

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Thursday 23 June 2022** at **9:00am**

Present: Jason Taylor, Chair
Issy Grieve, Vice Chair
Martha Gill, Employee Director

In Attendance: Stephen Brown, Chief Officer Integration Joint Board
Davie Campbell, Non Executive Board Member
Des Creasey, Non Executive Board Member
Michael Dickson, Interim Chief Executive
Mark Doyle, Director of Finance
Claire Gardiner, Senior Audit Manager, Audit Scotland
Joanna Kenny, Non Executive Board Member
Steven Heddle, Non Executive Board Member
Steven Johnston, Non Executive Board Member
Meghan McEwen, NHS Orkney Chair
Mary Moore, Interim Director of Nursing, Midwifery and AHPs
Keren Sommerville, Head of Finance
Emma West, Corporate Services Manager
Gillian Woolman, Audit Director, Audit Scotland

A49 Apologies

Apologies were noted from Ceri Dare and Internal Audit colleagues as there were no substantive items on the agenda requiring attendance.

All Board members had been invited to join the meeting to consider the annual accounts, ahead of Board approval.

A50 Declaration of Interest – agenda items

No interests were declared in general or in relation to agenda items.

A51 Minutes of previous meeting held on 31 May 2022

The minute of the Audit and Risk Committee meeting held on 31 May 2022 were approved as a true and accurate record of the meeting.

A52 Matters Arising

No matters arising were raised.

A53 Action Log

There were no outstanding or ongoing actions to address

Service Audit Assurance Reports

A54 IT Services Audit Report – ARC2223-26

The Director of Finance presented the report advising that significant improvements had been seen from the previous year reflecting in a clean audit

opinion. There were some matters that were emphasised around the control objectives within the report but the audit opinion was not modified in respect of these matters.

Decision / Conclusion

The Audit and Risk Committee received the audit report and took assurance from the opinion.

A55

Practitioner and Counter Fraud Services Audit Report (non COVID payments) – ARC2223-27

The Director of Finance presented the report advising that the report also contained a clean audit opinion that was not modified.

Decision / Conclusion

The Audit and Risk Committee received the audit report and took assurance from the opinion.

Annual Accounts for 2021/22

Not for publication until laid before Parliament

A56

Representation Letter – ARC2223-28

The Chief Executive advised that the representation letter attested to the accuracy of the financial statements that NHS Orkney had submitted to the External Auditors.

Decision / Conclusion

The Audit and Risk Committee approved the signing of the representation letter by the Interim Chief Executive as accountable officer.

M Dickson withdrew from the meeting

A57

NHS Orkney Annual Accounts for year ended 31 March 2022 – ARC2223-29

The Director of Finance presented the accounts, first giving thanks to the finance team and auditors for all their hard work around the accounts and also for the timely manner in which changes had been progressed. There had been a number of challenges and amendments but following discussion it had been agreed that these were non material changes and an adjustment in the accounts would not be required.

Members were advised that the Board was required under Section 86(3) of the National Health Service (Scotland) Act 1978 to prepare Annual Accounts. It was the role of the Audit and Risk Committee to consider the Accounts and associated documents and to recommend adoption of the Accounts by the Board. The Board was monitored by the Scottish Government against following three financial targets which had all been met, with a small underspend of £70k against the core RRL:

- Revenue Resource Limit (RRL)
- Capital Resource Limit (CRL)
- Contain its spending and Cash requirement

Due to the impact of the pandemic the three year operational and financial planning process had been paused and additional non repayable funding provided to support in year financial balance across all NHS boards, NHS Orkney had received £11.749m of this funding.

The Boards financial plans for 2021/22 identified a savings target of £5.5m, of which the Board had delivered £1.9m in year and the Scottish Government had provided funding of the balance of underachievement of savings.

Members were advised that the IJB was a separate legal organisation and acts as a principle in own right, accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services and the subsequent commissioning income from the IJB for those services delivered by the Health Board. At year end the accounts were subject to two late adjustments, one of which related to covid spend withing Orkney island Council delegated services (staff costs) at £406k. This could have an impact on the funding available for the Board's covid spend in 2022/23.

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 received from the Director of Health Finance, Scottish Government.

D Campbell sought assurance that any weakness in systems had been addressed to ensure that late adjustments were avoided in the future.

