

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday, 2 June 2020** at **11:30**

Present: David Drever, Chair
Davie Campbell, Vice Chair
Fiona MacKellar, Employee Director (joining from 12:40)
Jason Taylor, Non-Executive Director

In Attendance: Mark Doyle, Interim Director of Finance
David Eardley, Chief Internal Auditor, Scott Moncrieff
Claire Gardiner, Senior Audit Manager
Gerry O'Brien, Chief Executive
Keren Somerville, Head of Finance
Iain Stewart, Chief Executive Designate
Matthew Swann, Internal Auditor, Scott Moncrieff
Gillian Woolman, Audit Director, Audit Scotland
Gemma Pendlebury, Committee Support

256 **Welcome**

The Chair welcomed all members of the Audit and Risk Committee to the meeting.

257 **Apologies**

There were no apologies to be received, however it was noted that C Bichan would be attending the meeting late.

Post meeting note 1: C Bichan was unable to attend the meeting and so the Risk and Assurance paper would be deferred to the next meeting on Thursday, 25 June 2020.

258 **Declarations of Interest**

No interests were declared.

259 **Minutes of previous meeting held on Wednesday, 20 May 2020**

The minute of the Audit and Risk Committee meeting held on Wednesday, 20 May 2020 were received by the Committee and approved as a true and accurate record of the meeting, subject to the below amendments:

- External Audit, Section 2: This would be modified to read "...however management were now keen to adhere to the original deadline of the 25 June 2020, which they had reassessed as once more looking achievable. G Woolman advised that external audit would strive to do their best having only recently been advised of this change in timetable.

260 **Matters Arising**

There were no matters arising additional to the agenda.

261 **Action Log**

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

External Audit

262 **Equalities External Audit Report – ARC2021-15**

G Woolman introduced the Equalities External Audit Report to the Committee, advising that all Accountable Officers were required to comply with the duty of Best Value placed upon them. As such, it was an auditable requirement and subject to scrutiny.

The external audit report concluded that there were appropriate arrangements in place to demonstrate compliance with the Equality Act 2010 and the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.

There were a small number of areas for improvement highlighted by the report, and these areas were already identified by the Senior Management and Executive Team.

J Taylor raised a query regarding the gender pay gap and whether the figure noted within the external audit report was taking into consideration any enhancements received by locum clinicians. G Woolman responded that the report only took into consideration hourly rates.

The Chief Executive agreed with the report findings that there was a need for further understanding regarding the gender pay gap, especially as to whether the findings were distorted by the proportion of female-identifying staff employed upon the Agenda for Change pay scale as well as the number of male-identifying staff employed on the Hospital, Medical and Dental Staff pay scale.

The Audit and Risk Committee Chair queried whether this was characteristic of all health boards and as to whether NHS Orkney could use the statistics of other remote and rural health boards as a scale of comparison. The Chief Executive agreed that this would be a valuable piece of work for investigation by the Staff Governance Committee as all health boards were required to publish the information on their websites.

Decision / Conclusion

The Audit and Risk Committee received the external audit report on equalities and took assurance of NHS Orkney's performance.

G Woolman withdrew from meeting at 11:48

Internal Audit

263 **Internal Audit Progress Report – ARC2021-16**

D Eardley presented the Internal Audit Progress Report to the Committee, highlighting that progress with the revised 2019/20 plan (as discussed and agreed at previous meetings) was on track for completion by Friday, 12 June 2020.

Decision / Conclusion

The Audit and Risk Committee accepted report and took assurance of progress.

Internal Audit Reports

264 Workforce Strategy Internal Audit Report – ARC2021-17

D Eardley presented the Workforce Strategy Internal Audit Report to the Audit and Risk Committee, highlighting the following items:

- It was a positive report, with few issues arising
- There were many examples of good practice to be taken from the findings of the report, such as:
 - The strategic approach to the identification of training needs prioritised within each clinical area;
 - Service Area Plans considering local and national initiatives, future priorities and workforce established in each clinical area; and
 - A Transition Group managing the process of bringing HR and Occupational Health services back within NHS Orkney, with a clear project plan in mind.
- There was one area for improvement identified and the report recommended that appraisals be used to inform training need along with appropriate monitoring of the completion of that training.
- In connection, it was noted that the completion rate of appraisals and statutory and mandatory training could be improved upon.

