

**SHETLAND NHS BOARD****Minutes of the Meeting of the Audit and Risk Committee held at 10:00 on  
Tuesday 15<sup>th</sup> June 2023 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
Mr Joe Higgins [JH]	Non-Executive Director (Interim Chair of CGC)
<b>In Attendance</b>	
Mr Colin Marsland [CM]	Director of Finance
Mr Michael Dickson [MD]	Chief Executive
Ms Stephanie Hume [SH]	Internal Audit ( <i>item 7</i> )
Mr Brian Howarth [BH]	External Audit
Mr Stephen O'Hagan [SO]	External Audit
Ms Fiona Owens [FO]	External Audit
Ms Edna Mary Watson [EMW]	Chief Nurse (Corporate)
Ms Lorraine Allinson [LA]	Human Resources Services Manager ( <i>item 7</i> ) till 10:55
Mrs Pauline Moncrieff [PM]	Board Business Administrator (minutes)
Mrs Erin Seif	PA to Director of Finance

**1. Apologies**

Apologies were received from Michelle Hankin.

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

JH commented that as a new member of the Audit and Risk Committee, he should declare that his sister was employed by Azets but did not work of the account of NHS Shetland. Members noted the declaration.

**3. Draft Minutes of the Meeting held on 28<sup>th</sup> March 2023**

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

**4. Draft Minutes of the Joint Governance Chairs and Audit Committee Meeting held on 25<sup>th</sup> May 2023**

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

**5. Action Tracker**

(193) Update on progress with the Bank, Agency and Locum onboarding audit action

To be discussed later on the agenda as part of Internal Audit feedback

(196) Internal Audit to share assignment plan for previously conducted theatre and IT stock audits

SH described the scope and remit of these two stock audits carried out in other board areas and offered to share copies of the documentation if members wished.

Members agreed there was merit in including a similar stock audit in Shetland in 2024/25 to utilise the 7 available audit days.

- (199) Recruitment and Retention audit: Examples of good practice in exit interview process  
To be built into the active audit so this can be removed from the tracker.
- (202) Internal audit to explore the different types of performance data presentation in reports and existing dashboards in other boards and public bodies outside the NHS  
Internal Audit are progressing this as part of the board performance audit so can be removed from the tracker.

## **6. Matters Arising**

There were no matters arising from the draft minutes or Action Tracker.

## **7. Internal Audit Report: Bank, Agency and Locum Onboarding audit**

LA explained the initial audit had been done by the PMO and the recommendation had been to establish a temporary staffing facility, but with the loss of the PMO, the resource to take this work forward has not been identified. However, a number of areas have been streamlined including improving controls and support in monitoring; having accommodation and staff travel bookings centralised to those teams. Much of this was an additional supplementary cost which was hidden from the resource for locums and bank.

The data for 2021/22 and 2022/23 shows the locum spend has decreased but the bank spend has increased. One of the drivers for the shift this year is due to the national direction from SGOV to take control of the increasing spend. The board has been asked to implement two pieces of guidance this year which has been completed and which looks to streamline the costs and spend on agency locums meaning NHS Shetland must now use the locums on the national procurement framework. The local position is that the locums who were already in place have been moved to a national agency and the commission rate will have reduced bringing down the cost to the board. Some locums have signed on to the NHS bank, thus transferring the cost from the agency to the bank. Work is ongoing and there is a meeting on Monday to look at medical staffing and the feedback from the national workforce.

With regard to supplementary staffing and how the excess hours and overtime is tracked, it was hoped to establish a working group with finance colleagues to consider this and some of the other aspects of the spend.

LA would be meeting with Anne Hunter, Medical Records Team Leader, to discuss the Bank Working Arrangements Policy which sits within the acute directorate and there was a need for one overarching policy. The Bank Staffing Manager post is currently being recruited into and once this post is filled work on the policy can progress.

The HR team currently do the advertising and onboarding for agency/bank staff and have developed flow charts to understand clear responsibilities. The backlog for training was cleared and should be up to date.

LA informed members that many of the issues identified in the initial audit have been resolved, but the process still required further refining and monitoring and with KPIs in place to seek improvement. Where the ownership of this responsibility should sit has still not been identified from a central perspective.

