

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Thursday, 1 July 2021** at **9:30**

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

In Attendance: Stephen Brown, Chief Officer – Integration Joint Board
Davie Campbell, Non-Executive Board Member
Michael Dickson, Interim Chief Executive
Mark Doyle, Director of Finance
Claire Gardiner, Senior Audit Manager, Audit Scotland
Joanna Kenney, Non-Executive Board Member
Meghan McEwen, Board Chairperson
Keren Somerville, Head of Finance
Kim Wilson, Interim Director of Acute Services
Gillian Woolman, Audit Director, Audit Scotland
Emma West, Corporate Services Manager

A63 Welcome

The Chair welcomed all members of the Audit and Risk Committee to the meeting along with other members of the Board who were in attendance.

A64 Apologies

All Board members had been invited to the meeting to scrutinise the Annual Accounts in advance of recommendation of Board approval.

Apologies were received from C Evans, S Johnston, Dr L Wilson, and D McArthur.

A65 Declarations of Interest

No interests were declared.

A66 Minutes of previous meeting held on 1 June 2021

The minute of the Audit and Risk Committee meeting held on 1 June 2021 were received by the Committee and approved as a true and accurate record of the meeting.

A67 Matters Arising

There were no matters arising additional to the agenda.

A68 Action Log

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

Service Assurance Reports

A69 Covering letter from Carolyn Low, NHS NSS Director of Finance – ARC2122-35

The Director of Finance presented the reports to allow members to receive and take assurance from the Service Audit Assurance Reports from NHS National Services Scotland for 2020/21.

The Service Audit Reports were in respect of Payments to Primary Care Practitioners and National IT Services including ePayroll services. There were three levels of conclusion that the service auditor could apply when reviewing the effectiveness of the control environment:

- Unqualified – controls were those necessary to provide reasonable assurance and were working effectively;
- Qualified – where controls were working, but that there were significant “Exceptions”
- Adverse - where controls were absent or failed

In 2019/20 NSS received a qualified Service Audit opinion in both areas and as such an improvement plan had been agreed, although significant improvements had been made the payments to Primary Care Contractors Service Audit remained qualified for 2020/21.

Decision / Conclusion

The Audit and Risk Committee received the covering letter and background to the Service Audit Reports.

A70 Service Audit Management Response - ARC2122-36

The Director of Finance presented the outcomes of the meeting of the NSS Audit and Risk Committee held on the 26 May 2021.

In 2019/20 all three services received a qualified Service Audit opinion:

- Payroll – one of five control objectives qualified
- IT – three out of six control objectives qualified
- P&CFS – four out of five control objectives qualified

Management in all three areas had committed to a plan of improvements to address the control issues identified. Following this only the payments to Primary Care Contractors remained a qualified opinion with further actions required to address matters going forward and a report would be published in July 2021.

There were a number of causes that had been identified; including the wording of the control description being too general, the manual recording of information, interim changes as a result of Covid-19 not being accurately reflected and a lack of sufficient time to enable further evidence to be sought. The findings were mainly administrative in nature and evidence supported by regular sample testing showed no significant errors in payments made.

Decision / Conclusion

The Committee noted the update provided and the assurance contained within this.

A71 IT Services Audit Report – ARC2122-37

The Director of Finance noted the detailed service audit report from KPMG and drew attention to control objectives 1 and 3 as noted below:

1 – *Controls provide reasonable assurance that logical access to applications, operating systems and databases is restricted to authorised individuals.* Overall, this control objective had been achieved, although this matter still warranted specific emphasis.

3 – *Completeness and accuracy of population lists for system changes.* It was noted that the list of changes were maintained manually, sufficient overall evidence was in place to support an unqualified opinion on this objective, the matter warranted specific emphasis.

Decision / Conclusion

The Audit and Risk Committee noted the report and took assurance from the information provided.

A72 Practitioner and Counter Fraud Services Audit Report (non COVID payments) - ARC2122-38

The Director of Finance provided the detailed independent KMPG audit report which was a qualified opinion and highlighted that there were qualifications to the following four control objectives:

- 1- Control operating effectiveness failures were noted on GP practice mandates authorisation, and the verification and accuracy checks of ad hoc payments and standing data amendments.
- 2- Regarding the verification of completeness, validity and accuracy of General Pharmaceutical Services payments control operating effectiveness failures were noted.
- 3- Regarding the controls in place over the verification of completeness, validity and accuracy of General Dental Services payments, control design failures were noted.
- 4- Regarding the controls in place over the verification of completeness, validity and accuracy of General Ophthalmic Services payments, control design failures were noted on the validation of eDental payment claims.

Decision / Conclusion

The Audit and Risk Committee noted the report and the qualified opinion to the above four control objectives.

