

SHETLAND NHS BOARD**Minutes of the Meeting of the Audit Committee held at 10:00 on
Thursday 16th June 2022 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
Mrs Jane Haswell [JH]	Non-Executive Director
In Attendance	
Mr Colin Marsland [CM]	Director of Finance
Mr Andrew Fowler [AF]	External Audit
Mr Pat Kenny [PK]	External Audit
Mrs Pauline Moncrieff [PM]	PA to Director of Finance (minutes)

1. Apologies

Apologies were received from Michael Dickson.

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minutes of the Meeting held on 29th March 2022

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 17th May 2022

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

5. Action Tracker**(175) Submission of papers to IJB Audit Committee**

It was agreed that Internal Audit should be asked again to share their findings from prior discussions they had had with other IJB auditors concerning shared risks and mitigating these. This understanding would be vital to help the committee fulfill its obligations to have a robust working process alongside the IJB Audit Committee. **ACTION: Internal Audit**

(181) Review composition of membership and formatting of ToR

The revised ToR were shared with members virtually for agreement before being approved by the Board in April in line with the previous discussion at Audit Committee.

(182) Payment in advance by customers of the laundry service

CM had discussed the issues and practicalities with the Hotel Services Manager. There is a dedicated post within the finance team looking at debtors and providing information to managers. The two local businesses who had been in arrears have paid their outstanding bills. This can now be removed from the action tracker. **ACTION: PM**

6. Matters Arising

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

Internal Audit

7. Internal Audit Report 2021/22: Business Continuity Planning *(Paper AUD 22/01)*

CM explained that following the meeting of the Joint Governance Committee Chairs and the Audit Committee, further discussions had taken place between the Board and Internal Audit. This report takes account of the additional information but the actions and objectives in the revised report remain unchanged. The Chief Internal Auditor's opinion is that there still remains a significant issue.

CC added that James McConnachie and Dr Laidlaw would be invited to give an update on progress with the action plan to the Audit Committee in September. **ACTION: PM**

Decision: the committee noted the management action plan to address the risks identified.

Annual Accounts Review

8. NHS Ayrshire and Arran NSI Third Party Service Audit Report *(Paper AUD 22/02)*

CM explained that as part of the annual accounts process, the board must seek assurance from its partners who provide services that their systems have been working effectively. This report concerns the single finance system which is hosted by NHS Ayrshire and Arran. Their auditor has reviewed the system, produced the service audit report which has no material issues of concern for the board and can therefore provide assurance.

In response to a question from JH regarding the operational experience of the finance system, CM reported that staff had not reported any material issues and in addition the Audit Committee of NHSA&A had reviewed the report in detail and were content.

CM added that as part of business continuity work, the finance system interlinking payroll, finance and staff workforce was likely to be subject to a procurement process in the near future as NHS Scotland had not changed its finance system for some time.

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

9. NHS Shared Services Scotland Third Party Service Audit Report PSD

(Paper AUD 22/03)

CM explained that NSS have been working with their auditors and a sub group set up with other boards in order to address the issues that were raised last year to improve the quality and effectiveness of their controls. This report went to the Audit Committee of NSS in May for review and they are content for it to be shared. They received a satisfactory outcome from the internal audit review and they do not expect any material errors to have occurred from the work of Primary Care Contractor PSD. NSS are responsible for paying NHS Shetland's opticians, dentists and GPs who are independent contractors on behalf of the board as well as pharmaceutical supplies which is also a material part of the boards costs.

JH asked if the report could be shared with the Clinical Governance Committee as it could be useful in informing some discussions at the committee. **ACTION: JH to share with CGC**

DECISION: the committee accepted the findings of the Service Audit Report.

10. NHS Shared Services Scotland Third Party Service Audit Report IT (Paper AUD 22/04)

CM reported that this had previously been reviewed at the NSS Audit Committee. NSS are responsible for much of the national IT infrastructure for boards and have a sub contract with ATOS for delivering eg. payroll services. The auditors are satisfied that there are satisfactory controls and assurance in place and are content that there are no material issues for the boards to be concerned about in regard to the performance of their management of this area.

DECISION: the committee accepted the findings of the service audit report.

