

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday, 1 September 2020** at **11:30**

Present: David Drever, Chair
Davie Campbell, Vice Chair
Fiona MacKellar, Non-Executive Director and Employee Director
Jason Taylor, Non-Executive Director

In Attendance: Christina Bichan, Chief Quality Officer
Michael Dickson, Interim Chief Executive
Mark Doyle, Interim Director of Finance
David Eardley, Chief Internal Auditor, Scott Moncrieff
Claire Gardiner, Senior Audit Manager
Keren Somerville, Head of Finance
Matthew Swann, Internal Auditor, Scott Moncrieff
Gemma Pendlebury, Senior Corporate Services Officer (Committee Support)

599 **Welcome**

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

600 **Apologies**

Apologies were received from J Colquhoun.

601 **Declarations of Interest**

No interests were declared.

602 **Minutes of previous meetings held on Thursday, 25 June 2020 and Tuesday, 7 July 2020**

The minutes of the previous meeting held on Thursday, 25 June 2020 were approved as a true and accurate record.

The minutes of the previous meeting held on Tuesday, 7 July 2020 were approved as a true and accurate records subject to the following amendment:

- M Doyle, Interim Director of Finance, to be included on the attendance list.

603 **Matters Arising**

There were no matters arising additional to the agenda.

604 **Action Log**

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

External Audit

605 Audit Scotland Annual Audit Report 2019/20 – ARC2021-44

G Woolman, External Auditor for Audit Scotland, delivered the wider scope Annual Audit Report from Audit Scotland 2019/20 for members of the Committee, advising that the report was a more detailed, final version of the draft report received at the Audit and Risk Committee meeting held on Thursday, 25 June 2020.

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.

COVID-19 resulted in minor delays to the provision of the draft annual report and accounts. Supporting working papers and extracts from the accounts were provided to the audit team in advance of the full accounts to minimise delays. Members were informed that only NHS Western Isles and NHS Orkney health boards had been able to meet with original deadlines.

Part two of the report regarding financial management, informed that NHS Orkney had operated within its revised Revenue Resource Limit, reporting an underspend of £0.059m. Budget processes were appropriate, however NHS Orkney continued to rely on non-recurrent savings and additional in-year funding from the Scottish Government to ensure targets were met.

Part three of the report regarding financial sustainability informed that NHS Orkney had a three-year, medium-term financial plan, which identified a significant funding gap of £2.993m in 2020/21.

Additionally, the report noted that the true impact of COVID-19 was yet to be incorporate into the financial plan, and it was anticipated that there would be a significant increase in costs and a reduction in the level of savings which could be achieved.

Part four of the report investigated governance and transparency and it was confirmed that NHS Orkney have appropriate and effective governance arrangements, which had been reviewed and revised considering the Coronavirus outbreak in March 2020. There had been a small number of information governance failures reported post year-end, and it was deemed critical that NHS Orkney identify the underlying cause and take corrective action as soon as practicable. There had also been significant leadership changes during the latter part of 2019/20, with a new Chair of the Board and the retirement of the Chief Executive. The report highlighted the need to preserve knowledge and support the new leadership team during the transition.

Part five of the report regarding value for money, highlighted that NHS Orkney had an appropriate performance management framework in place, with service performance levels staying broadly in line with prior years.

The External Audit Report made the following recommendations which, if addressed, would strength NHS Orkney's position:

- NHS Orkney should ensure that year-end financial reports contained sufficient detail to allow for a full and complete scrutiny of performance against budget and efficiency savings targets
- NHS Orkney should consider the assurance provided by Internal Audit and ensure that sufficient assurance be received for the 2020/21 governance statement in a timely manner
- The NFI portal should be used to record the outcomes of the NFI review, and this can be done in bulk so should not result in significant additional work
- It was of critical importance that an up to date and robust workforce plan be put in place, to ensure a sustainable workforce, with the right skills and capacity over the medium to long term
- Development activities which had been postponed due to COVID-19, should be progressed
- Work to create leadership capacity and ensure minimal disruption during the recruitment and appointment of a permanent Chief Executive
- Work to ensure sufficient consideration be given to the effectiveness of subgroups and committees to ensure they are functioning appropriately and sufficiently
- Ensure that high risk audit recommendations are addressed as a matter of priority to ensure there are no weaknesses in the Board's internal system of control
- Alignment of the Performance Management Information to the Annual Operational Plan should be considered to ensure the indicators report remain useful and current.

