

## **Orkney NHS Board**

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday, 2 March 2021** 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, Head of Improvement and Assurance  
Michael Dickson, Interim Chief Executive  
Mark Doyle, Interim Director of Finance  
David Eardley, Auditor Director, Azets  
Claire Gardiner, Senior Audit Manager, Audit Scotland  
Gillian Woolman, Audit Director, Audit Scotland,  
Gemma Pendlebury, Senior Corporate Services Officer (Committee Support)

1038 **Welcome**

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

1039 **Apologies**

Apologies were received from L Wilson.

1040 **Declarations of Interest**

No interests were declared.

1041 **Minutes of previous meetings held on Tuesday, 1 December 2020**

The minutes of the previous meeting held on Tuesday, 1 December 2020 were approved as a true and accurate record.

1042 **Matters Arising**

There were no matters arising additional to the agenda.

1043 **Action Log**

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

**External Audit**

1044 **External Audit Plan 2020/21 – ARC2021-69**

G Woolman, Audit Director for Audit Scotland, presented the draft of the Annual Audit Plan for 2020/21 for members of the Committee, highlighting the following key items:

- The introductory paragraphs captured recognition of the global pandemic and the context within which NHS Orkney were working
- Exhibit 1 provided information regarding the audit risks identified by Audit Scotland, alongside noted sources of assurance, and planned audit work
- Exhibit 2 provided the key dates for reporting arrangements, with the proviso that Coronavirus may have further impact and so while the deadline of completion was still planned for the end of June 2021, this could not be fully confirmed due to any potential unforeseen circumstances
- G Woolman declared that she was also the Auditor for the Integration Joint Board (IJB)
- There was a standard increase to fees across all areas of audit for 2020/21, these were highlighted for members in paragraph 13
- The responsibilities of the Audit and Risk Committee and the Accountable Officer for NHS Orkney were detailed as:
  - to ensure the proper financial stewardship of public funds
  - compliance with relevant legislation
  - establishing effective arrangements for governance
  - propriety and regularity that enable them to successfully deliver their objectives
- Details of the scope of the external audit were provided from paragraph 19, with a detailed timetable laid out at Exhibit 4
- The interdependencies of the Health Board were noted within paragraph 28 and Audit Scotland would draw assurance from service auditor reports for the following national shared systems and functions:
  - Practitioner Services Division
  - National IT Services Contract
  - National Single Instance (NSI) Financial Ledger
  - NHS Payroll Systems
- Audit Scotland's external audit would be rooted in four audit dimensions (these would frame the wider scope of public sector audit requirements shown in the diagram of Exhibit 5):
  - Financial sustainability
  - Financial management
  - Value for money
  - Governance and transparency

The Chair of the Committee thanked G Woolman for the comprehensive and detailed draft plan.

The Director of Finance reflected upon an unusual year as a result of the continuing Coronavirus pandemic and noted that the plan was in line with NHS Orkney's year end processes. He highlighted for members the Service Auditor reports noted in paragraph 28 of the draft plan would be impacted by another item on the agenda (item 14.1 – NHS NSS Practitioner Services Letter) which he would elaborate upon in due course.

D Campbell queried if it was known how much Coronavirus had affected the work of Audit Scotland during the previous year and G Woolman responded that any affects would vary depending on the service that they were auditing.

## **Decision / Conclusion**

Members of the Committee approved the draft External Audit plan for 2020/21.

### **Internal Audit**

#### **1045 Internal Audit Progress Report – ARC2021-70**

M Swann, Audit Director, Azets, presented the Internal Audit Progress report for members of the Committee, highlighting that the report was a snapshot as to headway made with the delivery of the Internal Audit plan.

The remaining internal audit reviews were on track for completion by the May 2021 meeting of the Audit and Risk Committee. These were the final stages of the review process for 2020/21.

### **Decision / Conclusion**

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

### **Internal Audit Reports**

#### **1046 Strategic and Operational Planning – ARC2021-71**

D Eardley, Internal Audit Director, Azets, presented the Strategic and Operational Planning internal audit report for members of the Committee, highlighting the following key points:

- NHS Orkney has an operational planning process in place which had been undertaken in accordance with the Scottish Government's guidance and requirements
- There were five identified areas for improvement which, if addresses, would strengthen NHS Orkney's control framework. Those areas were:
  - There was a need to develop a new corporate strategy. The previous Corporate Plan only covered up to the end of period 2018/19
  - NHS Orkney does not have an organisation-wide policy or guidance in place clearly defining roles and responsibilities for all aspects of strategic and operational planning
  - The organisation would benefit from a more coordinated approach to operational planning and a relevant structure to supervise planning processes, collate and analyse departmental feedback, and scrutinise plans for achievability
  - Operational planning is primarily covering short term objectives and targets, with limited reference to medium and longer term director of the organisation's development
  - Operational plans need clearer identification of objective owners and targets

D Eardley further noted that the Interim Chief Executive and Executive Management Team were sighted on the areas for improvement, which they were keen to address, and were already working towards making the required changes.

