

SHETLAND NHS BOARD

Minutes of the Meeting of the Joint Audit & Risk Committee and Chairs of Governance Committees held at 10:00 on Thursday 25th May 2023 via Microsoft Teams

Present	
Mr Colin Campbell [CC]	Non-Executive Director (Chair)
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Natasha Cornick [NC]	Non-Executive Director
In Attendance	
Mr Colin Marsland [CM]	Director of Finance
Mr Michael Dickson [MD]	Chief Executive
Ms Stephanie Hume [SH]	Internal Audit
Ms Elizabeth Young [EY]	Internal Audit
Mr Daniel Cunningham [DC]	External Audit
Mrs Pauline Moncrieff [PM]	Board Business Administrator (minutes)
Mrs Erin Seif	PA to Director of Finance

1. Apologies

Apologies were received from Edna Mary Watson, Michelle Hankin, Karl Williamson, Brian Howarth (External Audit), Emma McDonald (Chair of Staff Governance Committee, Gary Robinson (Chair of Finance & Performance Committee) and Joe Higgins (Interim Chair of Clinical Governance Committee).

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minutes of the Meeting held on 17th May 2022

(previously approved in principle by the Audit Committee on 16th June 2022)

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

4. Matters Arising

There were no matters arising from the previous minutes.

Internal Audit

5. Internal Audit Follow-up Report Quarter 4 2022-23

(Paper GCAUD 23/01)

SH presented the standard follow up report and highlighted the main points since the March meeting:

- IA had followed up 10 actions, 2 had been closed and 8 being carried forward to Sept .
- 2 actions are complete, 5 being partially complete and 3 not yet due.
- No updates were received for 2 actions, but both were not yet due, both relate to the review of mental health services, and are relatively new on the tracker (since March '23).
- Of the 8 open actions, 4 are high risk (grade 3) and IA suggest the committee's attention should focus on these actions.
- Appendix 1 shows the oldest actions date from 2021 which is a slightly better position than previously. IA recommend the committee focus attention on these until completion.

- In agreement with the committee, Appendix 2 now includes all 8 open actions with details of the updates received along with any changes to timescale. These changes will be subject to the committee's approval to ensure members are content with timescales for completion.

CC reported that, in terms of the bank agency locum onboarding audit and actions, members should expect feedback from the responsible manager at the Audit Committee meeting in June.

ACTION: Ms Allinson to be invited to the June meeting

CC commented that the board's governance process was working very well with all standing committees receiving assurance on these matters in various formats on an ongoing basis.

Decision: the committee noted the Internal Audit Progress Report Quarter 3 2022-23

6. Internal Audit Report 2022/23: Management of Board Performance (*Paper GCAUD 23/02*)

SH reminded members that the committee had previously had a chance to review this report but that it had not contained the management responses. Outlined within the paper are the different control assessments that had been considered:

- whether there is a framework in place detailing the management arrangements for performance and the link to the strategic objectives;
- whether there is an appropriate mix of performance indicators in place;
- whether management reports on performance are produced for the board and for scrutiny;
- whether reports on performance are being utilised to drive change where required within the organisation.

SH described the 4 improvement actions identified by IA, all of which relate to the design of the controls rather than their operation. The report focuses on the grade 3 actions which relate to the measurement of indicators of performance.

CC suggested that if the audit had to be redone now, the response may be slightly more positive in terms of the requirements, because the Finance and Performance Committee has begun to address these gaps in access to information.

With regard to Control Objective 2, CC said the mix of qualitative and quantitative information was very important, but was unsure if the management action would deliver the outcome required in that time frame and may need to be reconsidered in terms of the timing.

MD said much of the improvement work could be addressed by developing a Board Assurance Framework in discussion and agreement by the entire board leadership team. A Framework would allow the board to feel reassured with these aspects of performance and move focus to the areas where members are less assured plus bring greater scrutiny. The principle of the Board Assurance Framework could fulfil many the actions around this objective as well as identify opportunities for development.

In response to a request from NC regarding examples of best practice from elsewhere on how to present data that could be useful to NHS Shetland, IA agreed to explore the different types of report and existing dashboards used by different health boards to identify whether they might work for the NHS Shetland. IA will also look at examples of best practice in organisations outwith the NHS, specifically particularly strong public bodies.

ACTION: Internal Audit to feed back to the committee in Sept

MD commented that Yeovil Hospital (now Somerset NHS Foundation Trust) is recognised as a leader in terms of its board papers and its governance. A link was shared with the committee to the trust's meeting papers which illustrate how it presents information to their board.

MD added that he had held discussions with the new Chief Executive of Public Health Scotland. Public Health Scotland are keen to refocus their efforts around the information systems that they provide to boards. Discovery is a valuable tool which provides a relatively uniform way of presenting information on performance across the board allowing better understanding and therefore focus on priority areas which will be really useful in the future.

