

## **Orkney NHS Board**

Minute of meeting of the **Audit Committee of Orkney NHS Board** held in the **Saltire Room, Balfour Hospital, Kirkwall** on **Wednesday 26 June 2019** at **11:30 am**

**Present:** Meghan McEwen, Chair  
Fiona MacKellar, Employee Director  
James Stockan, Non Executive Board Member

**In Attendance:** Christina Bichan, Head of Transformational Change and Improvement  
Julie Colquhoun, Head of Corporate Services  
Malcolm Colquhoun, Head of Hospital and Support services  
Mark Doyle, Interim Director of Finance  
Patricia Fraser, Audit Manager Audit Scotland  
Issy Grieve, Non Executive Board Member  
Steven Johnston, Non Executive Board Member  
Derek Lonsdale, Head of Finance  
David McArthur, Director of Nursing, Midwifery and AHP  
Gerry O'Brien, Chief Executive  
Emma West, Corporate Services Manager (minute taker)  
Louise Wilson, Director of Public Health  
Gillian Woolman, Audit Director, Audit Scotland

### 207 **Apologies**

Apologies were noted from D Campbell.

### 208 **Declarations of Interest**

No declarations of interest on agenda items were made.

### 209 **Minutes of previous meeting held on 4 June 2019**

The minute of the Audit Committee meeting held on 4 June 2019 was accepted as an accurate record of the meeting and was approved.

### 210 **Matters Arising**

No matters arising were raised.

### 211 **Action Log**

The Action Log was reviewed and corrective action agreed on outstanding issues (see Action Log for details).

## **Governance**

### 212 **Code of Corporate Governance – AC1920-16**

The Head of Corporate Services presented the amended Code of Corporate Governance seeking a recommendation of Board approval. She advised that due to the ongoing NHS Corporate Governance Steering Group work “once for Scotland corporate governance materials and resources” only minor amendments had been made to the Code of Corporate Governance.

These included amendments made following the annual review of the Governance Committees Terms of Reference and minor amendments to the Standing Financial Instructions as listed within the report.

The Chief Executive advised that the agendas of the Staff Governance Committee and Area Partnership Forum would be refreshed to cover key elements raised in recent reviews.

The Employee Director noted that it was a very readable, well put together document.

Members were advised that when the once for Scotland new model standing orders and Standing Financial Instructions were issued they would be brought through the relevant governance committees.

### **Decision / Conclusion**

The Audit Committee recommended Board approval of the amendments to the Code of Corporate Governance.

### **2018/2019 Annual Accounts**

#### **213 Representation Letter – AC1920-27**

The Chief Executive noted that this was the conclusion of the annual accounts process for 2018/19, the letter provided personal assurance that he had undertaken scrutiny and challenge and that nothing had been withheld over the financial year. He was confident that processes were robust and all required information had been divulged.

### **Decision / Conclusion**

The Audit Committee noted the representation letter.

#### **214 NHS Orkney Annual Accounts for year ended 31 March 2019 – AC1920-28**

The Interim Director of Finance presented the NHS Orkney annual accounts for year ended 31 March 2019 seeking a recommendation of Board approval.

The accounts had been reviewed in full by the Audit committee on the 5 June 2018 with comments reviewed and incorporated where appropriate. Once approved by the Board the accounts would be submitted to the Scottish Government by the 30 June 2018 and then laid before parliament in September

He highlighted the following:

- The Integration Joint Board had delivered a break even position
- Staffing expenditure had increased by 6%, due to the pay award and the Pay as if at Work arrears
- The trade and other receivables total of £62.643m contained £61.990m attributable to the construction of the new Hospital and Healthcare

## Facility

Members were made aware that the draft Auditors report advised that the accounts had been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978, included the statement that in their opinion all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

The Chair noted that great assurance had also taken by the robust reviews at previous meetings of the Audit Committee.

## Decision / Conclusion

The Audit Committee recommended Board approval of the Annual Accounts for year ended 31 March 2019.

### 215 **2018/19 Annual Audit Report from External Auditor – AC1920-29**

G Woolman, Audit Director, Audit Scotland, presented the Annual Audit Report and letter 2018/19. She advised that the audit work on the 2018/19 accounts was now complete and they would issue an unqualified audit opinion on the financial outturn and position at year end.

It was also noted that there were no matters that required reporting on by exception.

#### Annual Audit report

Members were advised that the report contained key messages which should be shared more widely throughout the organisation.

Part 1 of the report reiterated that NHS Orkney's financial statements gave a true and fair view and were properly prepared and that expenditure and income were in accordance with applicable enactments and guidance.

The Board were continuing to work on implementing the prior year audit recommendations, noting that an Interim Director of Finance was now in place and work continued around achieving efficiency targets and implementing succession planning, noting the challenges.

Part 2 of the report noted that NHS Orkney had met all its financial targets for 2018/19 but noted that an additional £1.8m of additional financial support had been provided from the Scottish Government to fund essential locum cover. This element should be considered further in financial planning going forward.

Positive assurance was provided around budgetary control arrangements and systems of internal control.

Members were advised that the NHS in Scotland procures a number of service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National

Single Instance eFinancials service. The content of service auditor assurance reports had been considered and there were no significant findings to draw to your attention.

Part 3 around Financial Sustainability noted that NHS Orkney had appropriate and effective financial planning arrangements in place to identify and address risks to financial sustainability across the short to medium term.

It was noted that backlog figures would reduce due to new Hospital and Healthcare Facility and this was captured in pre paid NPD model, work had taken place with the finance department to ensure that this was correctly captured in the balance sheet.

It was noted that the Board continued to experience a number of issues relating to the workforce. These included an ageing workforce, high vacancy rates, increased spending on medical locum staff and high sickness absence levels. Work continued to address these challenges.

Part 4 around governance and transparency noted that NHS Orkney had appropriate governance arrangements in place that supported scrutiny of decisions made by the NHS board.

It was noted that governance committee meetings being held in public had been discussed further and acknowledged that the minutes and agendas being made public was acceptable and appropriate at this time

Part 5 noted that NHS Orkney has an adequate performance management framework in place and demonstrated a commitment to securing best value.

The Chair noted that the report was very easy to read and provided additional assurance around issues that the Board was already sighted on.

The Chief Executive agreed that the Board were already aware of the issues noted and further consideration would be given to the difficulties in balancing performance and finances.

Thanks were given to the finance team for their work around the accounts to make the process go smoothly and for maintaining an excellent relationship with the Audit team.

The Chair questioned how the key finding would be shared more widely and was advised by the Interim Director of Finance that a number of these would be progressed through the Senior Management Team, Governance Committees and Board moving forward

The Chair thanked Gillian and Audit Scotland colleagues for all their hard work around the annual accounts.

### **Decision / Conclusion**

The Committee noted the 2018/19 annual audit report and letter.

### **Annual Governance Letter**

- 216     **Significant Issues that are Considered to be of wider interest - letter to the Scottish Government - Health Finance Division – AC1920-30**

The Chair presented the letter advising that there were no significant issues or fraud to draw attention to.

### **Decision / Conclusion**

The Committee noted the final letter and agreed signature by the Chair.

### **Items for Information and Noting only**

- 217     **Schedule of Meetings 2019/20**

Members noted the schedule of meetings for 2019/20

- 218     **Record of Attendance**

Members noted the record of attendance.

- 219     **Committee Evaluation**

Members agreed that