## **Discussion**

MD said that although it was positive that progress had been made in addressing the actions associated with the audit report, the central challenge for the organisation remained of how to

manage its temporary workforce. Kathleen Carolan will bring forward a position which looks how the board manages medical staff and as part of a wider approach to temporary and flexible workforce, MD will ask EMT to identify two executive directors to take a leadership role on this issue. The Audit Committee agreed they were comfortable with this approach and MD suggested he and LA have an initial conversation outwith the meeting. **ACTION: MD to discuss with EMT to identify an executive lead for temporary and flexible workforce**

LC suggested this was a topic for discussion at a future Board Development Session later in the year to review the position and identify areas where the board, IJB and the Audit Committee can support progress. **ACTION: Possible topic for a future Board Development Session**

CC thanked LA and said there was still time before the deadline for these actions and the committee looked forward to seeing further progress plus more focus from the executive team.

**Decision:** the committee noted the update on the Bank, Agency and Locum Onboarding Audit.

## **8. Strategic Risk Register Review**

*(Paper AUD 22/01)*

EMW reported that the information was now being reported in the few format and had already been used to present to the 3 other governance committees and had been well received.

Key highlights in the report for member's information included:

- Risk SR14 (Estates) – a number of areas of work require to be taken forward locally in relation to the board's estate but funding to support this is a challenge. The Head of Estates has increased the risk rating 4 to 12 making it high risk.
- SR13 (Access to Services) – gradually increased quarterly but currently static at 16 (high risk) reflecting the challenges across both acute services and the partnership which have been delivering services under business continuity for a period.
- SR08 (Workforce) - discussed at several committees recently including RMG. Lorraine Allinson had increased the risk rating to 20 (high risk). Following discussion at RMG, it was agreed to remit further exploration of this risk to a joint Senior Management Team and Executive Management Team meeting as it was agreed this risk was much wider than currently described. A date for this meeting is being identified.
- The only risk score to decrease is the SR02 (Finance) which was reviewed by the Director of Finance and reduced from very high at 20 to 12.
- Transfer of risks onto the SIC JCAD system – further discussions had been held following the last Audit Committee meeting, and the intent is that all the risks will be moved onto the JCAD system. The Director of CH&SC will bring back a paper to the Audit Committee setting out the oversight and assurance arrangements that are in place.

**ACTION: Director of CH&SC**

- Adequacy of controls – 3 risks identified where there are gaps within the controls or issues of concern: SR01 (National Standards), SR16 (COVID outbreak) and SR17 (IT Failure due to cyber attack).
- Risk appetite and controls – been agreed to review where the organisational risk appetite sits against some risks. The Clinical Governance and Risk team intend to do this over the coming months.

**Discussion**

NC was concerned that the CH&SC risks had already been moved onto JCAD and it had been her understanding was that final approval must be sought from the Audit & Risk Committee. EMW reported that the two system were currently running in parallel and none of the risks had been removed from the NHS system. In terms of the JCAD management of the risks, the current position is that they are in the process of being updated and all risks still currently remain on the NHS register as there have been no changes made as yet.

MD explained that the decision to capture information in a different system is within the bounds of an operational decision and therefore within the authority and responsibility of executive directors. The Audit Committee can check, challenge and demand changes be made through the normal process, but the final authority rests with the executive.

MD added that Executive Directors and the committee must feel assured that implementation of the move would to be successful and carry no risks to access. MD said he was not at present entirely content that the board's clinical governance team are able to adequately access JCAD in order to be able to interrogate and update risks. However, there was a benefit in having one system that is used by a significant proportion of the integrated organisation.

CC clarified that the position set out in the Decision Note following the March meeting was accurate and the current position complies by having the 2 systems running parallel to allow testing. In addition, the minutes of RMG reflect that there will be a feedback process to the Audit Committee for members to assess the risk. CC said he was comfortable that progress was in hand and the committee would receive assurance at the next meeting.