The Interim Chief Executive joined the meeting at 11:59

Members agreed that the report was an important document, giving a valuable summation of NHS Orkney's performance and succeeded in effectively closing off the fiscal year for 2019/20.

F MacKellar raised the observation that, due to COVID-19, performance targets were not likely to improve significantly over the coming 24 months due to the backlog of waiting times. She felt strongly that there was a need for support for all Health Boards from the Scottish Government in connection with this. C Bichan clarified that performance targets linked into a piece of work surrounding the Performance Management review. The reporting of information to the Scottish Government would be including a wider range of information going forward, allowing for different elements within each of the targets to present all factors which would affect the ranging metrics.

The Chair raised a query in connection with recurrent savings and how NHS Orkney proposed to make progress in the coming period in connection with that. The Interim Director of Finance noting that all staff were aware of the difficulties facing the Board moving forward. There had been a recent workshop with the Senior Management Team which investigated how to achieve financial balance and the redesign of services to become more streamlined, in both financial and performance terms. Further workshops had been planned to look at recurring themes and how they could be redefined to achieve recurring savings rather than non-recurring savings. The Interim Director of Finance concluded that as an organisation, the Interim Chief Executive and Chair of the Board were both highly involved in work being undertaken to achieve financial balance going forward.

D Campbell drew the attention of members to part four of the report, regarding governance transparency and queried what measures were being taken to ensure that key knowledge was not being lost in the changeover of high-level staff and asked how the Audit and Risk Committee could take assurance from those measures. The Interim Chief Executive noted the important issue but that it did not portray the whole challenge facing NHS Orkney. Key objectives had not been delivered fully by leadership positions, largely due to the transition of responsibilities between roles. He confirmed the problem would be mitigated by way of clarity around structures and leadership. That granularity would enable NHS Orkney to move forward with recurrent changes and utilise the workforce in a more effective and efficient way.

Additionally, F MacKellar commented that future planning in connection with an ageing workforce would be imperative in the coming five to ten years. There would be significant loss of knowledge if there were no mitigations put in place swiftly. The Interim Director of Finance noted that engagement with key stakeholders within the workforce had been invited to attend the coming future planning workshops and welcomed staff side involvement in the planning process.

The Chair thanked G Woolman and Audit Scotland colleagues for their hard work around the report and summarised that NHS Orkney needed to evaluate the component parts of the report, as well as the recommendations made within it. He urged members that the document be used to inform work for the rest of the year.

Decision / Conclusion

Members of the Audit and Risk Committee received the final iteration of the Annual External Audit Report for 2019/20 and gained assurance that recommendations noted within the report would be acted upon.

Internal Audit

606 Internal Audit Progress Report – ARC2021-45

D Eardley, Internal Audit Director, Scott Moncrieff presented the Internal Audit Progress Report for members of the Committee, highlighting the following key points:

- Currently on track with the 2020/21 audit plan
- Several assignments had progressed to fieldwork
- Since June 2020, there had been an additional review looking at the subdivision of payroll systems, staff banding and processes managing those areas. Contingency time which had been built into the plan had been utilised to undertake that review
- There was some delay with regards to the staff banding work, due to staff absence
- Hence forward, internal audit reports would no longer be branded as Scott Moncrieff, due to a change in trading name to Azets

D Campbell raised a query in connection with the timings of internal audit reports and request assurance for the Committee that there would not be a 'bottleneck' of reports as had been seen within previous years. D Eardley responded that there were no envisaged issues, with all internal audit reports (with the exception of the

Annual Report) to be presented at the December 2020 and March 2021 Audit and Risk Committee meetings. However, it was noted that the provision of information did not always run as scheduled.

J Taylor noted that staff absence had created a delay with some internal audit work and queried whether there were mitigations that could be put in place to prevent further delay and to enable the free-flow of information. D Eardley confirmed that there were protocols in place in such events and the route of escalation would be to update the Interim Director of Finance, with a direct line to D Drever as Chair of the Audit and Risk Committee.

F MacKellar queried the material element of the staff banding report and requested further information regarding the detail and granularity of the report contents. D Eardley confirmed that the scope would be shared with F MacKellar as Employee Director out with the meeting.

Decision / Conclusion

The Committee received the Internal Audit Progress Report and were assured that progress was being made according to appropriate timelines.

607 Internal and External Audit Recommendations – ARC2021-46

The Interim Director of Finance presented the cover report and spreadsheet detailing the internal and external audit recommendations to members of the Committee and invited them to note the status and update surrounding the actions.

