

# SHETLAND NHS BOARD

## Minutes of the Meeting of the Audit Committee held at 10:00 on Wednesday 23<sup>rd</sup> June 2021 via Microsoft Teams

<b>Present</b>	
Mr Colin Campbell [CC]	Non-Executive Director (Chair
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Natasha Cornick [NC]	Non-Executive Director
Mrs Jane Haswell [JH]	Non-Executive Director
Miss Shona Manson [SM]	Non-Executive Director
<b>In Attendance</b>	
Mr Colin Marsland [CM]	Director of Finance
Mrs Pauline Moncrieff	PA to Director of Finance (minutes)
Mr Michael Dickson	Chief Executive
Mr Karl Williamson	Head of Finance and Procurement
Mr Pat Kenny	Audit Director, Deloitte
Mrs Amanda McDermott	Non-Executive Director

**1. Apologies**

There were no apologies for absence received.

**2. Declaration(s) of Interest**

There were no declarations of interest.

**3. Draft Minutes of the Audit Committee meeting held on 30<sup>th</sup> March 2021**

The minutes from the meeting held on 30<sup>th</sup> March were approved as an accurate record.

**4. Draft Minutes of the Special Audit Committee meeting held on 15<sup>th</sup> April 2021**

The minutes from the meeting held on 15<sup>th</sup> April were approved as an accurate record.

**5. Draft Minutes of the Joint Governance Chairs and Audit Committee meeting held on 18<sup>th</sup> May 2021**

The minutes from the meeting held on 18<sup>th</sup> May were approved as an accurate record.

**6. Action Tracker**

(166) JH reported that the Terms of Reference for the new Clinical Governance Committee would be presented to the Board on 25 June so this item can come off the tracker.

(171) JH said she had not yet been approached by the DPO to discuss this further.

(173) This action has been moved to the Staff Governance Committee so can come off the tracker.

(175) There will be an update due at the Sept meeting of Audit Committee.

(176) This will be covered as part of the update due at Audit Committee in September.

MD suggested the action tracker should include a column for the review/completion deadline for actions. Clarification of colour coding should be looked at also.

**ACTION: Mr Campbell, Mr Marsland and Mrs Moncrieff to discuss**

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## 7. **Matters Arising**

There were no matters arising from the previous minutes.

### Internal Audit

8. There were no papers from Internal Audit.

### Annual Accounts Review

9. **NHS Ayrshire and Arran NSI Third Party Service Audit Reports** (*Paper AUD 21/01*)

Mr Marsland explained that the board receives Third Party Service Audit Reports from three sources: NHS Ayrshire and Arran is responsible for the finance system which the NHS in Scotland use and a Service Audit Report was conducted on this. The resulting unqualified report has been presented to the Audit Committee of NHSA&A on 13 May and they were content with the findings and that there were no issues to report.

Mr Kenny added that External Audit did not place a reliance on these report and instead use more substantive testing to form an opinion. In terms of the Service Audit Reports, External Audit have no problems in terms of the impact on the External Audit conclusion this year.

**Decision:** The committee had no questions and the committee noted the report.

10. **NHS Shared Services Scotland Third Party Service Audit Report PSD** (*Paper AUD 21/02*)

Mr Marsland explained that this report had been included in the paper because it was a qualified report. NHS Shared Services Scotland are currently working through an action plan which their audit committee is overseeing. As part of the process, NHS Shared Services Scotland arranged a meeting between the Directors of Finance, their own Audit Chair, the service auditors and also Audit Scotland who are their auditors. The purpose of that meeting was to discuss the issues raised in the Service Audit Report and the action plan. In terms of the impact on NHS Shetland's accounts, the impact is the same as last year due to the reduced number of areas that have been qualified in the accounts.

CC added that the audit process had been very thorough, and some of the findings in the report were not major issues, for example the use of certain terminology.

**Decision:** The committee had no questions and the committee noted the report.

11. **NHS Shared Services Scotland Third Party Service Audit Report IT** (*Paper AUD 21/03*)

Mr Marsland explained that NHS Shared Services Scotland were also responsible for Third Party Service Reports in respect of national IT contracts. The unqualified report contains no issues of importance that impacted on the board's annual accounts.

**Decision:** The committee had no questions and the committee noted the report.

12. **Auditing (ISA) 260 report from External Audit** (*Paper AUD 21/04*)

Mr Kenny presented the report explaining that there were 2 main elements in the public sector audit model in Scotland.

1. Certification of the annual accounts to confirm they form a true and fair view of the boards financial position and

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2. The wider scope elements of the audit – financial management, financial sustainability, governance and transparency, value for money

In terms of the certification of the accounts, External Audit confirmed that, subject to the completion of a few outstanding areas, no issues were expected to arise and PK was happy to be signing an unmodified audit opinion again. This is the 5<sup>th</sup> year of Deloitte's appointment and the 5<sup>th</sup> year of an unmodified opinion. External Audit was also ultimately happy with the disclosures in the performance report and the accountability report in the financial statement.

Regarding the wider scope elements of the report, External Audit confirmed that, in terms of governance and transparency, the board continues to have strong leadership. The report sets out recommendations in terms of financial sustainability and a review of financial management capacity.