CM said that the SGov had relaunched its Framework for Good Corporate Governance and the board will also be required to take account of those outcomes when looking at completion of its new assurance framework next year.

DECISION: the committee noted the Management of Board Performance audit.

7. Chief Internal Audit Annual Report 2022/23 *(Paper GCAUD 23/03)*

EY presented the report and highlighted the 3 main areas:

- It reports that Azets independence conforms with standards
- It summaries the work of Internal Audit during the year
- It sets out the overall opinion of Internal Audit for NHS Shetland for the year

The report summaries a good overall result and IA have issued a clean/most positive opinion for the year which concludes that there is a sound framework of governance, risk management and internal control.

CC commented that EMT are focused on taking internal audit extremely seriously and responding in a proactive and positive way to audit actions and the results are indicative of that work so colleagues should be congratulated.

DECISION: the committee noted the Chief Internal Audit Annual Report 2022/23.

8. Internal Audit: Strategic Internal Audit Plan for 2023/24 *(Paper GCAUD 23/04)*

EY said the Audit Committee has seen this plan precluding the procurement process and it now requires formal approval now that the process is complete. IA had received some feedback through discussion with the committee chair and Director of Finance earlier in the week regarding a number of changes, namely:

- PMO/Financial Savings Review - it had been agreed to keep this under review regarding timing. There is now a proposal to swap the Payroll review and the PMO/Financial Savings Review so that payroll is completed in 2022/23 and the PMO review in 2023/24.
- Some work has already been carried out on GDPR and the proposal is to replace that with an audit of cyber.
- A number of days had been allocated for Property Transaction Monitoring but it is understood there are no transactions to be monitored thus freeing up 2 days.
- IA are proposing to move 5 days that were allocated towards audit committee training and development into contingency. Previously, NHS Shetland had allocated days towards training that was provided across all the island board. As part of Azets tender submission, they are proposing to provide this free of charge to the boards. Therefore, 5 days can be allocated towards additional audit work.

- Taking account of all the above, there are now 7 days to be moved into contingency for reallocation to another audit during the year.

EY reassured the committee that IA had appointed 2 cyber specialists within their specialist technology risk team. These staff have wide experience across the public sector in Scotland specifically but also across commercial, financial services and the wider UK.

LC commented that with regard to the Recruitment and Retention audit, this will be a valuable piece of work for both NHS and IJB (as both agencies also share external auditors). EY added that IA had been in contact with the internal auditors for the IJB regarding their proposed plan of work and the intention was to check whether there was any synergy between their work to bring more insight to both audit committees.

DECISION: the committee approved the draft Internal Audit Strategic Audit Plan for 2023/24 and 2024/25.

External Audit

9. External Audit Annual Plan 2022/23

(Paper GCAUD 23/05)

DC reported that the plan had previously been presented at the meeting on 28th March and had not changed since then. EA work is progressing well and the team are receiving full support from the DoF and his team.

CM explained the reason this was on the agenda at this meeting was that the Audit Committee received the plan in March and there would normally have been chairs of all the governance committees present at this meeting. These chairs receive the report with the papers for this meeting as part of the information that they should consider when reviewing the narrative to the annual accounts.

CC asked that the draft minutes of this meeting be made available to the governance committee chairs as soon as possible so they are sighted on the discussion and decisions. **ACTION: PM**

CC commented that from an audit point of view, the board was keen to connect with the IJB on issues of mutual interest so it was very helpful that both share the same external auditors.

DECISION: the committee noted the External Audit Annual Plan 2022/23.

Annual Report and Accounts Review

10. Changes to Annual Accounts Manual

(Paper GCAUD 23/06)

CM presented the report and explained the key changes to the 2022/23 accounts, the principal one being IFRS 16 in terms of financial leases which had to be incorporated.

DECISION: the committee noted the Changes to the Annual Accounts Manual

11. Governance Committee Annual Reports 2022/23

(Paper GCAUD 23/07)

CM explained that as part of the board's accountability process, each of the governance committees is asked to review their activities and prepare an annual report. The approved reports are then submitted to the Audit Committee for awareness of overall performance and assessment of the board's governance arrangements as part of the accountability report.

DECISION: the committee noted the Governance Committee Annual Reports 2022/23

12. Counter Fraud Service Patient Exemption Checking Analysis for Fraud or Error in 2022 *(Paper GCAUD 23/08)*

CM informed members that in February CFS normally issue an analysis to all boards of projected fraud within the areas of contractor fraud. Unfortunately, CFS have advised that at present they have been unable to complete this process but are planning to do so by June after which time they will update boards.

