

<b>HIGHLAND NHS BOARD</b>	Assynt House Beechwood Park Inverness IV2 3BW Tel: 01463 717123 Fax: 01463 235189 <a href="http://www.nhshighland.scot.nhs.uk">www.nhshighland.scot.nhs.uk</a>	
<b>MINUTE of MEETING of the NHS Board Audit Committee</b> Board Room, Assynt House	<b>17 June 2020 2.00pm</b>	

**Present:** Mr Alasdair Christie, NHS Board Non-Executive (In the Chair)  
 Mr Alexander Anderson, NHS Board Non-Executive  
 Mrs Ann Clark, NHS Board Non-Executive

**Also Present:** Mr Boyd Robertson, Chair NHS Highland  
 Ms Sarah Compton-Bishop, NHS Board Non-Executive  
 Ms Heidi May, Nurse Director  
 Dr Boyd Peters, Board Medical Director  
 Ms Gaener Rodgers, NHS Board Non-Executive

**In Attendance:** Mr Iain Addison, Head of Area Accounting  
 Mr John Boyd, Grant Thornton  
 Mr Chris Brown, Scott-Moncrieff  
 Mr Mitchell Collins, Scott-Moncrieff  
 Mrs Ruth Daly, Board Secretary  
 Mr David Eardley, Scott Moncrieff  
 Mr David Garden, Director of Finance  
 Mr Paul Hawkins, Chief Executive (until 3.40pm)  
 Ms Fiona Hogg, Director of Human Resources and Organisational Development  
 Miss Stephanie Hume, Scott-Moncrieff  
 Mr Paul Kelly, Scott-Moncrieff  
 Ms Joanna MacDonald, Chief Officer (Argyll & Bute)  
 Ms Anna McInally, Board Services Assistant  
 Mr David Park, Chief Officer (North Highland)  
 Mr Iain Ross, Head of eHealth (Item 4 only)

## **1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS**

Members were asked to consider whether they had an interest to declare in relation to any item on the Agenda for this meeting. The following declarations were made:

Mr A 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.

The Committee **Noted** that the meeting would be audio recorded for administrative purposes and that the recording would be deleted once the Minutes had been completed.

## 2 MINUTES AND ACTION PLAN OF MEETING HELD ON 25 FEBRUARY 2020

The minute and action plan of the meeting held on 25 February 2020 were **Approved**.

With regards to the action plan, two actions remained opened:

- Laboratories Service Redesign Management Actions – Iain Addison agreed to follow up and close down the action.
- Internal and External Audit Training – the action had been paused due to COVID-19 but Alasdair Christie and David Garden agreed to discuss outwith the meeting.

### The Committee:

- **Approved** the Minute of the meeting held on 25 February 2020.
- **Noted** the rolling action plan.

## 3 MATTERS ARISING

There were no matters arising.

## 4 INTERNAL AUDIT

### 4.1 Individual Reports for Consideration

#### Payroll and Expenses

David Eardley provided an overview of the circulated report. The report highlighted areas of good practice, such as, the implementation of eESS which has had a positive impact on the internal control arrangements and regular recurring reconciliation checks to ensure the accuracy and completeness of payroll information. The action plan identified several key risks and associated recommendations:

- There was no formal Standard Operating Procedure for payroll and expenses which was particularly significant given the recent implementation of eESS. Furthermore, the lack of written procedure had created a reliance on staff knowledge and expertise.
- Communication issues regarding starters, leavers and amendments were identified through the sample testing which impacted the administration of payroll and resulted in overpayments or late payments. The report acknowledged there might be issues with payroll starters, leavers and amendments but the quantum sampled indicated scope for improvement.
- There had been no trial pay run to ensure accuracy and this had been acknowledged by management.
- Issues regarding the administration, authorisation and delegated authority of approval for expense claims were identified, and while there were checks in the system, it was not as described in the policy.

Fiona Hogg confirmed the dates agreed in the management action plan were appropriate and deliverable.

Ann Clark queried whether the report provided new data for NHS Highland that management could use for improvement purposes. The report included a summary report of the data analytics used as part of the audit. The data used was extracted from the payroll system but it was analysed in a way specific to the audit. Internal Audit confirmed they would be happy

to work with management to provide more insight into the methodology used to analyse the data. Ms Hogg agreed the data was very useful and could be built into KPI indicators to provide an insight into areas where issues may arise.

Thereafter, the Committee accepted the Report and **agreed** the management response.

