, NHS Board Non-Executive
 Mr Stuart Sands, Lay Representative

Other Non-Executive Directors Present: Ms Sarah Compton-Bishop, NHS Board Non-Executive
 Mr Boyd Robertson, NHS Highland Chair

In Attendance: Mr Iain Addison, Head of Area Accounting
 Dr Tim Allison, Director of Public Health
 Ms Joanne Brown, Grant Thornton
 Ms Louise Bussell, Chief Officer
 Ms Ruth Daly, Board Secretary
 Ms Pam Dudek, Chief Executive
 Mr David Eardley, Azets
 Ms Ruth Fry, Head of Communications and Engagement
 Mr David Garden, Director of Finance
 Ms G Gunn, Senior Programme Manager, PMO
 Ms Fiona Hogg, Director of People and Culture
 Ms Stephanie Hume, Azets
 Mr David Park, Deputy Chief Executive
 Mr Boyd Peters, Medical Director
 Ms Katherine Sutton, Deputy Director of Operations
 Mr Nathan Ware, Governance & Assurance Co-ordinator
 Mr Stephen Chase, Committee Administrator

1. WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

Apologies were received from Philip Macrae and Susan Ringwood.

Alasdair Christie advised that being 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.

2. MINUTE AND ACTION PLAN OF MEETING HELD ON 3 MAY 2022 [pp.1-10]

The minute of the meeting held on 3 May 2022 was approved pending amendment of the minute and the Annual Report of the Audit Committee to show A Anderson as present.

The Committee

- **APPROVED** the amended minute of the meeting held on 3 May 2022.
- **NOTED** The Rolling Action plan.

3. MATTERS ARISING

There were no matters arising.

INDIVIDUAL INTERNAL AUDIT REPORTS

4.1 PMO – Impact of Unfilled Shifts

[pp. 11-70]

Report by Azets, Internal Audit.

S Hume noted that this was a piece of consultancy work that G Gunn and PMO Director, Jane Gill had asked Internal Audit to undertake.

- There was a general feeling that there had been a high number of unfilled shifts within the organization and that the demand for supplementary staff is increasing. This piece of work was an attempt to contribute to understanding what the impact is on the wider organisation and how manageable this is with existing staffing.
- The impact of COVID and the timing of an increase in demand were factored in to the work. Data was normalized in order to track the impact versus patterns on the unfilled shifts. A correlation was found in a number of areas for unfilled shifts. In areas such as near misses and adverse events there were clear patterns that in some months a higher number of incidents were identified against a higher number of unfilled shifts. This could be due to timing or coincidence, but it was felt that this was worth noting for the report.
- The usual Internal Audit gradings with regards to risk were not applied because these are advisory points. It is for management to decide if this work is to be taken forward.
- In the majority of the cases G Gunn and J Gill have decided that there is work that can be done or further investigation that is needed. There is a lot of information but very little reporting on the impacts. Information has been pulled out in terms of what it was thought would be helpful for management to consider.
- The highest number of reasons for unfilled shifts related to vacancies. Internal Audit have suggested that management consider the age of some of the vacancies if they should still be considered vacancies or that another course of action be considered.

G Gunn noted that a version of the report with dates added had been circulated shortly before the meeting. There are two dates remaining to be set and details will be finalised very soon.

In discussion that followed,

- G Rodger noted an interest in the correlations between unfilled shifts, adverse events and related items and will take the paper to the September meeting of the Clinical Governance Committee for discussion.
- H May commented that the alignment between this piece of work on the part of both HR and clinical staff needs to be strengthened and committed to ensuring this happens in conjunction with B Peters. She also noted the importance of the work and that it would be of interest to the Chief Nursing Officer for Scotland
- A Anderson commented that there is a lot of useful detail to be teased out of the report through further work which is likely to show correlations with issues around Statutory and Mandatory Training.
- S Sands suggested that the work could productively be applied prospectively especially in terms of E-Rostering which is not currently used across all wards.
- G Gunn noted that an E-Rostering plan is in the process of being rolled out as part of a national workstream. In addition, the system is starting to be used for requesting medical locums.

The Committee

- **NOTED** the report, and the pathway to Clinical Governance Committee oversight and requested a future update

4.2 Home Working

[pp.71-90]

D Eardley introduced the report and expressed delight at NHS Highland's responses to Home Working. The main recommendations of the report were for clearer strategic oversight and wider strategic objectives. It was not possible to obtain objective evidence of how work is managed online with information garnered from local circumstances more than a larger structured approach.

During discussion,

- The Director of People and Culture noted that the organisation was moving towards a long-term approach of agile working and agreed that there should be shared strategic priorities and objectives with the Estates strategy. An Agile Working Group has been re-established to consider these workstreams.

In addition, it was asked,

- If it was known how many staff have been home working and in what kinds of positions,
- If meetings continue in person by exception do non-executives and lay representatives fall under this requirement,
- If the action plan dates over ambitious.

The Chair commented that this issue cut across the remit of several committees and that F Hogg will pick up these issues with the Agile Working Group. F Hogg commented that the Staff Governance Committee will discuss these issues at its 20 July meeting.

