

SHETLAND NHS BOARD**Minutes of the Meeting of the Audit Committee held at 10:00 on
Tuesday 29th March 2022 via Microsoft Teams**

Present	
Mr Colin Campbell [CC]	Non-Executive Director (Chair
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Jane Haswell [JH]	Non-Executive Director
In Attendance	
Mr Lawson Bisset [LB]	Head of Estates & Facilities (minute ref 14)
Mr Colin Marsland [CM]	Director of Finance
Mr Michael Dickson [MD]	Chief Executive
Mrs Kathy Hubbard [KH]	Non-Executive Director
Mrs Emma Garside [EG]	Clinical Governance and Risk Lead (minute refs. 6 to 8)
Ms Stephanie Hume [SH]	Internal Audit
Mr Gary Robinson [GR]	NHS Shetland Chair (<i>till 10:30</i>)
Karlynn Watt [KW]	External Audit
Ms Elizabeth Young [EY]	Internal Audit
Mrs Pauline Moncrieff [PM]	PA to Director of Finance (minutes)

1. Apologies

Apologies were received from Natasha Cornick and Karl Williamson.

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minutes of the Meeting held on 30 November 2021

The draft minutes were approved as an accurate record of the previous meeting.

4. Action Tracker

(175) Submission of papers to IJB Audit Committee

SH reported that there was no definite process across boards and Internal Audit consider the link being between members of the committees who also sit on IJBs. SH offered to ask again to ascertain if there had been any change since last year. **ACTION: SH**

LC said the link between the NHS and IJB Audit Committees had also been discussed at the last IJB meeting. Members felt that the links between the committees were strong with any assurance that risks identified in IJB are shared with NHS Audit and included on the Risk Register.

EY said IA had seen a link between risks that are common to the IJB and health board, eg delayed discharge. A joint piece of work had been done alongside IJB's auditors looking at the same population, looking at it from the perspective of the IJB and from the Health Board. This is an option open to the audit Committee and IA would be happy to engage with the IJB's internal auditors to see if a joint piece of work could be undertaken.

LC said a common challenge for both organisations was workforce so a joint piece of work to look at this could be very useful. It will also be important to include this in the induction for new members of IJB Audit who join following the upcoming local elections.

CM explained that the issue of efficient use of locums had been highlighted with the relevant directors because most locum use and local overspend sits within the IJB, whether it was in the set aside or the core. The key issue was about sustainability of services and service modules.

(180) EMT to review the draft Internal Audit Plan 2022/23

CC reported that the final version would be presented to the Joint Audit & Governance Committee Chairs meeting on 17 May 2022. This items can be removed from the Action Tracker after that meeting.

ACTION: PM

5. Matters Arising

There were no matters arising from the previous minutes or action tracker.

6. Risk Management Group action notes from 9 March 2022

EG reminded members that these were the draft notes which will be approved at the next RMG meeting. If there are any changes, EG will update at the next Audit Committee meeting. The previous draft RMG notes from the November meeting were approved at the RMG meeting in March with no changes.

CC thanked EG and the RMG for their continued work on the risk management process adding that it was robust and gave him assurance as a Non Exec and as a member of the audit committee that the board has due oversight of the process.

Decision: the committee noted the draft RMG action notes.

7. Strategic Risk Register report (Paper AUD 21/24)

EG reminded members that the report had previously been presented in November and had since been updated and presented to RMG in March. A number of risks had been reviewed and the outcomes highlighted in the report including workforce, the capacity for change, and the risk regarding covid. The proposal to de-escalate the mental health risk from a strategic risk to a directorate risk had been proposed and agreed by RMG due to the good progress made with improvement plans in both mental health services and PTS. The paper includes a summary of changes to some of the strategic risks such as the risk descriptions and this continues to be a work in progress.

Decision: the committee noted the de-escalation of strategic risk SR07; noted the changes to the existing risks; and approved the Strategic Risk Register for onward reporting to the Board in April 2022.

8. Draft Risk Management Strategy (Paper AUD 21/25)

EG presented the Draft Risk Management Strategy for approval in preparation for sign off by the Board in April. Members have received regular updates throughout the year in terms of the work being done around preparing for the new draft strategy in some of the key areas of change, and these are included in the report.

EG described how the team had reviewed strategies from other boards (particularly NHS Forth Valley) to help tailor the best elements into the draft presented today. The strategy complies with key publications like the Orange Book and the Scottish Public Finance Manual and also includes feedback from staff around what works well with the process.

Key changes include:

- The risk hierarchy and the introduction of 4 clear levels of risk which will be helpful moving forward in terms of ensuring that the right risks are recorded at the right levels;
- Consultation had taken place with a range of groups and feedback had also been received from Internal Audit;
- Reviewed against the draft IJB Risk Strategy and aligned where possible;
- Improvements made to the risk form to help managers to be able to implement the strategy as needed.

