

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday, 1 June 2021** at **11:30**

Present: David Drever, Chair
Issy Grieve, Non-Executive Director
Fiona MacKellar, Non-Executive Director and Employee Director
Jason Taylor, Non-Executive Director

In Attendance: Karina Alexander, Principal Accountant (for item A56)
Christina Bichan Head of Assurance and Improvement (until 12:30pm)
Mark Doyle, Director of Finance
David Eardley
Claire Gardiner, Senior Audit Manager, Audit Scotland
Keren Somerville, Head of Finance
Gemma Pendlebury, Committee Support

A40 Welcome

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

A41 Apologies

Apologies were received from J Colquhoun, M Dickson, L Wilson, and G Woolman.

A42 Declarations of Interest

No interests were declared.

A43 Minutes of previous meetings held on Tuesday, 2 March 2021

The minutes of the previous meeting held on Tuesday, 4 May 2021 were approved as a true and accurate record subject to the following amendments:

- The 'In Attendance' list at the top of page 1 was amended to read:
 - Mark Doyle, Director of Finance
 - Matthew Swan, Internal Audit Associate Director Azets
 - Meghan McEwen NHS Orkney, Board Chair by invitation of the Audit and Risk Committee Chair
- Item 93, bullet point three was amended to read: 'The Corporate Risk Register was managed by the Executive Management Team and would be fed forward to the Board or ratification.'

A44 Matters Arising

82 - Waiting Times – ARC2122-05

I Grieve noted that the NHS Orkney waiting times were something to be celebrated and requested that more acknowledgement be made of this to the press and the public. The Director of Finance agreed. The Head of Assurance and Improvement noted that work was being done to develop an infographic to showcase the most up to date waiting times figures, however there was some delay as some data was subject to the Scottish Government publishing schedule. Once confirmation had

been received from the Scottish Government, there would be some external communications showcasing NHS Orkney's favourable position.

Members requested that this item be included on the Action Log for follow up at future meetings.

A45 Action Log

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

A46 External Audit

No items for discussion at this meeting

Internal Audit

A47 Internal Audit Annual Report 2020/21 – ARC2122-27

D Eardley delivered the final draft of the Internal Audit Annual Report for 2020/21, advising members that this had had no significant updates since being received at the previous meeting and was in its final form, showing how the report contributes to assurance processes and the end of year completion.

Decision/Conclusion

Members received Internal Audit Annual Report for 2020/21 in its final form and approved that it be suggested for Board approval.

A48 Internal Audit Plan 2021/22 – ARC 2122-28

D Eardley presented the amended Internal Audit Plan for 2020/21, highlighting the main amendment for members. Further to discussions at the previous meeting of the Audit and Risk Committee it had been agreed that work to review Health and Social Care Partnership working would commence in January 2022, reserving the right for work to be brought forward if deemed appropriate. This delay to the review would offer the newly appointed Chief Officer of Orkney Health and Care (OHAC) time to establish himself in his new role.

There were a further two minor changes included within the indicative timetable, however, D Eardley noted that the delivery schedule was in line with previous years.

The Head of Assurance and Improvement noted that there had not been a Clinical Governance Audit during 2020/21, and that this was not scheduled for 2021/22 either. She queried whether the Joint Clinical and Care Governance Committee needed to be sighted on this. D Eardley responded that a Clinical Governance Audit had been considered for the 2021/22 plan, however, it had been decided that there were areas of more particular focus for the coming year. He also noted that clinical governance was inherent throughout all areas of NHS Orkney and, thus could be reviewed as part of other internal audits, such as COVID-19 Finance, Waiting Times, Remobilisation Strategy, etc.

Members agreed that the matter should be presented to the JCCGC for assurance and contribution, and amendments would be considered for the plan if Clinical Governance deemed a necessary audit for 2021/22.

I Grieve, as previous Chair of the JCCGC, noted that members of the JCCGC had discussed their appetite for an audit of Clinical Governance to be undertaken. She urged the Chair of the Audit and Risk Committee to engage with the new JCCGC Chair in relation to this. The Chair noted the JCCGC request for a Clinical Governance audit and agreed an action that discussion would take place out-with the meeting with the new JCCGC Chair.

I Grieve raised further concerns regarding the impact of key political changes within the Scottish Government and the Adult Social Care review upon the Health and Social Care Partnership audit. There was considerable change expected nationally and she felt it advisable to postpone NHS Orkney's internal audit of the Health and Social Care Partnership until 2022/23.