### **Financial Management and Recovery Planning**

Stephanie Hume provided an overview of the circulated report which reviewed the control measures in place for the Project Management Office. The report recognised a number of areas of good practice, such as, the reporting structure within the PMO, the manner in which savings were reported, the risk adjustment process and the level of savings delivered in year.

The report noted two management improvement actions rated at grade three. Through discussions with staff, it was identified that poor communication and engagement had been reported as a potential issue and contributed to a perceived lack of buy in amongst staff. Sample minutes alluded to a communication plan but this was not rolled out across the organisation. The report recommended undertaking a high level stakeholder analysis and using that information as the basis for an engagement programme for the PMO.

The second grade three action was in relation to the Finance Committee. Sample minutes were examined which indicated two of the three meetings were inquorate and the minutes did not appear to reflect challenge or scrutiny at the meeting. The report recommended ensuring the minutes reflected the discussion at the meeting rather than the information presented. Furthermore, it was recommended the Committee be adequately resourced to ensure it was quorate.

Thereafter, there was a discussion regarding the Finance Committee. Mr Christie commented on the nature of meetings of the Finance Committee which tried to fulfil two functions: a formal committee and an opportunity for analysis. It was confirmed the new Finance, Resources and Performance Committee would be more robust than the Finance Committee. In response to queries raised by Ann Clark, Ms Hume confirmed internal audit had not attended any meetings of the Finance Committee to support their review and that Non-Executive Director members of the Committee had not been interviewed as part of the review. Ann Clark agreed the minutes did not sufficiently reflect the challenge that took place at the Committee but noted that if she had been consulted as a member of the Finance Committee she could have suggested a number of actions to improve the effectiveness of the Committee. It was noted that additional challenge and discussions did take place in other groups and Committees of the Board and A&B IJB. Paul Hawkins advised the granular, detailed work regarding finance and performance should take place in the Financial Recovery Board and the Performance Oversight Board with the Finance, Resource and Performance Committee taking assurance from the groups that feed into the Committee.

Thereafter, the Committee accepted the Report and **agreed** the management response.

### **Staff Redeployment**

Stephanie Hume provided an overview of the circulated report which reviewed processes and procedures in place for staff redeployment. The report recognised a number of areas of good practices, such as a clearly defined management redeployment policy with roles and responsibilities set out.

Within the report, three management improvement actions rated at grade three were identified. With regards to workforce planning, while there was an up to date policy, there was a lack of evidence to show how the policy was used, for example, how it fed into the redesign process. Furthermore, inconsistencies between the redeployment policy and the

organisational change policy were identified. It was recommended the redeployment policy be embedded within workforce planning arrangements and to ensure the policies were consistent.

The second grade three was related to operational escalation for decision making. While there was a process in place to identify a person-match for a role, the decision to appoint ultimately sits with the recruiting manager who can opt not to appoint an individual who might have been identified as suitable by Human Resources. The process does have an escalation mechanism to the Deputy Director of HR but the recruiting manager retains the final decision. The report identified the opportunity to appoint an independent panel to review the justification for refusing a match.

The last three grade related to reporting governance, while there was a clear reporting structure for reporting redeployment through the Highland Partnership Forum and the Staff Governance Committee in the form of the quarterly workforce monitoring report, the report did not provide quantification of identifiable costs as a result of staff sitting on the redeployment register. Furthermore, the minutes of the Highland Partnership Forum and the Staff Governance Committee did not provide sufficient information to understand any concerns raised by the Committee or any additional information requested by the Committee to understand the information presented. Internal Audit did attend a meeting of the Highland Partnership Forum and challenge and scrutiny was evidenced however, due to the fullness of the agenda, Staff Redeployment was not discussed.

Fiona Hogg advised there would not necessarily be an external panel to review staff redeployment; it would be an internal mechanism to independently review outcomes of redeployment processes. With regards to the Staff Governance Committee, the structure of the meetings, attendance and data provided to the Committee had been revised to ensure robust discussions which would be reflected in the minutes.

With regards to management training and awareness of staff redeployment, it was confirmed a Learnpro Module and other means of virtual training would be explored. Information regarding the number of managers completing training would be included as a part of a wider management report.

Ms Hogg confirmed the Workforce Resource Centre established as part of the COVID-19 response had proved to be very useful in overseeing resource and demand and elements of the Centre would be retained going forward.

Thereafter, the Committee accepted the Report and **agreed** the management response.