MD said he had seen the report previously and had already made some comments but was still disappointed with some of the points, adding that he felt the findings were not necessarily strong evidence based decisions. However, the board acknowledged the conclusions set out in the external report.

PK replied that it was an independent report and he fully stood by the valid judgements and conclusions contained within it. External Audit had felt there were significant omissions from the first draft of the annual report and accounts received, in comparison to other bodies and significant changes were required to that first draft. In terms of the financial capacity recommendation, this was supported by the internal audit finding during the year in relation to the financial reporting dimensions within the board.

CC acknowledged that the Executive Management Team had been focusing on Covid related issues and services were now rapidly resuming and some concerns highlighted in the report may already be resolved. It had been a challenging year and EMT were now proactively managing any issues which may exist. There is a strong focus on delivery and accountability and there is an expectation that 2021/22 will present a very positive picture.

PK added that it was a matter of best practice to periodically conduct a review of finance capacity and External Audit have done so in all their client organisations and does not mean anything significant will come from that review.

KW said that the financial capacity had been stretched due to the pandemic with a lot more financial reporting being required by SGov. There is no flex capacity within the team because it is not possible to take on any short term staffing resource as it takes some time to train them adequately. As a result, current staff within the team had been required to work additional hours. In terms of the final annual accounts, there had been confusion around the delivery date because 3<sup>rd</sup> May was too early given that the statistics etc had not yet been available.

KW suggested that a later submission date next year should be agreed (extension of one additional week) as this would make a significant difference. PK agreed this was a good idea and would discuss with the team. **ACTION: External Audit and Mr Marsland**

Members agreed that the main priority was that External Audit expected to issue an unqualified report and it should be acknowledged that this was due to the hard work of all the staff of NHS Shetland during the past challenging year.

CC added that the principle of continuous improvement is also acknowledged and there are learning points within the report which should be considered.

**Decision:** the committee agreed it was content with the report and approved the management action plan to address the issues raised. The committee was also content with the annual accounts and that outstanding national issue relating to PPE will be resolved in due course.

**13. Letter of Representation from the Accountable Officer** *(Paper AUD 21/05)*

Mr Marsland said that each year the board must submit a letter to the External Auditors making a statement in which we state that the facts are accurate not misrepresenting when taken as part of the information when considering qualifying or unqualifying the annual accounts.

**Decision:** the committee approved the letter of representation and were content it did not make a false declaration.

**14. Shetland NHS Board Annual Report and Accounts for the Year Ended 31 March 2021**  
*(Paper AUD 21/06)*

Mr Marsland said there had been an update to the accounts since this draft was produced to take account of the issue of the treatment of PPE which is still to be resolved and is technically outside the control of the team.

The PPE provided to NHS Shetland for its own use was directly funded by SGov and NSS. The board was also advised of the amount of PPE provided to the Health & Social Care Partnership but funding for this has not yet been received. There will be a discussion today in local government as to how the issue should be treated which may or may not impact on boards' accounts. The board have informed External Audit regarding how the PPE issue was being treated within the account accounts and included in such a version.

PK explained how the issue of PPE had been handled in other boards. One board was happy to approve the accounts subject to the DFin giving a final update to the board on the issue of PPE on the basis that there will be additional costs and additional income in terms of a revised allocation letter.

CM informed members that the board had met its statutory obligation to break even. One highlighted change from the original version of the accounts was that much of the information and graphs had been moved to a different section within the report. One of the other additions is that information regarding Covid immunisation procedures had been updated eg. as of 31 May, NHS Shetland had the highest uptake for first dose vaccinations for adults.

**Decision:** the committee accepted and approved in principle to the ratification of the draft annual report and accounts.

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**15. Notification from sponsored bodies Audit Committee** (*Paper AUD 21/07*)

Mr Marsland explained that each year SGov asked boards the standard question of whether there were any significant issues in their area that should be reported to Sgov in the wider context. As in previous years, the letter from the Audit Chair indicates that we do not believe that there are any material issues which require to be reported to the SGov.

**Decision:** the committee noted the content on the letter.

**External Audit**

No further reports

**Audit Scotland Report**

No further reports

**Standing Items**

**16. Audit Committee Business Plan 2021-22** (*Paper AUD 21/08*)

Mr Marsland informed members that the updates to the plan included the addition of training dates which have yet to be finalised. One paper which should have come to this meeting, is the CFS Annual Report 2020/21 which will be issued next week so will come to the committee formally in September.

**Decision:** the committee approved the plan.

**Other Items**

**17. NSS Pharmacy Verification** (*Paper AUD 21/09*)

Mr Marsland explained that there are only 5 pharmacies in Shetland and the final verification report from NSS covering 2020/21 was received on 8 June 2021. There were no issues of concern to report that are relevant to this committee in the verification of our pharmacists. NSS are still to issue the GMS version of this report, but will hopefully come to the Sept meeting.

**Decision:** the committee noted the Pharmacy Verification report covering Q1-4 in 2020/21.

**18. Any Other Competent Business**

There were no other items of business.

**19. Date of next meeting:** The next meetings of the Audit Committee would be: Tuesday 28<sup>th</sup> September 2021 at 10:00am.

All meetings will take place virtually through Microsoft Teams platform if social distancing measures are still in place.

*The meeting concluded at 10:45*