LC asked if it was possible to quickly escalate a risk if identified as necessary without first going through the 4 levels of hierarchy. EG said the aim of the escalation process is to make it easy to quickly escalate when necessary. Improvements to the risk form will help to enable this to happen alongside conversations with relevant directors.

EG added that in appendix B, the Risk Management Objectives are for 2021/22 and once the draft summary reports have been approved by the Board, and then the Joint Audit and Committee Chairs in May through the annual report, this appendix with updated objectives can be added if necessary.

Decision: the committee approved the Risk Management Strategy ahead of sign off by the Board in April 2022.

Internal Audit

9. Internal Audit Progress Report Quarter 3 2021-22 (Paper AUD 21/26)

EY informed members that IA have almost completed their work for the year with one more report due to be finalised (the Business Continuity Planning Audit) and the draft report has been issued. Still to be presented to the committee are the IA Follow-up and annual report after the year end.

Decision: the committee noted the summary of activity since the last meeting.

10. Internal Audit Management Follow-up Report Q3 (2021/22) (Paper AUD 21/27)

EY gave the committee a summary of progress:

- continuing to make progress on follow up actions
- management updates have been received regarding progress on the aged actions that remain on the tracker listed in Appendix 2 and revised due dates agreed which indicate those will be complete towards the end of the calendar year.
- the Business Continuity Planning report is in draft and it is expected that those actions will be tidied up within the finalisation of that report.

LC said the positive progress on actions and the significant improvements since pre-pandemic should be acknowledged and fed back to the staff in the different areas that have been audited.

JH said there still remains considerable pressure within the NHS and this includes pathways with NHS Grampian which should be taken into consideration when looking at where delay may occur.

MD informed the committee that the board was in discussions about ways to improve how we keep track of our patients within the mainland board pathways where in essence they cease to become NHS Shetland patients.

Members also learned that from a strategic perspective, SGov have initiated work to consider how people can be supported to 'wait well'. In Shetland this is against the backdrop of the innovative work of the Vanguard unit and the mobile MRI scanning, but fundamentally there was a strategic challenge facing Scotland about managing the number of patients who are likely to be waiting a length of time and how boards can support them to wait.

Decision: the committee noted the Internal Audit Follow-up Report Q3 2021/22.

11. Internal Audit Draft Audit Plan 2022/23 to 2024/25 (Paper AUD 21/28)

EY said since the draft plan had been presented to member in November, discussion have been held with management and the plan was initially oversubscribed. IA have reallocated some of the days into future years to capture all the feedback received and the resultant plan is presented in appendix 1.

In relation to point raised earlier on the risk of overspends on locum staff within IJB, EY said that work would be conducted on a recruitment and retention audit next year.

CC asked for clarity around the 10 days resulting from the infection control audit being removed from this year's plan as an audit had already been carried out by an external body. SH said her understanding was that the wish was to have an 'underspend' this year and not carry forward the days so this had not been built into the plan at this stage. Some of the remaining days can be built into next year's plan if this is acceptable from a financial perspective.

CC asked if the workforce related audit could be brought forward into 2022/23.

MD explained the reason EMT were advocating this audit should occur in 23/24 was that SGov have launched the National Workforce Plan that will be supported by a national strategy. There is also considerable work being undertaken around international recruitment which will also be delivered in 22/23. By standing up this work to occur in 23/24 means it will be possible to look back at what worked well in a planned and programmed way.

Members agreed that taking the financial saving for the 10 days released from the Infection Control Audit cancellation was the best option. It was also agreed to update IJB on the workforce audit rationale so this can be built into its audit plan too.

DECISION: the committee approved the Internal Audit Draft Audit Plan for 2022-23.

12. Internal Audit Report: Bank/Locum/Agency Staff Onboarding (Paper AUD 21/29)

SH presented the report explaining that the review had been conducted in 2021 looking at the locum, bank and agency on boarding processes within NHS Shetland.

The audit focused on:

- whether there was clear policies and procedures in place and that these were available to staff;
- whether the policies and procedures are actually being adhered to
- that staff were being on boarded in a timely manner
- that staff were aware of their roles and responsibilities for ensuring that staff were appropriately recruited and trained prior to giving care to patients.

Four improvement actions were raised from the findings of the report and SH described the recommendations for the two which were grade 3 actions of a more significant nature.

- Induction Checklists/Training
- Governance of locum GPs

JH asked if it would be possible to have an update on HR capacity as this was mentioned several times in the report.

DECISION: the committee noted the findings of the report and approved the due dates.