The Committee

- **NOTED** the report.

4.3 Accommodation Processes

[pp.91-107]

S Hume gave an overview of the report which had been requested by the Director of Estates and noted that while there is a capital plan in place for the organisation, there is not an accommodation strategy that outlines how the organization deals with accommodation in the future especially with regard to net zero and environmental sustainability targets. It was noted that there is a lot of inconsistency across the organisation in dealing with accommodation. The Internal Audit found that while most people understood their role in the process, they did not understand the wider implications in relation to the organisation as a whole.

A Wilson assured the committee that decisions had now been brought into the Estates Department with the setting up of the new directorate. A new Estates strategy is underway and accommodation will form part of this.

In discussion, the following points were raised,

- S Sands noted that this report reflected a similar theme to other reports that had come to the committee outlining problems with distributed controls that do not operate consistently across the organisation. He suggested that this theme could be added to the Risk Register for more detailed consideration.
G Rodger commented how the lack of an accommodation strategy could contribute to inequalities for staff, patients and their families.
- A Anderson raised a concern that the major redesign projects which are underway need to address the concerns of the audit and be incorporated into the wider strategy work.
- P Dudek noted that the Executive team are very aware of the concerns raised and the need for proactive work to address this.

A Wilson suggested that the financial obligations be considered by the Workforce Board and the FPR Committee also.

The Committee

- **NOTED** the report.

4.4 Internal Audit Annual Report 2021/22

[pp.108-122]

D Eardley introduced the Annual Report on the Internal Audit opinion and noted the step down to moderate assurance which reflects the work around Statutory and Mandatory Training, and other notable areas of work.

The Chair and other committee members commented on the fairness of the report, recognising the issues identified and that plans were in place to address these particularly with regard to Statutory and Mandatory Training and changes to the safety culture to feed into the Annual Delivery Plan.

The Committee

- **NOTED** the report.

ASSURANCE REPORTS

5. Audit Assurance Reports on External Systems

[pp.123-214]

Update by Iain Addison, Head of Area Accounting

I Addison noted that there is an emphasis of matter in the payment verification to Practitioner Services audit and that this is the only item that keeps it from a completely unqualified opinion. A subcommittee has been set up and has an action plan to review and progress this work and make sure that internal controls are not being eroded by a lack of payment verification.

The Committee

- **NOTED** the report.

6. CORPORATE GOVERNANCE – Audit Committee Annual Report

[pp.215-217]

The committee noted the Annual Report.

The report will incorporate an amendment to reflect the amendment to the Minutes of 3 May 2022 noted above.

The Committee

- **NOTED** the report.

7. ANNUAL REPORT AND ACCOUNTS 2021/22

7.1 Assurance for the Consolidation of Endowment Fund Accounts

[pp.218-251]

The Committee

- **NOTED** the approved NHS Highland Endowment Fund accounts which had been approved by the Endowment Trustees, to be consolidated into the accounts for NHS Highland.

7.2 Draft Final Annual Audit Report

[Separate from collated papers]

J Brown introduced the draft Final Annual Audit Report and drew the committee's attention to a couple of the main points,

- The External Auditors proposed an unmodified audit opinion (this is not expected to change).

- Work on the Remuneration Report, related parties, pensions and PPE valuation is now complete. The remaining work is to address points of documentation and standard audit conclusion procedures.
- J Brown noted that the timeline for accounts of Scotland's health boards is now very tight. Accounts can now only be produced for the second week in May and therefore the External Audit started on 9th May.
- A good quality set of numbers was received through the Scottish Government template and this was translated into a good quality annual report and narrative. It was felt that for the Board to produce its report earlier would be to sacrifice the quality of information for the External Auditors.
- The External Audit's methodology must comply with EFRC and FRC requirements which have become increasingly challenging, and it was commented that this is likely to be an area of discussion for the Board with the new External Auditors.
- It was noted that NHS Highland has a five-year rolling program to value all its assets over this period and in the intervening period NHSH uses indexation which conforms with the terms of the manual of accounts. However, there has been some variation year on year which has resulted in a number of assets not being physically valued in that five-year period. Therefore, the report recommends that this information is captured with a clear process to give assurance that there is no material risk of impairment.
- Regarding the fixed asset register, it was noted that there are a couple of assets which have been disposed of but are still sitting on the register with no net book value. A few discrepancies were noted in the valuation report received from the valuer, and it was recommended that a control is put in place to assure the Board that the information received from the valuer is correct before it is inputted into NHS Highland's records.
- It is a requirement of the regulators that pensions are marked as a significant audit risk. J Brown noted that the External Audit is comfortable with NHS Highland's pensions work and disclosures but recommended that NHS Highland enter into a more formal agreement with Scottish Government regarding any deviation from IAS 19. It was felt that this will assist the new external auditors.
- It was recommended that the committee consider the enhancements presented in the report to IAS 19, on critical judgments and estimates.
- It was commented that, in terms of the financial challenges ahead, these are largely shared with the other Scottish health boards and are not out of the ordinary by comparison.
- It was commented that because the incoming External Auditors have particular interests in the areas of equalities and climate change the report contains a brief narrative on work undertaken by the Board.
- The letter of representation will provide assurance for unadjusted errors noted in appendix one.
- After the meeting, the report will be updated, finalised and signed off for submission to Audit Scotland and Scottish Government, with a copy to be sent to NHS Highland over the next week.