## **Complaints Management**

David Eardley provided an overview of the circulated report which recognised a number of areas of good practice, such as, publishing the complaints policy online, the robustness of the stage two complaint review process, the use of templates to provide consistency and good use of Datix. The key area of improvement in the plan related to the lack of evidence regarding the implementation of lessons learnt and action points arising from complaints. The report recommended implementing a system to track actions from the point of identification to completion. Other areas of improvement noted in the report included, ensuring consistency across documentation, implementation of monitoring to demonstrate completion of complaint training and ensuring Datix Incident Alerts were only sent to those who required notification of an incident.

It was confirmed the audit had been undertaken in the last quarter of the calendar year and agreed in April prior to the programme of improvements to the complaints process. Boyd Peters advised there had been improvements in complaint management performance but it

was a work in progress and the department intended to build on the improvements already achieved.

Thereafter, the Committee accepted the Report and **agreed** the management response.

### **Business Continuity Planning**

Paul Kelly provided an overview of the circulated report which was conducted in late 2019 / early 2020 and therefore prior to COVID-19. Within the report, all of the four control areas were graded amber. The report examined implementation of business continuity frameworks and whether the recommendations from the 2016 review had been addressed. The report concluded significant weaknesses prevailed within business continuity planning and there was evidence of limited progress having been made in addressing previously raised concerns. The main issue identified was a sub-optimum culture and engagement of the business continuity management process and this was evidenced through the lack of engagement with key governance groups, such as, the Emergency Planning Group and the Business Continuity Group. The sample minutes reflected poor attendance at the meetings. The audit also identified Business Impact Assessments which were out of date or incomplete. Furthermore, in line with the 2016 review, quality assurance processes had still not been factored into the business continuity planning. Moreover, there was a lack of substantive testing of the business continuity plans to ascertain the appropriateness and effectiveness of a plan in response to an event.

Ms Clark advised the Board appeared to have responded effectively to a number of incidents in recent years which had invoked business continuity procedures, such as, a flood in Raigmore Hospital, dust in the theatres in Raigmore Hospital and COVID-19. She queried how this could be the case given the findings of the report. Paul Hawkins agreed the Board has responded to emergencies but there was a pressing need for continuity plans for a number of incidents which could occur.

It was agreed the Finance, Resource and Performance Committee would be responsible for overseeing business continuity planning.

Thereafter, the Committee accepted the Report and **agreed** the management response.

### **IT Service Redesign**

Mitchell Collins provided an overview of the circulated report which reviewed the role of eHealth in service redesign, specifically Skye, Badenoch and Strathspey, Aviemore and Caithness. The overall theme of the report was that eHealth was not involved in the redesign process or involved too late and therefore the project could not take account of digital transformation. The review could not find a governance structure for service redesigns which resulted in inconsistencies. Furthermore, there was no requirement to involve eHealth in redesign projects which meant service goals were not aligned with eHealth goals. The lack of engagement with eHealth meant the department was unable to prioritise their resources to support redesign projects. The report did acknowledge eHealth were supportive of redesigns and provided assistance where possible.

Alasdair Christie queried whether the management responses indicating partial acceptance of some recommendations in the report could provide adequate assurance to the Audit Committee. Iain Ross advised there were finite resources and capacity within eHealth to support redesign projects and this was similar to other support services. To aid the redesign process, it would be beneficial to update the redesign framework to specify and require engagement from support services, such as, eHealth to ensure goal congruence and avoid difficulties. Mr Ross had partially agreed to the management responses set out in the report as eHealth's support on redesign projects was predicated on the redesign framework

ensuring support services engagement from the outset. Paul Hawkins confirmed the Executive Directors Group would set out the priorities for the business cases in the future and ensured eHealth would be consulted from the outset.

It was agreed Mr Ross would provide an update to a future meeting of the Committee.

Thereafter, the Committee accepted the Report and **agreed** the management response.

**The Committee Noted** the Internal Audit Opinion.

#### **4.2 Internal Audit Annual Report 2019/2020**

Chris Brown provided an overview of the Annual Report, which summarised the individual audit reports which had taken place throughout the year and the key findings. The report indicated NHS Highland had an overall effective governance framework in place but further progress was required in relation to improving business continuity, aspects of service redesign and ongoing issues related to financial and organisational cultural issues. Furthermore, the report acknowledged the limited resource available in NHS Highland and the increasing demand placed on that resource.