11. Auditing (ISA) 260 report from External Audit (Paper AUD 22/05)

AF gave an update on the status of the annual report and accounts. The main points highlighted to members were:

- Remuneration and staffing report: there are 2 errors within the ISO 260 report concerning a) the disclosure of one director's pension benefits which came from a second SPPA disclosure; and b) the split of people in the higher paid employees and clinicians disclosure. Management have agreed to correct both of these.
- Agency staff: EA are working with management to finalise the impact of agency staff (if there is an impact) on the median 25th and 75th percentile disclosures. This should be finalised this week.

Any further changes to these 2 areas will be added to the ISO 260 will be sent to the board ahead of the Board Meeting next week.

- Operating expenses – EA have completed most of the testing and there are a small number of follow up questions currently with management. Any issues will be updated to the board before the Board Meeting next week.
- EA have completed the majority of the disclosures and the only issues are with related party notes. Karlyn submitted a note to CM and KW last night and they are working through those to see if there is an agreement on both parts.
- The final version of the accounts is almost complete and will only require to be updated with any remaining changes which are identified today.

AF highlighted the main points from wider scope summary:

- EA have concluded that the board has a strong and effective budget setting and monitoring process which is supported by a very experienced finance team.
- Financial sustainability: EA recognised the developments in the Project Management Office, but identify a lack of a balanced budget over the next five years. This has been the issue for the last five or six years and it was acknowledged this was not an issue isolated to NHS Shetland.
- Governance and transparency: EA have agreed that the board continues to have strong and effective leadership, however it was flagged that some action may be required to ensure that internal audit recommendations are completed in a timely manner.
- Value for money: EA concluded that the board continues to have a clear and robust performance management framework in place, which also has a good tracker for COVID-19 income expense.

- EA concluded that overall the board has sufficient arrangements in place to secure best value, which is the main priority of the Audit Scotland wider scope requirements.
- Quality Indicators: All rated green for 2021/22. EA have provided a three year comparison which shows the number of developing indicators has reduced each year to no developing or lagging indicators at all this year. EA added they do not often rate all seven indicators green so underlines the quality compared to other Boards they audit.

EA explained that the audit had been running late this year because some of the balances have been harder to test this year. EA have had to do quite a bit more substantive testing this year because it had not been as predictable as in the last couple of years due to Covid income and expenditure which is more work on the part of EA and also the finance team.

The committee and EA praised the hard work of the finance team which contributed to the very positive quality indicators result.

CC referred to the issue of implementation of internal audit findings acknowledging the caveat of Covid particularly in terms of the business continuity planning. PK said the key issue with any internal audit recommendation is the management response and the implementation timeline has to be realistic at the outset. Both parties must be confident that they can discharge the recommendation within the agreed timeline.

KW explained that the adjustments for indexation in the accounts, was the first time that the board had been asked to include this due to the current high rate of inflation. The valuer had advised the board to increase the value of the direct replacement cost buildings by 8% and this was misinterpreted as being before one year's obsolescence but should have been taken it down to around 5%. The holiday pay accrual was complicated by the annual leave buyback. The finance team have taken this learning into processes for next year.

The committee extended thanks to the team at EA adding that it had again been a very professional, efficient audit and NHS Shetland had built a good working relationship with Deloitte over the last six years and the board would be sad to see them go.

DECISION: the committee reviewed the report and approved the management action plan.

12. Letter of Representation from the Accountable Officer *(Paper AUD 22/06)*

CM presented the standard letter which the board must provide along with the accounts to EA to provide assurance in writing that the board has complied with its obligations, duties and made all the relevant declarations required. Following the board's agreement to the accounts next Thursday, this signed letter, along with the accounts are sent to EA to allow final sign off of the accounts subject to no other issues being identified.

DECISION: the committee agreed the Letter of Representation from the Accountable Officer.