There were nine audit recommendations, with three remaining in progress (items 152, 162 and 163) with a view for completion at the end of September 2020. One further recommendation had been added (item 170).

The Interim Director of Finance requested that members review and approve the extension to five recommendations (items 164, 165, 166, 167 and 168) to the end of October 2020. This was due to staff absence and capacity issues, as well as the impact of Coronavirus.

The Committee were also invited to approve the closing of two recommendations (item 169 and 170) which had been completed.

The Chair noted the collective concern of the Committee with regards to the continued requesting of extensions to certain audit recommendations and the consensus was that staff should be made aware that the deadlines were stringent. The Chair also queried if further extension to October 2020 was realistic and the Interim Director of Finance responded that, due to staff absence, there was the possibility that a further extension would be requested. The Interim Chief Executive added that there was a fundamental lack of robustness around Information Governance and was sighted on a larger piece of work in partnership with NHS NSS looking into resource capacity and appropriate amendment of action plans. Given the existing resource and time constraints, the deadline of October 2020 was considered unrealistic.

The Chair of the Audit and Risk Committee suggested to members that the Interim Director of Finance's request for an extension to the deadline for five recommendations be approved in the short term, with the qualification that the

deadline may need to be amended again once the important, larger piece of work in connection with reorganisation, information governance, and governance within the organisation as a whole is underway.

D Campbell requested further clarification regarding the realistic timetable of the larger piece of work with NHS NSS. The Interim Chief Executive responded that an external review had been undertaken, the results of which would be available for scrutiny soon. The review was investigating the number of information governance data incidents, what had led to the data breaches and an appropriate way forward. Intermediate feedback had highlighted a range of issues from systems and processes to culture and learned behaviors. There would be a considerable impact on capacity and resources in order to deal with the issues fully and properly, and this was being taken forward in partnership with NHS NES and NHS Shetland, as well as ensuring that the correct training was in place and holding managers accountable to ensuring that their staff are appropriately trained. The Interim Chief Executive estimated that it would be a 12 to 18-month improvement programme, focusing on the actions surrounding patient safety first and foremost, and then moving on to data safety.

Decision / Conclusion

The Committee received the Internal and External Audit Recommendations report and approved the extension to the deadline for five items, as well as approving the completion of items 169 and 170.

P Kelly withdrew from the meeting at 12:55

Information Governance

608 The following items noted on the agenda had not been received for discussion at the meeting:

- Information Governance Group Chair's Report and approve minutes
- Update on Action 01-2021: Discussion with Information Commissioners Officer regarding the reconstruction of Mental Health records
- Update on Action 03-2021: Information Asset Registers and Owners

These items would be received and updated on at the next meeting.

Post meeting note: A discussion about the way forward for NHS Orkney's information governance is detailed in section 614 of these minutes.

Fraud

609 The Interim Director of Finance updated members in connection with the suspected case of fraud committed against NHS Orkney, highlighting that Counter Fraud Services had undertaken a considerable amount of work in their investigations. He explained to the Committee that Counter Fraud Services had contacted HMRC as well as the National Tax and Customs Administration of Hungary, however had been unable to gain any information regarding the individual in questions employment in Hungary and as such were forced to refer the case back to NHS Orkney for internal action. The Interim Director of Finance concluded for members that as the individual was no longer employed by NHS Orkney, there was no possible action to take.

Decision / Conclusion

The Committee received the update on the suspected case of fraud committed against NHS Orkney and noted that due to an inability to take any further action, the case had been closed.

Service Audit Assurance Reports

610 NHS National Services Scotland – IT Service Audit Report – ARC2021-51

The Interim Director of Finance advised members of the Committee that the NHS National Services Scotland IT Service Audit Report was to be received by the Committee for noting. He also noted that the report would have been presented to the early June 2020 meeting of the Audit and Risk Committee, however it had been postponed due to COVID-19.

Members found the report dense and difficult to read.

G Woolman, External Auditor, Audit Scotland, noted that ideally it would be more appropriate for the report to be received by the Committee prior to the completion of the annual accounts. She also noted that a cover report dissecting and summarising the information contained in the lengthy document should be produced to help members better understand the findings.

Decision / Conclusion

The Audit and Risk Committee received and noted the report.

611 NHS National Services Scotland – Practitioner Services Audit Report – ARC2021-52

The Interim Director of Finance advised members of the Committee that the NHS National Services Scotland Practitioner Services Audit Report was to be received by the Committee for noting. He also noted that the report would have been presented to the early June 2020 meeting of the Audit and Risk Committee, however it had been postponed due to COVID-19.