JH suggested the wording of SR02 (Finance) should be reviewed because the current wording more accurately describes the financial implications of a workforce risk ie. if NHS Shetland fails to recruit key posts this leads to financial challenges in terms of overrun. SR08 is the operational risks of a workforce risk transpiring. In addition, there needed to be a separate explicit finance risk around not meeting the organisation's statutory obligation to break even. EMW confirmed that the Clinical Governance and Risk Team are proposing to review the wording of this particular risk.

**ACTION: EMW and CG&R Team**

In relation to SR14 (Estates), MD informed members that following discussion with the Head of Estates, the intention was to separate and better present the issues of non-compliance with standards; estates workforce and also net zero.

In response to a question from NC regarding the need for a wider risk around the IT strategy and the risk of not investing in innovation, MD said there were 3 components of risk concerning IT - general operation of IT services, cyber security and innovation. Cyber security is a priority for SGov and a national centre is being set up for NHS Scotland to address cyber. The wider infrastructure is an important risk and suggested that Audit Committee may wish to conduct a deep dive on this particular issue to look at where the capabilities and challenges are. A huge amount of work had been done already around innovation, but it would not be possible to sustain this without the guarantee of staff with the right expertise which is the specific workforce risk that exists in Shetland and which has to be well articulated.

In terms of the directorate risks, CC asked that the Audit Committee have oversight of the directorate risks at each of its committee meetings to make members aware of these risks.

EMW replied that the previous format had given members the 'headline news' on any directorate risks ranked above 15. With the new format report, only the strategic risks are presented but it would be possible to provide details of directorate risks at level 15 and above.

**ACTION: EMW offered to discuss with CC outwith the meeting**

In response to a comment from CC regarding some risk owners not meeting review deadlines punctually, EMW said this had possibly been an issue in the past when deadlines were set by individual directors and could therefore vary across the month. The Clinical Governance and Risk Team have taken an active approach to align all deadlines to the end of the month to allow better oversight of when the risk reviews are due and can provide reminders in order to receive responses in a timely way.

**Decision:** the committee noted the Strategic Risk Register Review.

**9. Risk Management Group draft Action Note 15<sup>th</sup> March 2023** *(Paper AUD 23/02)*

EMW presented the notes and commented that the Director of Public Health had confirmed that the flu pandemic risk would be considered at the next Control of Infection committee meeting (which has now taken place). Other issues discussed at RMG had already been mentioned earlier in this meeting.

**Risk Management Group draft Action Note 5<sup>th</sup> June 2023** *(verbal update)*

EMW said the notes had not yet been typed up but members would receive these at the next meeting.

**Decision:** the committee noted the update from the meeting of RMG on 15<sup>th</sup> March 2023.

**Internal Audit**

No updates

**Annual Accounts Review**

**10. NHS Ayrshire and Arran NSI Third Party Service Audit Reports** *(Paper AUD 23/03)*

CM explained that the next 3 items on the agenda form part of the process of reviewing the available evidence in setting the risk to the organisation, namely the service reports received from external bodies who provide services to NHS Shetland. NHS Ayrshire and Arran provide the finance system on behalf of NHS Scotland and NHS Shared Services are responsible for providing the payment of independent contractors around the national IT system. All service audit reports are available in detail and there are no significant issues which require to be brought to the attention of the committee as having an impact on the outturn of the board.

**Decision:** the committee accepted the findings of the Service Audit Report.

**11. NHS Shared Services Scotland Third Party Service Audit Report PSD** *(Paper AUD 23/04)*

**Decision:** the committee accepted the finding of the Service Audit Report.

**12. NHS Shared Services Scotland Third Party Service Audit Report IT** *(Paper AUD 23/05)*

**Decision:** the committee accepted the finding of the Service Audit Report.

**13. Audit (ISA) 260 report from External Audit** *(Paper AUD 23/06)*

BH reported that the audit was substantially complete with the proposal of a clean audit certificate and the external audit significant matters are included in the annual audit report.

The audit report will be finalised when the accounts are signed off at the board meeting on 22 June 2023. There are no unadjusted items to bring to the attention of the committee and there is an opportunity for members of the committee to bring any significant matters to the attention of EA eg. fraud, subsequent events or legal issues.