The Interim Director of Finance raised a concern that the Head of Corporate Services was both the Audit Sponsor and Key Contact and that this would create a conflict of interest, however, D Eardley gave assurance that there was a wider range of staff members who were involved in discussions leading to the completion of the internal audit. The fact that the Head of Corporate Services was noted under both roles was merely a factual accuracy. If there were felt to be issues, the appropriate segregation of duties would highlight this.

The Head of Corporate Services clarified for the Audit and Risk Committee members that A Catto, HR Manager for NHS Grampian, had provided some context for the report in relation to job evaluation and sickness absence.

The Employee Director queried whether the paper would be presented to the Staff Governance Committee and Area Partnership Forum, however the Chief Executive confirmed that the report was part of NHS Orkney's audit cycle and not the process of workforce planning itself. Any actions to come from the report would be delegated to the Staff Governance Committee where appropriate, which would, in turn, be filtered through to the Area Partnership Forum for consultation and action.

D Campbell queried whether the impact of COVID-19 and the timing of the report were factors to be considered in the low numbers around appraisal completion, however the Head of Corporate Services informed that at no time over the past had there been such a low uptake in appraisals.

It was agreed that a plan would be required for driving engagement around appraisals higher.

Decision / Conclusion

The Audit and Risk Committee noted Workforce Strategy Internal Audit Report and were assured of process and procedures in place.

265 Internal Audit Plan 2020/21

There were no new comments or updates to be discussed with the Committee regarding the Internal Audit Plan for 2020/21, however it had been included on the meeting agenda to ensure it remained in sharp focus and that once all internal audit reports for 2019/20 were completed, work could begin to move forward with this item.

The Head of Corporate Services withdrew from meeting at 12:05

Internal and External Audit Recommendations

266 Internal and External Audit recommendations follow up report

Members were reminded that this item was included on the agenda to note the status and provide an update on any internal and external audit actions and approve their amended timescale.

There was no updated regarding this item, however it was key to ensure it was reinstated on future Committee agendas.

Post meeting note 2: Committee Support reinstated this item on the Audit and Risk Committee agenda template to ensure it was addressed at future meetings.

Annual Governance Statement

267 Draft Directors' Subsidiary Statement on Governance – ARC2021-18

The Interim Director of Finance presented the Directors' Subsidiary Statement on Governance noting that this was an important part of triangulating information available to the Chief Executive and supported compilation of the governance statement for inclusion in the annual accounts.

He read out the statement in full to ensure that Audit and Risk Committee members were content with the statement and were confident that that there were no further risks that they were aware of to be highlighted.

Decision / Conclusion

The Audit and Risk Committee received and noted the Directors' Subsidiary Statement on Governance and were assured that adequate and effective internal control framework had been in place.

268 Draft Annual Audit Assurance Statement – ARC2021-19

The Interim Director of Finance presented the draft Annual Audit Assurance Statement representation letter for review and comment.

He advised that there had been no significant issues raised to Audit and Risk Committee.

Decision / Conclusion

The Audit and Risk Committee received and noted the draft Annual Assurance Statement representation letter.

269 Orkney Health Board Endowment Fund Governance Statement – ARC202120

The Treasurer presented the Governance Statement noting that NHS Orkney were required to prepare consolidated financial statements incorporating the Orkney Health Board Endowment Funds. Accordingly, an important part of the assurance required by the Chief Executive is a statement from the Chair of the Endowment Fund Sub Committee confirming whether the Committee has fulfilled its remit and whether there have been adequate and effective governance arrangements in place for the year under review.

Decision / Conclusion

The Audit and Risk Committee noted the Orkney Health Board Endowment Fund Governance Statement that provided assurance to the Chief Executive that the Committee had fulfilled its remit and there were adequate and effective governance arrangements in place for the year under review.

270 Significant Issues that are Considered to be of Wider Interest – Draft letter to the Scottish Government – Health Finance Division – ARC2021-21

The Chief Executive presented the letter of 'Significant Issues that are Considered to be of Wider Interest' to the Committee, advising that the letter was for noting. He also advised that the letter was informing the Scottish Government that NHS Orkney had no significant issues for declaration. The Committee were assured that the terminology 'Significant Issues' was a widely and generally used term.

Decision / Conclusion

The Audit and Risk Committee approved draft letter.