A73 Practitioner and Counter Fraud Services COVID-19 Transaction Testing Audit Report - ARC2122-39

The Director of Finance presented the report, as a result of Covid-19 the Scottish Government had announced a series of financial measures for dentists,

Ophthalmic Practitioners, Pharmacists and General Practitioners in order to mitigate key financial risks. The audit concluded that transactional services payments and, where necessary, reclaimed funds were appropriately calculated, monitored, and processed accurately. No significant issues were noted in regard to the calculation and processing of payments although it was noted that evidence of independent checks was not always clear through all processes.

Decision / Conclusion

The Audit and Risk Committee noted the report and took assurance from the information provided.

A74 General comments on the Service Audit Assurance Reports from NHS National Services Scotland for 2020/21.

The Chair questioned the assurance and risk to NHS Orkney and was advised by the Director of Finance that this related to financial misstatement as NSS were making payments on behalf of all Boards and there was a requirement to ensure that this was accurately reflected in the annual accounts. There was a level of concern that a qualified opinion had been issued in two subsequent years, but assurance had been taken around the work completed.

The Employee Director noted that these were detailed, technical papers and welcomed the clarity provided by the Director of Finance around the relevant points and assurance. She noted that the reports contained a theme that staff felt they could not do any more than they already were.

The Interim Chief Executive noted that that primary assurance could be taken from the Boards own audit and assessment, but it was also useful to see a reflection of other organisations experiences and challenges.

G Woolman provided an external audit perspective with a focus on where there were qualified opinions. Primary Care accounted for around 10% of expenditure in the accounts, previous Primary Care payments had been processed locally, this was now centralised with NSS carrying out on payments on behalf of all Territorial Boards across Scotland. Control processes were taking place, but this didn't always correspond with record keeping and there was a requirement to ensure that controls were in place and appropriate.

Audit Scotland were the external auditors for NSS, they were able to confirm that the work carried out was competent and reliance could be placed on this with no qualification in the accounts proposed.

Annual Accounts

Not for publication until laid before Parliament.

A75 Representation Letter – ARC2021-35

The Interim Chief Executive noted that this was the conclusion of the Annual Accounts process for 2020/2. The representation letter attested to the accuracy of the financial statements that NHS Orkney has submitted to External Auditors for their analysis.

Decision / Conclusion

The Audit and Risk Committee noted the representation letter and agreed that this would be signed following the approval of the Annual Accounts.

A76 2020/21 Annual Audit Report from External Auditor – ARC2122-41

G Woolman, Audit Director for Audit Scotland, presented the draft Annual Audit Report and letter 2020/21, drawing attention to the key messages which would be relevant to be shared more widely with the Board.

The global coronavirus pandemic had a considerable impact on NHS Orkney during 2020/21. This had significant implications not least for the services it delivers but also for the costs of healthcare provision, sickness absence levels, and the suspension of non-essential activities. Risks related to the pandemic were included in the Annual Audit Plan.

Members were advised that the audit opinion on the annual report and accounts was unmodified, providing assurance that a true and fair position had been represented. There was a minor delay in signing the annual report and accounts due to an accounting issue relating to Personal Protective Equipment and community testing kits.

NHS Orkney had made some progress in implementing the prior year audit recommendations. The impact of Covid-19 had resulted in some actions being delayed and for those actions not yet implemented, revised responses and timescales had been agreed with management.

With regard to financial management it was confirmed that

- NHS Orkney had appropriate financial management arrangements in place.
- NHS Orkney met all its financial targets for 2020/21 and operated within its revised Revenue Resource Limit
- NHS Orkney incurred additional expenditure of £11.808 million in relation to Covid-19 costs. These costs were fully met by the Scottish Government.

Although there were no significant weaknesses identified in the review of financial systems of internal controls, areas for improvement were highlighted with regards to the Payroll Service Level Agreement, authorisation of journals and declaring of close family members interests. It was concluded that the controls put in place by management were satisfactory and are operating effectively.

A review of the adequacy of the internal audit function had been carried out and concluded that it operated in accordance with the Public Sector Internal Audit Standards (PSIAS) and had sound documentation standards and reporting procedures in place. There had been appropriate disclosure of areas which were deemed high risk in the governance statement.

It was noted there were appropriate arrangements for the prevention and detection of fraud, error, and irregularities.

With regard to financial sustainability the following were highlighted:

- In line with Scottish Government guidance, NHS Orkney developed a one-year financial plan for 2021/22. The pandemic has had a significant impact, and this is still be evaluated over the medium/longer term.
- To achieve breakeven in 2021/22 savings of £5.47 million are required and 77 per cent of the savings are yet to be identified
- NHS Orkney has ongoing difficulties in the recruitment of staff and agency costs increased by 48 per cent in 2020/21.