13. Shetland NHS Board Annual Report and Accounts for the Year Ended 31 March 2022 *(Paper AUD 22/07)*

CM presented the report explaining that some minor amendments will be required in light of the points raised earlier by EA, but the materiality of the narrative section is not expected to change between now and end of the annual accounts. Three significant issues are raised in the report which members should be aware of:

- 1) Business Continuity Planning
- 2) Statutory and mandatory training compliance
- 3) Waiting times for psychological therapies - the length of waits remains too long despite the number of people being seen within the 18 week access target having crept up to 50%, this remains below the level that the board would wish to be in relation to the service. There is an action plan and the intention is that in the final quarter of 2022/23, IA will return to look at the mental health service and the progress made to provide assurance to the Audit Committee. A paper will be presented to the board regarding the creation of a Finance and Performance Committee and it will be updated on performance including mental health waiting times.

LC said it would be important for the Audit Committee to remain informed on the issues which will overlap with the responsibilities of the new Finance & Performance Committee eg. concerns around workforce and issues affecting patient travel.

In relation to issues affecting patient travel, CM reported that Loganair's performance had begun to deteriorate at the end of 2021 and the Patient Travel Manager is having discussions with Loganair and their performance has improved slightly. The other issue at present is that there is limited availability on Northlink. The board is not affected by the issue of availability for cars and no patients are booked on the ferry unless with a cabin. The Chief Executive has also had discussions with both Loganair and HIAL about their responsibilities and also sharing the experiences of patients from Orkney and Shetland.

CM reported he would be raising the issue again at the next quarterly Zet-trans meeting on 21st of June with representatives from Loganair, Scottish Government transport and Northlink present. A positive development is the introduction of some new Loganair services for patient requiring to go to Dundee can now fly direct on at least two days a week. Some of Loganair's expanded services also makes it easier for some patients to fly to certain parts of England a lot easier than in the past.

CC reported that the tender had been awarded for the 3 catering facilities at Sumburgh Airport, which will be helpful for staff and patients waiting in the departure lounge.

DECISION: the committee accepted and approved in principle the board ratification of the draft annual report and accounts for 2021-22.

14. Notification from sponsored bodies Audit Committees *(Paper AUD 22/08)*

CM explained that annually boards are asked to review whether or not they have knowledge of any issues of significant governance that they believe should be shared with the wider public sector. The chair of the Audit committee is obliged to send a letter to the SGov advising whether or not there are any issues and the draft letter presented is indicating that the Audit Committee does not believe that there are any significant issues that require to be shared with the wider public sector in Scotland.

DECISION: the committee agreed the proposed letter for 2021/22.

External Audit

No further reports

Audit Scotland

No further reports

Standing Items

15. Audit Committee Business Plan 2022-23 *(Paper AUD 22/09)*

CM said the Audit Committee Business Plan is reviewed at each Audit Committee meeting and amended as necessary. One change since the last meeting is the intention that all audit reports are received in March so that any issues can be resolved before the auditors annual report is written and presented to the Audit Committee.

JH reported that as Chair of Clinical Governance Committee, she would be seeking clarification on how clinicians and other staff are involved in feeding into the process of drafting the annual reports from both external and internal audit.

DECISION: the committee agreed the Business Plan for 2022/23 and the Key Performance Indicators.

Other Items

16. Counter Fraud Services Annual Report *(Paper AUD 22/10)*

CM explained that CFS annually produce a report detailing their activity across the whole of Scotland and highlighting the issue of how fraud prevention is important to NHS nationally. It also sets out how NHS Scotland takes forward its obligations to sign up to the national counter fraud standards and implement these for public sector bodies to make sure that organisations have robust practices in place and work with counter fraud services in making sure that the culture in the NHS is such that fraud is actively prevented before it occurs in our processes.

DECISION: the committee noted the Counter Fraud Services Annual Report 2021/22.

17. Any Other Competent Business

CM informed members that there should be an annual report in respect to pharmaceutical services presented to members for information. The information had been received earlier in the week and needs to be reviewed with new Director of Pharmacy, but there are no issues in the report of significance. The report will be presented to the September Audit Committee meeting.

ACTION: Mr Marsland/Mrs Moncrieff

AF reminded the committee that this was Deloitte's last Audit Committee meeting as external auditors as this was the end of the tender with the accounts sign off next week. They thanked members for their support and co-operation and offered their assistance as the transition goes on to the next auditors, Audit Scotland.

18. Date of next meeting

The date of the next meeting is Tuesday 27th September 2022 at 10:00 on MS Teams.

The meeting concluded at 10:50