13. Internal Audit Report: Financial Systems Health Check (Paper AUD 21/30)

SH reported that this was a cyclical review that was undertaken to look at the organisation's key financial processes and policies that are in place. There were 7 control objectives within the review

- Policies, procedures and a clear delegated level of authority
- Payments are made in respect of valid and approved creditor accounts
- Debt recording, collections and write off procedures are sufficient
- Adequate controls are in place to ensure invoices are raised correctly
- Key month end reconciliations
- Financial ledger accounting data can be easily analysed
- Accounting records are effectively held securely and protected from loss.

Members were informed that the report was largely positive with no grade 3 actions and all were grade 2 (moderate or relatively low risk). There were three improvement actions and these were detailed within the Key Findings of the report.

DECISION: the committee considered the findings of the report and noted the action plan to address the risks identified.

Audit Scotland Report

14. Audit Scotland: Addressing Climate Change in Scotland's Public Sector

(Paper AUD 21/31)

Mr Bisset explaining SGov had recently produced a draft policy for NHS Scotland policy and below that sits an NHS specific strategy which is being developed and the consultation period concluded on 10 March. In his role as Chair of the NHS Scotland Sustainability

environmental group, LB is part of the group considering responses to the strategy and has helped write the strategy. The final report on the responses to the strategy will then go to SGov for approval on the 29 April after which it will then be issued to all boards with a view of how to develop the 199 actions. To enable boards to address the issues, the actions will be bundled into 9 sections including transport, energy, waste, clinical sustainability etc. to assist the development of action plans.

LB is NHS Shetland's Sustainability Lead and Gary Robinson is the board's Sustainability Champion. There is already an established Sustainability and Environmental Group which has not met for some time due to the pandemic, but is due to meet once the national strategy is published and actions related to the strategy will then be developed.

NHS Shetland has a Net Zero Route Map and is one of only 3 boards in Scotland to have a map and the actions from the Net Zero Route Map will dovetail into the strategy actions which will hopefully be approved by SGov on 29 April.

Other tools available as assurance for the committee are:

- The National Sustainability Assessment Tool (NSAT) which has 13 criteria. This is completed on an annual basis and scores awarded. NHS Shetland is usually placed around 3rd or 4th in Scotland.
- The Climate Change Risk Assessment Tool which is an NHS Scotland tool. The board's next response to this are due in by the end of April. This will be shared with the board in due course.
- Reports to the board on sustainability through Capital Programme updates on a quarterly basis.
- Production of annual public bodies report which is a national report for all 254 public bodies in Scotland and which covers topics such as transport, energy, waste etc
- Corporate objectives have been produced for NHS Shetland for sustainability. EMT will consider these before being presented to the board with a view to building them into the organisation's corporate objectives.
- NHS Shetland have established an Energy Group, a Waste Group, and a Sustainability Environmental Group. LB chairs the North Sustainability Group, the North Waste Group and the National NHS Scotland Sustainable Environmental Group.
- 2045 is the target for every public body in Scotland, but 2040 is the target for NHS. This is the challenge set by SGov and the board's Route Map sets out how we think we can get there.

In response to a question from LC around local engagement and education, LB said that he had regular meetings with his colleague in SIC who are developing their own Net Zero Route map as NHS Shetland have. Both organisations are also looking to develop a Shetland plc Net Zero Route Map, involving other major partners.

LB added that he was also developing a joint awareness campaign for both NHS Shetland and SIC staff.

LB added that a gap analysis of every board in Scotland had been conducted in terms of resources because it was recognised that in order to implement the actions from the strategy, additional staff will be required. A bid has been submitted to SGov on behalf of all boards in Scotland and would hopefully mean 2 more staff for NHS Shetland.

JH asked that when EMT consider the corporate objectives, that they also consider inequalities to ensure that mitigating support is put in place for anyone who might be disadvantaged by any changes. LB said he would endeavour to build that in to any future bid being submitted to SGov.

LB advised that the strategy would be presented to the Board in due course along with an action plan on the implementation of the strategy.

DECISION: the committee noted the report.

15. Audit Scotland: NHS in Scotland 2021 (Paper AUD 21/32)

CM presented the report which had been previously circulated at the time of publication. The annual report is produced on NHS Scotland, and it is a review taking account of the 22 health boards, annual accounts and information fed back to them by the external auditors on the situation in NHS Scotland.

The underlying issues highlighted in the report had also affected NHS Shetland and Audit Scotland identified that pre-pandemic, the NHS itself was not been in recurring balance. That was common amongst most health boards and would get more challenging in 22/23.

The report highlights concerns about the sustainability of the NHS post pandemic and also recognises that there is a lot of activity that did not occur during the pandemic which needs to be addressed and dealt with including staffing and staff plans which members were aware was going to be challenging.

DECISION: the committee noted the report.