The Chair noted from the report that there was an awareness of the gaps that the organisation had in relation to strategic and operational planning and were making steps to deal with them comprehensively.

J Taylor voiced his appreciation for the depth that had gone into the report and noted that the strategic planning was a common theme in the external audit plan also. Lack of strategic direction was also something that had been mentioned by members of staff before and it was good to see action being taken regarding their concerns, whilst also engaging with them in the process.

D Campbell queried what was considered a realistic timeframe to plan for within medium-to-long term strategic and operational plans and D Eardley responded that there was a good deal of variance seen within different Health Boards. Broadly speaking, the longer timeframe you project for, the more changeable plans become, however, long-term was considered five years and upwards. In addition, the Chair noted that looking at the longer term strategic and operation plan makes it imperative to have secure measures in place for the short-term plan.

The Director of Finance urged members to recognise that NHS Orkney was a smaller health board with a lot of instances of good practice taking place. He further stated that at present the Corporate Strategy was heavily focused on patient care and COVID-19, he recognised the need for work to be done on the strategic and operational plans, but also the need to recognise that COVID-19 has had a significant impact.

The Employee Director noted that the report reflected the feelings and concerns that members of staff had been voicing for some time. She commented that it was good to see that there were actions to be taken from the report that would drive the improvement process forward. She was also keen that involvement and engagement with the right staff and stakeholders be conducted as there was an important need to make sure staff felt involved in the process at the appropriate time, as well as giving them time to absorb, reflect, and contribute.

The Interim Chief Executive presented an additional document for members of the Committee, which was a 'Plan on a Page' developed by the Executive team in order to focus efforts on the key issues raised by staff and moving the organisation into a different place strategically and operationally.

### **Decision / Conclusion**

The Committee received the Internal Audit report on strategic and operational planning and welcomed the actions raised in the report, as well as the 'Plan on a Page' as a means of directing the organisation strategically and operationally.

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### **Amendments to Staff Banding – ARC2021-72**

D Eardley, Internal Audit Director, Azets, presented the Amendments to Staff Banding internal audit report for members of the Committee, highlighting the following key points:

- The audit had been carried out at the request of the Director of Finance, who had undertaken an initial comparison of the number of Agenda for

Change senior post holders (Band 8a and above) and had identified that NHS Orkney appeared to have a higher proportion of senior staff compared with other island health boards

- Internal audit colleagues endeavoured to deliver an independent review and comments for the Board in this key area of concern
- The Board had invested in new systems, such as JobTrain, which allow for vacancy management processes to record, electronically approve vacancy creation, and appoint staff
- Internal audit had identified a number of areas for improvement which, if addressed, would strengthen NHS Orkney's control framework. These included:
  - Further development was required regarding the vacancy and temporary appointment management system to allow for the consideration of alternative options to address resource needs and to properly investigate and approve the financial implications
  - The Workforce Strategy supported by vacancy management and recruitment procedures, were not up to date
  - There was a lack of clear procedure for the appointment of agency staff on a temporary basis
  - There is a need for additional evaluation of senior and specialist staff appointments (Band 8 and above) in context of job type, role, and requirements
  - There was the potential of adding value to the process by including additional financial assessments when certain higher grade positions are recruited to. That would provide transparency and an audit trail

The Employee Director made comment that the report resonated and she agreed that as she was the staffside lead for job evaluation that there was considerable cost involved. She continued that vacancy management needed much further developing within the organisation as, in comparison, other health boards had developed a team approach consisting off both staff side and senior management. That approach fostered transparency and collaborative working and was a good place to start for NHS Orkney.

J Taylor noted that the findings reflected a considerable amount of the conversations that he had undertaken with staff and that both transparency and following process linked very closely with other projects regarding culture within NHS Orkney.

D Eardley made the closing remark that COVID-19 had altered the way in which recruitment and vacancy management would be conducted in the future and there was a need to monitor that new aspect going forward.