2019/20 Annual Accounts

271 NHS Orkney Draft Annual Accounts for year ended 31 March 2020 – ARC2021-22

The Interim Director of Finance presented the draft annual accounts for year ended 31 March 2020 to the Committee, providing an opportunity for members to make any comments. Members were reminded that the Accounts would not be made public until they were laid before Scottish Parliament in September.

The Interim Director of Finance highlighted the following:

- The Board was required under section 86(3) of the National Health Service (Scotland) Act to prepare annual accounts and it was the role of the Audit and Risk Committee to consider the accounts and recommend approval by the Board

- No material issues had been raised and a clean audit opinion was expected.
- The accounts included a Corporate Governance report including the Directors Report, Statement of Board Members and Accountable Officers responsibilities and Governance Statement
- The Board had met all three financial targets that it was monitored against.

The Core Revenue Resource Limit final position was £59k under spend. The comparative underspend from 2018/19 was £27k.

The Core Capital Resource Limit was £3.206m for the year, net of receipts, against which there was net investment of £3.205m.

2019/20 had seen continued financial pressures relating to essential cover from medical staffing to maintain staffing levels and provide safe clinical services, however, this was recognized within the Scottish Government, providing £2.50m financial aid.

The Board delivered against its savings target of £750k, of which £118k was delivered recurrently, the balance being achieved on a non-recurring basis through various areas of underspends, including vacancies.

The Health Board contribution to Integration Joint Board (IJB) funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, is a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this in the Health Board's accounts, is expenditure of £34.884m (2018/19 £32.246m) and income of £34.884m (2018/19 £32.246m).

IJB staffing expenditure had increased by 12%, from £29.732m in 2018/19 to £33.407m in 2019/20, with the largest proportionate increase relating to 6% superannuation increase, 3% pay award and an increase in agency expenditure of £1.4m.

NHS Orkney held a bank balance at year end of £1.378m, and this was considered a prudent balance to hold for ongoing creditor payments.

Members of the Committee felt that the papers provided a detailed narrative for the annual accounts.

The Chief Executive noted that there had been a significant increase in staffing levels. The Head of Finance provided clarity that the increase was partially due to the impact of COVID-19 on the months prior to year-end. It was agreed that this should be incorporated into the final narrative.

The Chief Executive also requested clarity around the status of the IJB reserve and the Interim Director of Finance clarified that it related to funds carried forward that had not been spent. There were further discussions planned with the Chief Finance Officer of the IJB and members were cautioned that the figure display was subject to some adjustment once those discussions had concluded.

J Taylor queried a change in the pension tables for senior members of staff, noting that the cash equivalent transfer value figure was higher in 2019 than 2020. He queried whether this was a typographical error and if the data had been input

incorrectly. The Interim Director of Finance clarified that the information was provided by the Public Pensions Agency, though he would investigate further and amend as appropriate.

Decision / Conclusion

The Audit and Risk Committee received draft Annual Accounts and noted that they would return to the Committee in their final form at the next meeting on Thursday, 25 June 2020.

272 Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2020 – ARC2021-23

The Endowment Fund Treasurer presented the Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2020, reminding members that as a registered charity it was necessary to provide the annual accounts to the Office of the Scottish Charity Regulator (OSCR).

The annual accounts had been audited by Scholes, Chartered Accountants, who had undertaken a comprehensive review including looking at the Charter and banking arrangements. K Alexander highlighted the following:

- Income had decreased to £59k during 2019/20, this was due to investment management costs and purchases made during and as a result of the move to the new hospital facility
- New bid applications were being actively encouraged, especially upon restricted funds
- Support was being continued for the staff travel scholarship
- The overall fund had decreased by £383k partially due to large spend and also the downturn in investments
- There was a high movement in debtors due to the recognition of a donation of £90k from the Stewart Endowment Fund in the previous year
- The Restricted Balance Fund reduced to £98k. Of that, 69% was held by MacMillan Cancer
- The Trustees Report and the Independent Auditor Report would both be signed at the meeting to be held on Thursday, 4 June 2020

D Campbell queried why there was noted a negative donation in the Endowment Fund Annual Accounts, and the Treasurer explained that the funds were moved into the General Fund for areas no longer able to utilise them.

Decision / Conclusion

The Audit and Risk Committee received the Endowment Fund Annual Accounts for 2019/20.