The Director of Finance noted his disappointment that conversations regarding significant alterations to the Internal Audit Plan for 2021/22 were taking place at such a late stage in the process.

The Chair summarized that there was a degree of flexibility within the proposed internal audit plan for the coming year to take account of political changes that could not be controlled. He urged members to keep a degree of adaptability in mind at future meetings.

Decision/Conclusion

Members of the Audit and Risk Committee approved the sections of the Internal Audit Plan for 2021/22 which were not subject to further discussions with the JCCGC and Chief Officer of OHAC.

A49 Internal Audit Reports

No items for discussion at this meeting.

Internal and External Audit Recommendations

A50 Internal and External Audit Recommendations Follow up Report – ARC 2122-29

The Director of Finance presented the update Internal and External Audit Recommendations for the Committee, highlighting the following key items:

- Twenty audit recommendations were brought forward following the previous report
- Four new recommendations had been newly added
- An extension was sought for one recommendation
- Twenty-four recommendations remained in progress with estimated completion dates throughout 2021/22

The Director of Finance continued by explaining the process of monitoring progress with and gaining updates regarding the implementation of audit recommendations. Outstanding actions were pursued with the responsible individual by the PA to the Director of Finance. Clarification was sought as to whether the action had been

completed or if there were barriers identified which provoked the need for an extension. Any completed actions were reviewed by the Finance Department, prior to be submitted to M Swann, Associate Director for Azets for final review. Once all parties were in agreement, the Audit and Risk Committee were provided with an update report at a committee meeting for approval that the recommendation had been fully implemented and the action could be closed.

J Taylor thanked the Director of Finance for his clarification of the follow-up process, however, he felt strongly that more information and potential monthly updates were required on progress. The Director of Finance responded that action owners were already being contacted for update on a monthly basis and were aware that they may be called before the Audit and Risk Committee to provide a full explanation regarding continued delays. He further advised that reports were also to be provided for the Board going forward for additional assurance.

Members were content for the advised approach to continue.

Decision/Conclusion

Members noted the status and update of actions and approved the requested extension.

Annual Governance Statement

A51 Directors' Subsidiary Statement on Governance ARC 2122-30

The Director of Finance provided members with the final draft version of the Directors' Subsidiary Statement on Governance, highlighting that this final version would be presented to the Board for assurance purposes as part of the annual accounts.

Members had seen an earlier rendition of the document at the previous meeting.

The Chair noted that the document was a key part of the annual account process and queried whether it was still subject to change prior to the meeting on the 24 June 2021. The Director of Finance confirmed that there were no further amendments expected.

I Grieve noted that it was a comprehensive document containing some challenging subjects which were difficult to read. However, the document provided members with a high level of assurance that mitigations were implemented in appropriate areas.

Decision/Conclusion

Members review the Directors' Subsidiary Statement on Governance and were assured that adequate and effective internal controls were in place.

A52 Draft Audit and Risk Committee Annual Assurance Statement ARC2122-31

Members received the updated draft Audit and Risk Committee Annual Assurance Statement. The amendments were reviewed and approved.

Decision/Conclusion

Members approved the draft Audit and Risk Committee Assurance Statement and noted that this would return as a part of the Annual Accounts at the next meeting.

A53 Orkney Health Board Endowment Fund Governance Statement ARC2122-32

Members of the Committee received the Orkney Health Board Endowment Fund Governance Statement for assurance and noting.

Decision/Conclusion

Members noted the Orkney Health Board Endowment Fund Governance Statement.

A54 Significant Issues that are considered to be of wider interest – Draft letter to the Scottish Government – Health Finance Division ARC2122-33

Members reviewed and noted the draft letter and acknowledge that the final version would return for approval at the next meeting.

Decision/Conclusion

Members reviewed the draft letter from the Scottish Government Health Finance Division, approved it as the final version and acknowledge it would be presented at the next Audit and Risk Committee meeting.

Annual Accounts for 2020/21

A55 NHS Orkney Draft Annual Accounts for year ended 31 March 2021 ARC2122-34

The Director of Finance thanked K Somerville, Head of Finance, and the Finance Team for their hard work to ensure the annual accounts were completed to schedule. He also extended thanks to members of the Audit Scotland team for their continued work.