### **Decision / Conclusion**

The Committee received the Amendments to Staff Banding internal audit report and gain assurance on the actions to be taken moving forward.

1048

### **Internal and External Audit Recommendations – ARC2021-46**

The 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.

Eight actions had been brought forward from the following report. One action was recommended as completed and deadlines had been requested until the end of March 2021 for three actions, and to the end of June 2021 for a further three actions.

D Campbell noted that the first three actions which had requested deadline extension had already been awarded extensions at the previous meeting. He queried whether that should be cause for concern and the Director of Finance stated that they would be able to be closed off for the newly requested deadline of the end of March 2021. He had received confirmation from the managers assigned those actions that the new deadline was a realistic target.

M Swann, Associate Audit Director, Azets, clarified for members that wherever reasonable, extensions should be granted to allow for managers to remain focussed on key areas within their work which take priority. He noted that the process needed to be realistic.

The Director of Finance highlighted for members that external audit recommendations were attached as appendix 2 of the report, with ten of the twelve recommendations being closed, and the final two in progress. There had been a substantial amount of work taking place with regard to the external audit recommendations, which had been undertaken internally and would be discussed with external audit colleagues as part of the year end process.

D Campbell noted that it was beneficial to receive a snapshot of the external audit recommendations so that members of the committee could understand the progress being made and take assurance when actions were closed.

G Woolman further reassured the Committee that as part of the audit process, external audit would independently go through all recommendations and actions taken to address them.

### **Decision / Conclusion**

The Committee received the report regarding the internal and external audit recommendations and approved the extension requested for the six open actions and the closure of one completed action.

### **Information Governance**

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#### **Information Governance Data Breach Update – ARC2021-73**

The Director of Finance delivered the Information Governance data breach update, highlighting for members that a considerable amount of work had taken place since the independent review that had been presented in December 2020:

- A project team had been established to discuss the report and its actions in more depth
- An action plan had been formed that would run until the end of March 2021, when it would be allocated for the Data Protection Officer when the successful candidate commenced in post
- The DATIX system had been investigated and the risk register had been updated and reviewed. This was to enable a more streamlined process and more meaningful engagement with risk handlers

- The Information Governance Committee would be considering eight updated information governance policies and procedures for approval to their April meeting
- Work in conjunction with NHS NSS was ongoing regarding an up-skilling of staff within the IT department
- There was two mandatory information governance modules available on LearnPro; one for staff and one for management. This would allow staff to have access to the most up to date training
- The Information Governance Committee Terms of Reference had been updated and approved by the Committee
- The Data Protection Officer job would be advertised in the near future
- Information governance updates would be communicated to members of staff via the Corporate Communications team

Members of the Audit and Risk Committee recognised there had been a huge amount of work done and that the future in relation to information governance within NHS Orkney was very positive.

### **Decision / Conclusion**

The Committee welcomed the Information Governance Data Breach update report and action log and were assured of progress being made. Members furthermore commended the Director of Finance and his team for the sheer amount of work and improvements made.

## **1050 Information Governance Group Chair's Report – ARC2021-74**

The Director of Finance presented the Information Governance Chair's Report., which gave an overview of the matters discussed at the 4 February 2021 meeting of the Information Governance Committee. He elaborated that the Committee was in the early stages of reformatting and he would ensure that key information pertinent to the Audit and Risk Committee would be reported on.

The Chair of the Audit and Risk Committee queried whether earlier concerns that had previously been raised regarding senior and departmental managers prioritising and attendance the Information Governance meetings had been mitigated and the Director of Finance confirmed that there had been a distinct change for the better in attendance at the Committee.

### **Decision / Conclusion**

The Committee received the Information Governance Chair's Report and noted the positive progress made with the Information Governance Committee's reformation.

### **Annual Accounts**

## **1051 Annual Accounts Timetable – ARC2021-76**

The Director of Finance presented the annual accounts timetable for members of the Committee. He made members aware that Scottish Government had awarded an extension to the deadline for the completion and sign off of the annual accounts until the end of September 2021. NHS Orkney had however

opted to have their annual accounts completed by the original deadline of the end of June 2021 (subject to the availability of both NHS Orkney and Audit Scotland staff in the Coronavirus context).

G Woolman requested that members be aware of the ambitious timeline that keeping to the original deadline would require.