Post meeting note: As with the above item, it was agreed that a cover report should be written for the report in future years, to allow for a fuller understanding of the report contents.

Decision / Conclusion

The Audit and Risk Committee received and noted the report.

Risk

612 Risk and Assurance Report – ARC2021-53

The Chief Quality Officer provided the Risk and Assurance Report to members of the committee, informing that the purpose of report was to provide an update regarding progress on a refreshed approach to risk management within NHS Orkney. She also noted that a revised Risk Strategy was currently being developed and would be presented to the Committee at a future meeting.

The Interim Director of Finance noted that there were 63 risks detailed on the risk register, which was a substantial amount. He further queried what actions were being taken to mitigate those risks and reduce the amount on the register. The Chief Quality Officer confirmed that work was being conducted in partnership with the risk managers, with one to one meetings taking place with each of them individually in order to address the risks. She also highlighted that there were several departmental level risks recorded incorrectly on the operational level risk register. It was the responsibility of risk owners to ensure an appropriate level of risk assessment was taking place within the organisation and to ensure that the risks were recorded and dealt with at the correct level.

J Taylor noted that there were 33 risks on the register which were due or overdue, with no corresponding date when each of the risks were opened. He noted that it was difficult to make an assessment on those risks without that information and queried whether future iterations of the register could be produced in a similar format to the Internal and External Audit Recommendations spreadsheet. The Chief Quality Officer confirmed that the additional data could be produced for future reports.

The Chair of the Committee noted that section five of the cover report referred to the Risk Management Forum and he queried what the function of that forum was. The Chief Quality Officer clarified that the forum consisted of all current risk leads and managers and enabled them to collectively tackle risks that affected multiple departments and services. The forum offered an opportunity for collective challenge and consideration about the appropriateness of some risks by way of peer support and discussion.

D Campbell made comment that the report would benefit from a brief narrative about how each of the risk mitigations was going to be delivered. He, and other members, were keen to get sight of the Audit and Risk Committee risks for discussion and action within the Committee. He also suggested that other Governance Committees should take ownership of their own risks, which would help to alleviate the pressure on members of the Internal and External Audit teams.

Decision / Conclusion

Members noted the beneficial, hands-on report and were assured on progress being made to strengthen the risk management approach throughout NHS Orkney.

613 Update on Action 02-2021: DATIX awaiting managerial approval

The Chief Quality Officer verbally updated members on action 02-2021, clarifying that the issue had been due to an issue of communication. The handler of said DATIX had been unaware that the issue had been placed on the risk registers as the DATIX system does not have a feature to feedback to the original handler. She noted that issues should not be placed on risk registers without full verbal communication in appropriate service areas out-with the DATIX system. Barriers have been highlighted with integration services accessing DATIX due to the system restrictions and thus it was often challenging for staff to respond to incidents. There was national work taking place to investigate a more cloud-based version of the DATIX system which would be more conducive to the home-working setup in place due to COVID-19.

Decision / Conclusion

Members of the Committee received the verbal update in connection with action 02-2021 and were assured that progress was being made.

614 Risks Escalated from Governance Committees

There were no escalated risks for discussion at this meeting.

Governance

615 Property Management Transactions Reports – ARC2021-54

The Interim Director of Finance presented the Property Management Transactions Report to members of the Committee for information and noting purposes. He explained that the paper detailed the sale and acquisition of assets which were required to be reported to the Scottish Government.

Decision / Conclusion

Members of the Committee noted the Property Transactions Report.

616 Annual Litigation Report – ARC2021-55

The Chief Quality Officer presented the Annual Litigation Report to the Committee to update members on current litigation cases. The report was for information and noting and members were invited to raise any queries that they may have in connection with the report. G Woolman suggested that the timing of the report be revised so that the Committee could have sight of it prior to receiving the annual accounts.

Decision / Conclusion

Members received and noted the Annual Litigation Report and agreed that it would be received by the Committee prior to the Annual Accounts in future years.

617 Any Other Competent Business

There were no items for discussion.

618 Schedule of Meetings 2020/21

Members noted the schedule of meetings for 2020/21.

619 Record of Attendance

The Committee noted the record of attendance.

620 Committee Evaluation

Members noted that the meeting had been positive and were keen to see the actions that had been discussed, acted upon and reported back for assurance purposes.

Meeting closed at 13:26