External Audit

16. External Audit Plan for 2021-22 Accounts (Paper AUD 21/33)

KW presented the EA plan for 2021/22 audits and said this was their final years as NHS Shetland's external auditors. Specific areas highlighted for members' attention were:

- The audit is made up of two key parts - financial statements and the wider scope elements of the audits.
- On the financial statements side, auditing standards require EA to identify what is classed as significant risk areas (these are set out on page 11 of the paper).
- the true risks around management override of controls and operating within expenditure resource limits or similar to the risks that we've had in previous audits and also similar to risks that we put on other NHS bodies so fairly standard across the sector.
- on the wider scope elements of the audit, the EA approach (set out on pages 20-23) and hopefully familiar with members that have been on the committee before.

- The Code of Audit Practice requires EA to look at 4 specific elements as part of the wider scope.
 - The financial sustainability
 - financial management
 - Governance and transparency
 - Value for money

Two areas of increased focus are the impact of Brexit and the impact of climate change and the board should be mindful to include these areas when drafting their annual report and accounts to highlight the work being done in terms of responding to these and the risks faced. The final focus is to highlight is a reminder of EA's responsibilities in respect of fraud and also NHS Shetland's responsibilities.

KW give an overview of the timing of the audit process. EA are due to start the audit in the week beginning 9th May and will commence on receipt of the draft financial statements. The final report will come to the Audit Committee on 16 June and the Board on 23 June with the aim being to sign off everything by the end of June. Audit Scotland continue to have the extended deadline up to the end of August if necessary.

DECISION: the committee noted the External Audit Plan for 2021/22 Accounts.

Standing Items

17. Audit Committee Business Plan 2022-23 *(Paper AUD 21/34)*

CM presented the plan and explained that this was the plan for 2021/22 with business moved forward one year. Some training dates for the Audit Committee members are still to be confirmed and the topics to be covered will arise from members' discussions on what they wish to be covered.

The performance key indicators remain the same as the previous year and the key target for the members is attending 75% of Audit Committee meetings. There is a joint meeting of the Audit Committee and the Chairs of Governance still in the plan for next year, where members will receive the draft of the front end of the annual accounts in respect of the governance statements and other issues to review and comment upon.

DECISION: the committee agreed the proposed Business Plan for 2022/23 and the KPIs.

Other Items

18. Audit Committee Self-Assessment annual performance report 2021-22 *(Paper AUD 21/35)*

CC presented the report and members noted that the attendance statistics would be updated based on today's meeting. Members agreed the report was an accurate record of the year's activities.

DECISION: the committee agreed the Business Plan and self-assessment criteria 2022/23.

19. Audit Committee Terms of Reference *(Paper AUD 21/36)*

CM explained this was primarily taking the current Audit Committee terms of reference and putting them into the correct format required by NHS Shetland. There was one minor change which reflects the national draft guidance for audit committees, but also reflects a

comment that Chris Brown previously made when he was Chief Internal Auditor in that members of the audit committee should not be employees of the board.

JH asked that all references to 'Chairman' are changed to 'Chair'. **ACTION: Colin M**

Members discussed whether the wording should be amended to say it was for individuals to consider whether their employment on the board posed any conflict of interest which may prevent them acting under the requirements of the Terms of Reference. It should state that an employee of the board cannot be the chair of Audit Committee. After these changes are made, the Terms of Reference can be presented to the Board for approval.

ACTION:

DECISION: the committee agreed the changes to the wording, agreed to circulate to members before being presented to the Board in April.

20. Bad Debts Write Off (Paper AUD 21/37)

CM explained that the paper is reviewing the situation of the board currently and is catching up with writing off debts which are over 5 years old. Although these are not legally enforceable, they can actually be recovered.

The board continues to manage the debt of the laundry service and other areas highlighted in the report. All NHS debtors are up-to-date and paying off their invoices or settled disputes they may have. There will be a review of the bad debts remaining to ascertain which need to be reclassified in line with guidance in regard to provision for bad debts still outstanding and also debts have been raised in the current financial year.

CM explained the board's current management process for dealing with bad debt including oversees debtor payments. MD informed the committee that EMT had not had a discussion around the process and whether a pre-payment system had been explored in order to get control of this issue and also to manage oversees debtors payments.

CC acknowledged there was a risk in terms of the laundry service that the board provides to the local hospitality industry and agreed that a pre-payment system could help mitigate the risk to some extent.

DECISION: the committee agreed that CM would talk to Hotel Services Manager to identify ways to encourage more laundry customers to pay up front. **ACTION: Colin M**

21. Any Other Competent Business

There was no further business.

22. Date of next meeting

The date of the next meeting is Thursday 16th June 2022 at 10.00am.

It was agreed that Audit Committee should continue in the current remote platform with face-to-face meetings by exception only.

The meeting concluded at 12:00