D Campbell queried whether the production timeline for the Integration Joint Board (IJB) accounts would have any impact upon the NHS Orkney annual accounts and the Director of Finance confirmed that it would, however, the Chief Financial Officer and Chief Officer of the IJB were well sighted on the aspirations of NHS Orkney to adhere to the end of June 2021 timescale and have confirmed their compliance.

### **Decision / Conclusion**

The Committee received the update on the Annual Accounts Timetable and were given assurance on the timeline for the completion of the NHS Orkney annual accounts for 2020/21.

### **Fraud**

1052 There were no items of fraud to be discussed at this meeting.

### **Risk**

1053 **Risk and Assurance Report – ARC2021-77**

The Head of Improvement and Assurance presented the Risk and Assurance report for members of the Committee, noting that the paper provided an update on the risk management improvement plan and the amount of work that had been undertaken over the past year in order to make significant realignment. She further highlighted that work was still underway to finalise corporate level (level 1) risks with Executive Directors. Once completed, this would be presented to the Audit and Risk Committee.

J Taylor welcomed the breadth of work being completed on the risk register and was keen to see the process consolidated.

A discussion took place regarding the merit of receiving Risk Management Forum minutes to the Audit and Risk Committee on a regular basis, and whilst members agreed that it was not appropriate that the full minute be presented, it was suggested that a Risk Management Forum Chair's report be presented for the reporting of pertinent items.

The Employee Director raised a slight concern that staff were uncertain regarding the overall structure of risk management. She queried whether there would be any staff communications in relation to that and the Head of Information and Assurance confirmed that there would be information videos for staff to view as a dynamic way of making risk straight forward.

### **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.

### **Risks Escalated from Governance Committees**

#### **1054 Clinical and Care Governance Committee Cross Committee Assurance Report – ARC2021-78**

The Clinical and Care Governance Committee (CCGC) had raised a concern and a request for clarification and comment from the Audit and Risk Committee regarding the appropriate reporting route for Scottish Public Services Ombudsman (SPSO) reports and recommendation, alongside a requirement for additional assurance on communication of learning from Significant Adverse Events (SAEs).

After some in depth discussion, the Audit and Risk Committee agreed that it was an issue that needed to be considered in more detail. Whilst the Audit and Risk Committee need to be cognisant of issues that are flagged with NHS Orkney's SAE process and the SPSO, historically the issue was one of clinical governance risk. CCGC does have a "Risk" section on their agenda and members discussed the possibility of it sitting on the CCGC agenda. Members further questioned whether the CCGC risk register was reflecting appropriate. The issue was operationally aligned with the Medical Director role, and L Wilson, as Acting Medical Director, had already identified the shortfalls of the SAE process across the whole organisation.

J Taylor noted that there was also a link between the reporting route for Whistleblowing and would feedback to the Director of Nursing, Midwifery, and Allied Health Professionals regarding that.

### **Decision / Conclusion**

Members of the Committee agreed that the Clinical and Care Governance Committee be informed that the issue needs to be investigated in further detail, that they be given the action of flagging the issue as a risk on the Clinical and Care Governance Risk Register and that as a result it would be managed accordingly by the risk process; escalating as required to the relevant committee or directly to the Board.

### **Governance**

#### **Audit and Risk Committee Annual Development Session Documentation**

#### **1055 Audit and Risk Committee Terms of Reference – ARC2021-79**

Members of the Committee received and approved the Audit and Risk Committee terms of reference, acknowledging that it was important to fully understand the document, member roles, and the role of the Committee in providing assurance to the Board.

G Woolman welcomed the fact that the Audit and Risk Committee was tasked with scrutinising its own terms of reference, however she noted the absence of any substantial articulation regarding the role of the Audit and Risk Committee in relation to risk. This was a residual and overarching responsibility of the

Committee and should be included in the next iteration of the terms of reference.

#### **Decision / Conclusion**

Members of the Committee approved the draft terms of reference.

#### 1056 **Audit and Risk Committee Business Cycle and Workplan – ARC2021-80**

Members of the Committee received and approved the Audit and Risk Committee Business Cycle and Workplan for the year 2021/22.

#### **Decision / Conclusion**

Members approved the Business Cycle and Workplan.

#### 1057 **Audit and Risk Committee Risk, Control, and Assurance Framework – ARC2021-81**

Members of the Committee received the draft Audit and Risk Committee Risks, Control, and Assurance Framework. The Chair informed members that there would be a development session taking place during March which would revisit the framework and so there would potentially be some further updates to the final document.

#### **Decision / Conclusion**

Members agreed that the Risks, Control, and Assurance Framework would be approved at the next meeting, following the Development Session.