**The Committee Noted** the Internal Audit Annual Report.

#### **4.3 Internal Audit Plan 2020/21**

Chris Brown spoke to the previously circulated draft internal audit plan for 2020/21. The draft plan for 2020/21 had been discussed at the meeting of the Audit Committee in February and the plan had been updated to reflect the discussion at the last meeting. While the plan set out proposed audits, the plan was built with flexibility and it would be possible to alter the plan as the year progresses. Furthermore, the plan had taken accounts of practicalities of conducting audits in a COVID-19 environment. The Committee was asked to approve the plan to enable work in the first quarter of the year to commence but was reminded the plan could be amended according to risk and organisational requirements. There would be continued dialogue between Mr Brown and Mr Garden to ensure the plan remained appropriate, in terms of management support and high risk areas.

In response to Paul Hawkins' query regarding the number of planned days and actual days in 2019/20, it was confirmed Scott Moncrieff absorbed the costs of an audit overrunning to ensure there was no financial impact to NHS Highland. Mr Eardley advised approximately seventy extra days of audit was conducted.

It was confirmed the Executive Directors Group would look at the internal audit plan. Ms Clark suggested two potential areas for inclusion in the plan – management support resource for the adult social care redesign which would be undertaken with the Highland Council and a session on financial accountability, responsibility and challenge for the new Finance, Resources and Performance Committee.

**The Committee Noted** the Internal Audit Annual Report.

### **5 MANAGEMENT FOLLOW UP REPORT**

As part of the audit process, Internal Audit routinely checked the management follow ups initiated following an audit. As previously discussed at the Committee, there had been issues relating to closing outstanding audit recommendations. Over the last year, there had been a

concerted effort by management to close outstanding actions and a system had been implemented to avoid significant numbers of outstanding actions. Resource had been assigned within the Finance Department to pursue the sponsors of outstanding actions to ensure actions were completed in a timely manner. At the time of the meeting there were 14 outstanding recommendations, all of which were grade three. Grade one and two actions were excluded from the management follow up report and were subject to random spot checks throughout the year. A number of older audit recommendations had been removed from the report and were added to appropriate risk registers and those which remained on the management follow up were in the process of being closed down.

Alexander Anderson sought clarification regarding timeline of outstanding actions moving to completion; David Garden agreed to discuss with Stephanie Hume and David Eardley outwith the meeting.

**The Committee Noted** the Management Follow Up Report.

**6 COUNTER FRAUD**

**6.1 Update of Fraud Awareness**

In response to Ann Clark’s query regarding the Board Fraud Risk Assessment, it was confirmed a Board-wide fraud risk assessment had been planned for a Board Development Session but had been deferred. Alasdair Christie agreed it would be beneficial to complete the risk assessment.

**The Committee Noted** the report.

**6.2 Payment Verification for Practitioner Payments**

It was noted that as accountable bodies for Family Health services spend, NHS Boards are required to ensure that the payments made to contractors on their behalf are timely, accurate and valid. The circulated payment verification report by practitioner services was noted.

**The Committee Noted** the report.

**6.3 Tender Waiver Register**

The circulated tender waiver register was noted. Mr Garden advised, while there were no areas to highlight within the report, work was underway to establish whether the threshold for financial approval remained appropriate. Furthermore, it was confirmed there had been an increase in tender waivers and Mr Garden agreed to undertake a trend analysis.

**The Committee Noted** the report.

**7 ASSURANCE REPORT**

**7.1 Risk Management Steering Group**

Boyd Peters advised there was significant work underway to redesign the risk management structure and the risk register. The Board would receive a list of strategic risks with a

responsible Executive assigned to each risk and this would be presented to the Board by September.

**The Committee Noted** the report.

## **7.2 Corporate Governance**

There had been circulated individual Annual Reports for each of the committees which reported directly to the Board in 2019 / 2020.

**The Committee Endorsed** the reports.

## **7.3 Audit Assurance Reports in External Systems**

There had been circulated report by the Director of Finance in relation to received annual assurance reports from the audit process on nationally-run external systems from both National Services Scotland (NSS) and NHS Ayrshire and Arran (A&A). The reports, whilst meeting the requirements of NSS and NHS A&A, also provided assurance to the wider NHS in Scotland. There were qualified opinions in the reports but the Director of Finance for NHS NSS had assured Boards these were not material and plans were in place to resolve the points raised. Furthermore, the qualified opinion would not put a qualification on NHS Highland's Annual Accounts.

**The Committee Noted** the report.

# **8 ANNUAL ACCOUNTS**

## **• Assurance for the Consolidation of Endowment Fund Accounts**

There had been circulated report by Ann Clark, interim Chair of the Trustees of the NHS Highland Endowment Fund, confirming that the Trustees had approved the Endowment Fund accounts and that these were available for consolidation within the NHS Highland Accounts having been audited, with an unqualified opinion.