K Alexander withdrew from meeting at 12:33

Information Governance

273 Information Governance Chair's Report and minutes of meeting held on 3 December 2019 and Terms of Reference – ARC2021-24

Members noted that the Head of Corporate Services had left the meeting and so a verbal update regarding the Information Governance Group could not be received. A written Chair's Report would be requested for the next meeting.

A discussion took place recognising that there had been recent media coverage of a data breach. The incident was currently being investigated by the Information Commissioners Office (ICO) to ascertain if they required NHS Orkney to take further rectifying action than had already been taken, i.e. writing to inform patients' whose information had been involve in the incident.

The Chief Executive assured the Audit and Risk Committee that the breach had been caused by an unfortunate, singular, administrative error that was not at risk of recurring.

The Employee Director noted that there was some support required for the individual and a potential training need for members of staff regarding Information Assets and ownership, storage and management of that data.

The Chief Executive Designate agreed, stating that Information Governance was an area of statutory and Mandatory training that all staff were required to understand.

Decision / Conclusion

The Audit and Risk Committee noted the minutes from the Information Governance Group meeting held on 3 December 2019 and the revised Information Governance Group Terms of Reference.

The Committee also agreed to delegate to the Information Governance Group a piece of work ensuring that Information Asset Owners were contacted and that Information Asset Registers were up-to-date, holding only required information. The Information Governance Group would report back to the Audit and Risk Committee on progress at future meetings.

Post meeting note 3: The report number ARC2021-24 relating to the Information Governance Chair's Report is obsolete as no report was available for this meeting.

Risks

274 Risks and Assurance – ARC2021-25

This item would be deferred until the following meeting as discussed in the 'Apologies' section of this minute.

Post meeting note 4: The report number ARC2021-25 relating to the Risk and Assurance report is obsolete as the report was not presented at this meeting.

275 Risks escalated from Governance Committees

There were no risks escalated from other Governance Committees.

Governance

Governance Committee Annual Reports 2019/20

276 Remuneration Committee Annual Report 2019/20 – ARC2021-26

The Committee received the Remuneration Committee Annual Report for 2019/20.

Decision / Conclusion

The Audit and Risk Committee approved the Annual Report.

277 Clinical and Care Governance Committee Annual Report 2019/20 – ARC2021-27

The Committee received the Clinical and Care Governance Committee Annual Report for 2019/20.

Decision / Conclusion

The Audit and Risk Committee approved the Annual Report.

278 Audit and Risk Committee Annual Report 2019/20 – ARC2021-28

The Audit and Risk Committee received the annual report for 2019/20 in draft format. Members were invited to make comment should it require amendments; however, members were content with the document.

Decision / Conclusion

The Audit and Risk Committee approved the Audit and Risk Committee Annual Report 2019/20.

Governance Committee Workplans 2020/21

279 Clinical and Care Governance Committee Workplan 2020/21 – ARC2021-29

The Audit and Risk Committee received the Clinical and Care Governance Committee Workplan for 2020/21.

Decision / Conclusion

The Audit and Risk Committee noted the Workplan.

Governance Committee Terms of Reference 2020/21

280 Clinical and Care Governance Committee Terms of Reference 2020/21 – ARC2021-30

The Committee received the Clinical and Care Governance Committee Terms of Reference for 2020/21.

The Chief Executive noted that there was an error within the Committee membership and that rather than there being four members of Orkney Island Council sitting on the Committee, it should read three.

Decision / Conclusion

The Audit and Risk Committee approved the Terms of Reference subject to the amendment of the above-mentioned typographical error.

281 **Agreed items to be brought to the attention of Board or other Governance Committees**

There were no items to be escalated to the Board or other Governance Committees.

282 **Any Other Competent Business**

No other competent business was raised.

Items for Information and Noting only

283 **Schedule of Meetings 2020/21**

Members noted the schedule of meetings for 2020/21.

284 **Record of Attendance**

The Committee noted the record of attendance.

285 **Committee Evaluation**

Committee members agreed that the meeting had progressed well and felt it important to note that a one-hour virtual meeting was proving to be more succinct and focused than a two-hour meeting face-to-face. All members agreed that conducting the committee via virtual means sharpened focus, intensity and quality of the meetings and that this should be kept in mind for future reference.

Meeting closed at 12:47