*G Woolman withdrew from the meeting at 13:30*

#### **Finance and Performance Committee Annual Development Session Documentation**

#### 1058 **Finance and Performance Committee Terms of Reference – ARC2021-82**

The Committee noted that due to a minor amendment still to be made, the Finance and Performance Committee Terms of Reference would be deferred to the next Audit and Risk Committee meeting.

#### 1059 **Finance and Performance Committee Business Cycle and Workplan – ARC2021-83**

The Committee noted that due to a minor amendment still to be made, the Finance and Performance Committee Business Cycle and Workplan would be deferred to the next Audit and Risk Committee meeting.

#### 1060 **Finance and Performance Committee Risk, Control, and Assurance Framework – ARC2021-84**

The Committee noted that due to a minor amendment still to be made, the Finance and Performance Committee Risk, Control, and Assurance Framework would be deferred to the next Audit and Risk Committee meeting.

1061 **Agreed key items to be brought to Board or other Governance Committees attention**

Members of the Committee agreed to raise the following key messages for the attention of the Board:

- Draft External Audit Plan for 2020/21
- Annual Accounts Timetable

1062 **Any Other Competent Business**

Clinical, Corporate, Workforce Strategies

D Campbell noted that some discussion regarding this item had taken place earlier in the meeting, however he wished to raise a further query regarding the likelihood that staff would be fully engaged with for the three overarching strategies, and if there would be a need for external assistance in completing the work required to see them successfully established?

The Interim Chief Executive responded that there would indeed be a need for external input regarding the Clinical Strategy. However, the Workforce Plan was slightly different in that the organisation could continue to function successfully without the Workforce Plan in situ. Once the Clinical Strategy was finalised, focus could be placed fully on the Workforce Plan in a phased approach of moving forward.

Items for Information and Noting Only

1063 **NHS NSS Practitioner Services Letter – Partnership Agreement Meetings – ARC2021-85**

The Committee noted the letter received from Martin Bell, which contained key information regarding the proposal to delay the NHS NSS annual visit due to the ongoing Coronavirus pandemic.

The Director of Finance invited members to focus on the section of the letter regarding Practitioner Services and their receipt of a qualified report for 2019/20. As mentioned in early discussions regarding external audit, the only change had been in regards to the auditors for NHS NSS and the newly appointed company had taken a different perspective when conducting their investigations. The letter further set out the actions that would be taken by NHS NSS in order to rectify the situation, highlighting that the NSS Audit Committee and Board were abreast of the situation.

The Director of Finance noted that NHS Orkney were heavily reliant on Practitioner Services and looked forward to receiving the mentioned NHS NSS audit report in early May 2021 in order to take assurance.

**Decision / Conclusion**

Members received and noted the letter and were keen to receive the NHS NSS Audit Report in early May 2021 in order to take assurance on the performance of Practitioner Services.

### **Counter Fraud Services**

#### **1064 Counter Fraud Services Quarterly Report**

Members received the Counter Fraud Services Quarterly Report for information and noting.

#### **Decision / Conclusion**

Members noted the report.

### **Audit Scotland Reports**

#### **1065 COVID-19 Emerging Fraud Risk**

Members received the Audit Scotland report regarding COVID-19 Emerging Fraud Risks for information and noting.

#### **Decision / Conclusion**

Members noted the report.

#### **1066 COVID-19 Financial Impact**

Members received the Audit Scotland COVID-19 Financial Impact report for information and noting.

#### **Decision / Conclusion**

Members received the report.

#### **1067 COVID-19 Guide for Audit and Risk Committees**

Members received the Audit Scotland COVID-19 Guide for Audit and Risk Committees report for information and noting.

#### **Decision / Conclusion**

Members noted the report.

#### **1068 Technical Bulletin 2020/03**

Members received the technical bulletin for information and noting.

#### **Decision / Conclusion**

Members noted the technical bulleting.

#### **1069 Email Correspondence – Confirmation of one-year extension to Audit Appointments**

Members received the email correspondence confirming the one-year extension to audit appointments for information and noting.

#### **Decision / Conclusion**

Members noted the confirmation email.

1070      **Schedule of Meetings 2021/22**

Members noted the schedule of meetings for 2021/22.

1071      **Record of Attendance**

The Committee noted the record of attendance.

1072      **Committee Evaluation**

Members noted that the meeting had been succinct, covering key reports and items.

*Meeting closed at 13:40*