In terms of risk to the organisation, this is a small area of work and the local annual fraud report gives some information on the level of risk the board encounters in terms of false or error claims, but the extrapolation analysis from the CFS is not yet available to boards.

CM said that it will be on the agenda for the June Audit Committee (assuming it is available).

DECISION: the committee noted the position regarding the Counter Fraud Service Patient Exemption Checking Analysis for Fraud or Error in 2022

13. Local Annual Fraud Report 2022-23 *(Paper GCAUD 23/09)*

CM presented the report which details the work done by CFS in terms of claims and assessment with regard to patient exemption checking in the financial year. The main thing of note at present is that there is a higher level of ophthalmic claims in terms of patient exemption checking in NHS Shetland's population share.

CFS have summarised their activities in terms of the local situation:

- the local fraud awareness training course is part of the board's statutory and mandatory training courses which members of staff must complete on a 3-year cycle. 145 members of staff completed this in 22/23 which is slightly down on last year. The number of staff who have a valid certificate of approval is 662 which is higher than last year.
- In terms of compliance with statutory mandatory training, the local fraud awareness training is at the higher end of the board's performance in relation to the 100% target. With around 1,000 staff in the organisation, only approx 66% of staff are compliant.
- There are a range of courses within Turas which have been highlighted to staff through staff newsletters and also during the Fraud Awareness Week earlier this year.
- The board has a new Counter Fraud Champion, due to a change of Employee Director. CFS ran a course for Employee Directors, but unfortunately our Employee Director was unable to attend and due to a technical error the session was not recorded.

CC commented that some of the increase in the fraud may be due to increased activity following covid due to more people accessing medical and dental services.

DECISION: the committee noted the Local Fraud Report 2022-23

14. Draft 2022-23 Annual Accounts Narrative *(Paper GCAUD 23/10)*

CM presented the paper setting out the areas the board is required to be report upon in the narrative of the annual accounts. The second half of the annual accounts concerns the financial information which will come to the committee on completion of all audit checks. The narrative should present a balanced summary of the activities of the organisation and performance against key targets.

Key points highlighted to the committee were:

- The psychological therapies target has been improving but is still below the target.
- For the first time, the NHS Shetland has failed to meet the 95% target for access to A&E. However, there had been some extenuating circumstances in December and March due to snow which no doubt had an effect. On occasion, ensuring patients receive the right care at the right time can also take longer than 4 hours.
- In terms of the governance statement, there is one disclosure being made due to failure to comply with the board's obligation to complete and disclose the board's Fair Pay report on time. Staff are working towards rectifying this issue.

MD suggested that with regard to the non-achievement the 95% target, it was important to recognise in the accounts that this was driven predominantly by clinical need and that the board did still meet the standard of providing care.

The second suggested amendment was the reason why the board was non-compliant around equality and diversity which sat outwith the board's control. This was due to NHS Shetland's SLA partner who previously provided the service and who failed to deliver it in its entirety. The board was only made aware this was an issue 2 weeks before the report deadline was due.

ACTION: CM to make amendments to the narrative

CM added that feedback was still awaited from external audit on the compliance of the report with the required standards it is set against. Members were invited to submit comments to the DoF on any issues they feel may have been missed and these will be taken account in the redraft. The deadline for feedback is Tuesday 30th May.

DECISION: the committee noted the draft 2022-23 Annual Accounts Narrative and the deadline for further feedback.

Other Items

15. Bad Debts Report

(Paper GCAUD 23/11)

CM explained that as part of the process of compiling the annual accounts, the board reviews its bad debts and in doing so, looks at a number of factors in order to recognise the organisation's income stream. Everything recognised as potential bad debt includes any activity which relates to previous years but taking into account the fact that the services they provide are also within the current financial year.

The finance team are reviewing the process and discussions will soon be held with the board's laundry service to commence a system whereby all new accounts must agree to pay by direct debits 14 days after receipt of the invoice and thus avoiding significant amounts of time chasing cash payments.

Regarding the income to the board from offering the laundry service to the community, CM explained that the number of local hotels supported has reduced. The level of income last year was in the region of £40k but had been higher in the past. A decision will be made with the hotel services team around the possibility of introducing a debit order system for new customers plus whether providing certain contracts to external customers are value for money.

ACTION: CM to meet with colleagues in the hotel services team

DECISION: the committee noted the Bad Debts Report.

16. Any Other Competent Business

There was no further business.

17. Date of next meeting

CC explained that there was an ambition to incorporate the outputs of this meeting into a Finance and Performance Committee meeting and try to reduce one meeting from the business calendar. As it stands at present, the next meeting will be Tuesday 21st May 2024.

[10:50 the Auditors and attendees left the meeting]

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18. Procurement Process to Award Internal Audit Contract

(Paper GCAUD 23/12)

The meeting concluded at 11:15