The main judgements in regard to Governance and Transparency were that:

- NHS Orkney had effective governance arrangements in place that support good governance and accountability. Changes to the arrangements in response to the Covid-19 outbreak in March 2020 were set out in the Governance Statement.
- NHS Orkney reported a small number of information governance failures in early 2020/21. An independent evaluation was carried out in 2020/21 and action to address issues has been ongoing.
- There had been significant change within the senior management team in 2020/21. However, we are satisfied that there was effective leadership throughout the year.

The main judgements in regard to Value for Money were that:

- Covid-19 had significantly impacted NHS Orkney's activity and waiting times for services. NHS Orkney has published a remobilisation plan to address backlogs caused by the Covid-19 pandemic and how and when services will be restored
- NHS Orkney was in the process of developing a clinical strategy to develop clinically led strategic direction for the board.
- The board has appropriate performance management arrangements in place which supports continuous improvement. However, NHS Orkney may want to review this to align arrangements to the revised clinical strategy.

The Action plan and recommendation were attached to the report and had management responses and agreed dates.

The Chair welcomed the comprehensive, well written and easy to understand report and also gave thanks to the finance team for all their work around the annual accounts.

Decision / Conclusion

The Audit and Risk Committee noted the Annual Audit Report and letter for 2020/21.

A77 NHS Orkney Annual Accounts for year ended 31 March 2021 – ARC2122-42

The Director of Finance presented the NHS Orkney annual accounts for year ended 31 March 2021 seeking a recommendation of Board approval.

He advised that the accounts had been reviewed in full by the Audit and Risk Committee on the 1 June 2021 with comments reviewed and incorporated where appropriate. Once approved by the Board the accounts would be submitted to the Scottish Government and then laid before parliament later in the year.

Thanks were extended the Head of Finance and her team for the production of the annual accounts and supporting papers, as well as the External and Internal Audit for their work to get the Board to a position of approval and signing of the accounts.

The Board had achieved all three of its financial targets in relation to Revenue Resource Limit, Capital Resource Limit and Containing its spending and cash requirements.

Due to the impact of the Covid-19 pandemic, the Scottish Government paused the Annual Operating and financial planning process. Recognising the exceptional nature of 2020/21 and the impact on delivery of financial recovery plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Orkney received £11.807m.

NHS Orkney provided in year funding to allow the IJB to breakeven in 2020/21. There were however, earmarked funding allocations received in year which were unutilised at year end, and therefore had been carried forward to the following financial year, £2.323m of earmarked funding would be carried forward to 2020-21. NHS Orkney has 50% share of these funds as a joint venture.

Members were reminded that the Accounts, once adopted by the NHS Board, did not become public documents until they had been laid before the Scottish Parliament and clearance to publish them has been received from the Director of Health Finance, Scottish Government.

Decision / Conclusion

The Audit and Risk Committee noted the Annual Assurance Statement and the Directors Subsidiary Statement on Governance and recommended Board approval of the Annual Accounts for 2020/21.

Annual Governance Letter

A78 Significant Issues that are Considered to be of wider interest – Letter to the Scottish Government – Health Finance Division – ARC2122-43

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

Decision / Conclusion

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

A79 Risk escalated from Joint Clinical and Care Governance Committee – ARC2122-44

The Audit and Risk Committee received the assurance report from the Joint Clinical and Care Governance Committee around the audit of clinical documentation on recent discharges from In Patients 1 and 2 at the Balfour, the areas identified for improvement from this audit work and the Short Life Working Group that had been established to take these forward.

The Committee welcomed the report and requested to be updated on progress at a future meeting as appropriate, it was also noted that the SLWG should have a clear Terms of Reference and a record kept of discussions to allow evidence and assurance of the developments and improvements that were to be agreed.

Decision / Conclusion

The Audit and Risk Committee noted the report provided and requested to be kept up to date with work in this area, this would be advised to the Chair and Lead Officers of the Joint Clinical and Care Governance Committee.

A80 Agree items to be brought to attention of Board or other Governance Committees

- The Audit and Risk Committee recommendation the approval of the Annual Accounts by the Board.
- The Committee welcomed the report from the Joint Clinical and Care Governance Committee and asked to be kept up to date with work in this area.

Items for Information and Noting only

A81 Schedule of Meetings 2021/22

Members noted the schedule of meetings for 2021/22.

A82 Record of Attendance

The Committee noted the record of attendance.

A83 Committee Evaluation

Members of the Committee noted that the high-level technical information contained within the Service Audit Assurance Reports from NHS National Services Scotland for 2020/21.

Meeting closed at 11:04