The key messages highlighted to members were:

- As a result of the audit, the main changes were around the classification of assets as detailed in paragraph 17 of the annual audit report.
- NHS Shetland delivered its outturn within the resource limit and did not need to resort to financial flexibility or brokerage.
- EA recommend the reintroduction of NHS Grampian assurance reports as there is considered scope for improving the reporting over the assurances controls.
- In line with most other boards, there is no specific forecast as yet in the development of the 3-year financial plans to bridge the financial gap identified and quoted in the report.
- The strategy and disaster recovery plans are out of date and should be updated around IT.
- Based on national data around performance (eg. waiting times), Shetland continues to out-perform the Scottish average.

Members were informed that the draft report had only been issued to officers on the previous Monday so there are some performance data missing and management are still to update Appendix 1 in terms of the actions, but this will be in place when presented to the board next week with the proposed actions and time scales.

**DECISION:** the committee noted the Audit ISA (260) report from External Audit prior to approval at the Board Meeting on 23 June 2023.

**14. Letter of Representation from the Accountable Officer** *(Paper AUD 23/07)*

BH explained this was completed and signed by the Accountable Officer and submitted with the signed annual accounts.

**DECISION:** the committee noted the Letter of Representation from the Accountable Officer.

**15. Shetland NHS Board Annual Report and Accounts for the Year Ended 31 March 2023**  
*(Paper AUD 23/08)*

CM presented the current version of the annual accounts which reflects feedback from external audit plus the inclusion of additional narrative of public health information provided by the Director of Public Health around flu. There was one significant governance issue disclosed relating to partnership working with NHS Grampian which did not meet the publication deadline. However, the information is on course to be published 30 June 2023.

CM said there had been little change to the narrative sections since members reviewed the report at the meeting in May and there are no significant issues to highlight to the committee.

**Discussion**

JH stated that the report states the A&E 4 hour target dipped marginally this year when in actual fact it was the performance relative to the target (the target had remained unchanged).

NC said that the diagram showing the chairs of the standing committees should be updated to reflect that she was chair of the Remuneration Committee.

**ACTION: CM to update both**

**DECISION:** the committee approved in principle the Draft Annual Report and Accounts for 2022/23 with the recommended changes.

**16. Notification from sponsored bodies Audit Committees**

*(Paper AUD 23/09)*

CM explained that as part of the annual accounts process, the board is asked to advise the Audit Committee of the Scottish Parliament of any significant issue it considers to be of wider interest. The draft letter is written on behalf of the Chair of the Audit Committee and there are no significant issues to raise to the SGov audit committee.

**DECISION:** the committee agreed the proposed Letter of Notification.

**External Audit Publications**

No further reports

**Audit Scotland**

No further reports

**Standing Items**

**17. Audit Committee Business Plan 2023-24**

*(Paper AUD 23/10)*

CM invited members to review the plan and highlight any issues they wish to amend or include in future updates during the year taking account of issues that develop.

CC pointed out that the topics for training should be updated to reflect that cyber security is the next subject on the programme and the entire plan will be subsequently updated. CM added that SH would be able to update the plan bearing in mind that Azets deliver training to all 4 boards and so the decision must suit everyone.

**ACTION: CM/SH**

**DECISION:** the committee agreed the proposed Business Plan 2023/24.

**Other Items**

**18. Counter Fraud Services Annual Report**

*(Paper AUD 23/11)*

CM reported that the report had not yet been published. Since the audit papers were issued, the Patient Exemption Checking had been published and will be presented to the committee in September although there are no significant issues that members need to be made aware at present.

**DECISION:** the committee noted that the report would be presented to the September meeting.

**19. NSS Pharmaceutical Services Payment Verification Annual Report 2022/23**

*(Paper AUD 23/12)*

CM advised that the board had only received pharmaceutical review information up to quarter 3. CM along with senior pharmacy colleagues meet with Practitioner Services Department (PSD) and there are no significant issues of concern which needs to be brought to the attention of the committee at this time. It is anticipated that the annual report will be presented to the September meeting so members are aware of the outturn for the year.

**DECISION:** the committee noted that the report would be presented to the September meeting.

**20. Any Other Business**

There was no further business.

**21. Date of next meeting** is Tuesday **26<sup>th</sup> September 2023 at 10:00am** by Microsoft Teams.

*[The meeting concluded at 11:35]*