The Director of Finance then presented the draft annual accounts for year ended 31 March 2021 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 following key highlights were noted:

- The Board had met all three financial targets that it was monitored against
- The Core Revenue Resource Limit final position was £81k under spend.
- The Core Capital Resource Limit was £1.078m for the year, net of receipts, against which there was net investment of £1.078m.
- A three-year financial plan was submitted to Scottish Government by NHS Orkney in February 2020
- Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £0.022m (equivalent to 0.03%).
- NHS Orkney was exposed to significant additional costs as a result of the COVID-19 pandemic in 2020/21. The Board received funding from the Scottish Government to ease COVID related cost pressures in the year

- The Board's financial plans for 2020/21 identified a savings target of £6.6m, of which the Board delivered £730k in year
- The Health Board's accounts show an IJB contribution as expenditure of £42.215m (2019/20 £34.884m) and income of £42.215m (2019/20 £34.884m). The increase in income and expenditure is mainly due to additional cost pressures and funding related to COVID-19
- There were underachieved savings of £0.670m attributed to the IJB in the year.
- NHS Orkney provided in year funding to allow the IJB to breakeven in 2020/21
- Staffing expenditure had increased by 21%, from £33.407m in 2019/20 to £40.435m in 2020/21, £5.5m of staffing expenditure related to COVID-19.
- Expenditure on Independent Primary Care Services increased by 12.9%, from £6.041m in 2019/20 to £6.823m in 2020/21
- Other operating expenditure increased from £68.332m in 2019/20 to £70.068m in 2020/21 driven by the increase in contribution to the IJB
- There were some reductions in Goods and Services from other NHS Scotland Bodies (£8.2m in 2019/20 to £7.1m in 2020/21)
- The total Trade and Other Receivables were in line with those at 2019/20, £0.883m (£0.890m 2019/20).
- NHS Orkney was noted as holding a bank balance of £2.232m at year end.

Decision/Conclusion

Members reviewed the draft Annual Accounts and took assurance that completion by the original deadline of 30 June 2021 was expected.

A56

Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2021 ARC2122-35

The Chair welcomed K Alexander, Principal Accountant and Treasurer for the Orkney Health Board Endowment Fund and thanked her for attending to present the Endowment Fund Annual Accounts.

The Endowment Fund Treasurer presented the Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2021, 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:

- Expenditure in 2020/21 was £65,983
- The Statement of Financial Activities provided details on the income of the Endowment Fund and this showed an increase due to an exceptional donation of £94,100 received from NHS Charities Together on behalf of the fundraising efforts of Sir Cpt Tom Moore
- The fund closed the year with the balance of £1.114m, an increase on 2019/20
- The Auditors opinion was that the financial statements give a true and fair view of the charity's affairs for the year 2020/21 and of its incoming resources and application of resources

K Alexander, informed members that the charity still holds a balance on restricted funds, however work was being done to encourage staff to utilise the funds.

She closed by noting the Chair of the Board would be signing the accounts at the Endowment Trustees meeting on Wednesday, 2 June 2021. Following that the Endowment Fund Annual Accounts would be presented to the Board as a full, consolidated version with the Board's annual accounts on Thursday, 24 June 2021.

Decision/Conclusion

Members reviewed the final audited annual accounts for the Endowment Fund and took assurance from the external auditors opinion.

Information Governance

No items for discussion as this meeting.

Fraud

No items for discussion as this meeting.

Risks

A57 Risks escalated from other Governance Committees

No items escalated from other Governance Committees for this meeting.

Governance

No items for discussion as this meeting

A58 Any Other Competent Business

There was no other competent business for discussion.

Items for Information and Noting Only

A59 NHS AA NSI Financial Ledger Services ISA 3402 Report

The Audit and Risk Committee received the Independent Auditors Report on the National Single Instance (NSI) Financial Ledger Services which were provided to all Board by NHS Ayrshire and Arran.

Decisions / Conclusion

Members noted the audit report and took assurance in relation to the services provided.

A60 Schedule of Meetings

Members noted the schedule of meetings for 2021/22.

A61 Record of Attendance

The Committee noted the record of attendance.

A62

Committee Evaluation

Members of the Committee noted that it was difficult to offer comment on the running of the meeting due to the format and perhaps an anonymous, electronic method would yield more open and honest constructive feedback.

It was also noted that it was challenging to offer comments on certain reports which had been discussed thoroughly at other committee meetings. Members felt it difficult to keep their commentary productive when the topics had often been exhausted elsewhere.

Meeting closed at 12:51