The Chair thanked J Brown and her staff on behalf of the committee and the Board for their work over the past few years on the audit. The Board Chair added his thanks with regard

particularly to the External Audit's assistance preparing the Board for its interactions with PAPLs.

D Garden stated with regard to valuations, that the Board should have put out to tender last year for evaluation but had not. He noted that he will make sure that plans are in place to get the tender out for next year's annual accounts sales.

I Addison noted the recommendation for a formal agreement on IAS 19 with Scottish Government, and added that Scottish Government had been kept fully informed over the past 10 years in the reporting and satisfied with the arrangement in that it had funded the pensions shortfall on a year-to-year basis. Plans will be drawn up later in the year to discuss a more formalised agreement with government.

The Committee

- **approved** receipt of the report from the External Auditor.

7.3 Letter of Representation from NHS Highland to Grant Thornton – to be tabled

[Separate from collated papers]

The Chair noted the Letter of Representation and presented it for the committee's approval.

The committee **approved** the Letter of Representation.

7.4 Draft Annual Report and Accounts 2021/22 for NHS Highland

[pp.252-369]

D Garden gave a brief overview of the report and accounts. He noted that quality of narrative in the reporting had improved making the reading of the accounts easier, and thanked Ruth Fry, Ruth Daly, Lorraine Cowie and their teams for assistance in this matter.

It was commented that it had been hoped that this year's report would have given a better picture of NHS Highland's finances after the significant work carried out over recent years and through the pandemic, however current challenges had made a significant negative impact.

The Committee

- **NOTED** the report.

8. ANNUAL ACCOUNTS FOR PATIENTS AND CLIENTS PRIVATE FUNDS

8.1 Patient and Client Private Funds

[pp.370-375]

I Addison gave a brief overview of the accounts and explained the purpose of the letter from the auditors, Johnson Carmichael, which gave some indication of their findings none of which were considered significant issues.

The committee **approved** the Patient and Client Private Funds for 2021/22.

The Committee paused at 11.26am for an In Committee Meeting of the Board to consider the Annual Accounts. The Audit Committee resumed at 11.29am.

9. NOTIFICATION FROM SPONSORED BODY AUDIT COMMITTEE [Separate papers]

I Addison confirmed that a letter had been drafted and circulated in the meeting via the Teams channel. The letter is a notification to Scottish Government of anything that the audit committee may have identified that would be of significance on a national basis.

The Audit Committee was asked to identify if it is aware of any issue which it feels the Scottish Government Health Finance Division ought to be aware of as a matter of national significance.

The committee had no issues to highlight to Scottish Government and **approved** the delegation of preparing and signing the finalised letter for Scottish Government to I Addison.

10. COUNTER FRAUD

[Separate from collated papers]

A paper will come to the September meeting of the committee.

11. SIGNIFICANT ADVERSE EVENTS

Dr B Peters provided a verbal update and noted that work is continuing to follow the action plan. A paper had been brought to the last meeting of the Clinical Governance Committee and an update will be provided to its next meeting. It was commented that there is some good work being carried out at operational level in terms of both process and activity. G Rodger, as Chair of Clinical Governance Committee, added that she would check timescales for the actions to see if they need amending.

The committee **noted** the update.

12. RISK MANAGEMENT PROCESS [pp.71-83]

A paper will come to the September meeting of the committee.

13. AUDIT SCOTLAND [pp.71-83]

The committee's attention was directed to the full suite of Audit Scotland reports, which are accessible via the link below:

<https://www.audit-scotland.gov.uk/report/search>

14. MANAGEMENT FOLLOW UP ON OUTSTANDING AUDIT ACTIONS [pp.71-83]

I Addison provided a brief update on audit actions since the committee's meeting in May.

The Procurement and Tendering Internal Audit action plan is progressing well and there are more items that have been completed.

There are a couple of items outstanding but these are in line with the previously identified timelines.

A full report will be brought to the next meeting of the committee.

D Park provided an update on the paper circulated which addressed progress around actions for issues of Resilience and Business Continuity Planning.

An error had been noted on p.1 of the report: this should be corrected to read, that the paper was presented for the purpose of 'noting' by the committee, and not for a decision.

The Head of Resilience, Kate Cochrane, had made a notable contribution to these workstreams in the past year since her appointment. The team established to address Resilience issues is starting to take effect, and there have been useful exercises conducted with external agencies in both Highland and Argyll and Bute.

An update report was offered to come to the committee in about 6 months

The committee **noted** the updates.

15. ANY OTHER COMPETENT BUSINESS

None.

16. DATE OF NEXT MEETING

The next meeting will be held on **Tuesday 6 September 2022** at **9.00am** on a virtual basis.

The meeting closed at **11.40 am**.

17. PRIVATE SESSION – AUDIT COMMITTEE MEMBERS AND INTERNAL AND EXTERNAL AUDITORS ONLY