**The Committee Noted** the Endowment Fund Accounts had been approved and that they could take assurance that having been audited, with an unqualified opinion, that they could be consolidated within NHS Highland's Accounts.

## **• 2019/20 Draft Final Annual Audit Report**

David Garden advised NHS Highland had the option to defer submission of the Annual Accounts until September due to COVID-19 but the decision had been taken to prepare the accounts in accordance with the original timetable. Mr Garden thanked the finance teams for their hard work and Grant Thornton for the efforts in conducting a remote audit and acknowledged the challenges of undertaking an audit in the circumstances through COVID-19.

Joanne Brown, External Audit, advised the report was in draft and further work was required to finalise the report before presentation to the Board. While there were areas of work outstanding, the accounts represented a true and fair view and the pending changes would not modify the opinion. There was an emphasis of matters regarding material uncertainty



around the valuation of land and buildings as outlined in the valuer's report as a result of COVID-19. The majority of public bodies in Scotland will have an emphasis on a matter of opinion regarding the increased potential for uncertainty on valuations of property, plant and equipment due to COVID-19. Ms Brown confirmed there was an audit plan amendment in May due to COVID-19 partly due to the difficulties in conducting an audit remotely alongside looking at any areas within the financial statements which could have been impacted due to coronavirus, such as, valuation of property, plant and equipment and recoverability of balances.

The report recognised the significant efforts made by the Board to deliver the financial savings in 2019/2020 and the positive impact of the introduction of the Project Management Office. The report highlighted the area of risk regarding the lead agency model financial arrangement, financial uncertainty as a result of COVID-19, and the sign-off of the Annual Operating Plan.

John Boyd highlighted one minor adjustment in relation to prepayments, an error was identified during the sample testing and this was extrapolated across the full population to get the maximum level of error. This was reported in appendix one of the accounts.

Alasdair Christie advised the report was very positive compared to the previous year.

In response to queries raised by Ann Clark regarding the pay budget, David Garden agreed to confirm the impact of the national pay uplifts to ascertain whether or not it should be included in the report.

Joanne Brown agreed to amend the report to ensure the report clearly sets out the risk regarding the lead agency model related to the financial arrangements underpinning the model rather than the model itself.

**The Committee Noted** the draft report.

- **Letter of Representation from NHS Highland to Grant Thornton**

There had been circulated draft Letter of Representation in relation to the consolidated financial statements of Highland Health Board, and its subsidiary undertakings, Highland Health Board Endowment Funds, for the year ended 31 March 2020 for the purpose of expressing an opinion that the group and parent Board financial statements gave a true and fair view in accordance with National Health Service (Scotland) Act 1978 and direction made thereunder by Scottish Ministers.

**The Committee Approved** the contents of the letter.

- **Draft Annual Report and Accounts 2019/2020**

The Committee noted the circulated draft annual report and accounts for 2019/2020.

**The Committee Noted** the Draft Report and Accounts.

## **9 ANNUAL ACCOUNTS FOR PATIENT AND CLIENT PRIVATE FUNDS 2019/20**

### **9.1 Patient and Client Private Funds**

There had been circulated a report relative to the Abstract of Receipts and Payments for the Patient and Client Private Funds, which summarised the funds held by NHS Highland on behalf of clients and patients who were incapable of looking after their own finances. It was advised these accounts were audited both independently and separately from the main accounts previously discussed.

The value of Funds held at 31 March 2020 was £1,824,156. The Audit Report highlighted the relatively high level of cash held by the cash office at year end but acknowledged this was due to COVID-19 and the potential difficulties to access cash.

**The Committee Approved** the Accounts.

## **10 AUDIT COMMITTEE ANNUAL REPORT**

The Committee approved the circulated Annual Report.

**The Committee Approved** the report.

## **11 AUDIT SCOTLAND**

The link to the Audit Scotland website circulated for information.

## **12 ANY OTHER COMPETENT BUSINESS**

There was no other competent business.

### **12.1 Notification of the Intention to Extend External Audit Appointments**

The letter outlined the intention by Audit Scotland to extend the existing contract for External Audit to Grant Thornton by one year to 2021/22 was circulated for information.

The Committee **NOTED** the intentions of Audit Scotland.

## **13 DATE OF NEXT MEETING**

The next scheduled meeting of the Audit Committee would be held on **8 September at 2.00pm** in the Board Room, Assynt House, Beechwood Business Park, Inverness.

**The meeting closed at 3:55pm**