The Director of Finance confirmed that there would not be an in year impact from this adjustment, but it could have an impact on reserves carried forward. Conversations around this had already taken place and a review would be undertaken to allow better projection of figures going forward and improve communication.

The Chief Officer added that IJB covid funding for 2021/22 had been informed in February, with an agreement that anything not spent would be carried forward. It was agreed that consideration needed to be given to timings in relation to the accounting periods, spend and projections, as such Internal Audit had been asked to consider these timeframes across both organisations and how these could be better aligned, acknowledging that many requirements were externally set.

M McEwen noted the importance of understanding the situation, risks and how these would be mitigated including open and honest collaborative conversations. She suggested that the IJB reserves policy should also be revisited to ensure appropriateness.

The Chair welcomed the internal audit review and further conversations to improve process and take learning forward.

Decision / Conclusion

The Audit and Risk Committee recommended approval of the accounts to the Board noting the letter of representation.

A58

2021/22 Annual Audit Report from External Auditor – ARC2223-30

Gillian Woolman presented the report to Board members advised that the audit opinion on the annual accounts was unmodified. The financial statements gave a true and fair view, expenditure and income were regular and in accordance with guidance and that the audited parts of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements. The revised materiality levels did not require a change in the audit approach or change the assessment of material account areas.

Members were advised that this was the last year that Audit Scotland would be External Auditors for NHS Orkney and that KMPG would be the appointed auditor from 2022/23. Work was underway to ensure a smooth handover. Thanks, were given to board members, audit committee members, executive directors and other staff, particularly those in finance, for their cooperation and assistance over the past six years.

There had been a four significant finding from the audit of financial statements including the estimation of judgement disclosures, remuneration report, staff costs and late adjustments to IJB balances and the resolutions for these were noted in the report.

The following areas of the report were highlighted to members:

- In the past 2 years there had been a substantial increase in the funding flowing from the NHS Board to the IJB and a surplus reported, it was important that the Board accounts reflected this appropriately and there was consistency in the IJB accounts
- NHS Orkney had fully implemented five of the prior year recommendations and was processing the remaining eight recommendations
- The achievement of a breakeven position in 2021/22 was dependent upon the delivery of efficiency savings of £6.3m across the Health Board and the IJB, the Board was significantly below the savings target and the Scottish Government confirmed funding of these unachieved savings.
- NHS Orkney, and other territorial health boards in Scotland use a number of shared services and frameworks to process transactions and facilitate other activity, the content of these service audit reports had been considered and there were no significant findings to draw to members attention
- The Internal Audit function was carried out by Azets and there was appropriate disclosure of areas deemed high risk in the governance statement.
- There were appropriate arrangements for the prevention and detection of fraud, error, and irregularities, bribery, and corruption and for standards of conduct
- Financial sustainability had been identified as a significant risk at planning stage and reliance on non recurring savings presented a risk to long term financial sustainability.

- NHS Orkney had appropriate governance arrangements in place that support scrutiny of decisions made by the board but the governance statement should be reviewed to improve the clarity and transparency of disclosures
- NHS Orkney should consider evaluation of its Best Value Framework following the implementation of new strategies
- NHS Orkney had adapted performance monitoring and reporting to reflect the Clinical Prioritisation Framework.
- It was recommended
- that a formal review of the Best Value assurance framework and an assessment of the board's Best Value arrangements should be progressed as soon as practicable
- The Board should consider taking action to address recommendations included in the 2019/20 report on equalities

I Grieve noted that the financial sustainability office had now been established and would be key in ensuring that the Board met efficiency savings

The Chief Officer acknowledged the issue around the gender pay gap and how this could be more clearly reported on and addressed, G Woolman noted that there was sufficient information available but reporting focused on equal pay rather than the gender pay gap.

Decision / Conclusion

The Audit and Risk Committee noted the 2021/22 Annual Audit Report, including the key messages and recommendations.

A59 Significant Issues that are Considered to be of wider interest - Draft letter to the Scottish Government - Health Finance Division – ARC2223-31

The Chair noted that there were no amendments required from the previous draft and that there were no significant issues to be raised.

Decision / Conclusion

The Audit and Risk Committee approved the signing of the letter by the Chair and submission as required.

Items for Information and Noting only

A60 Reporting Timetable for 2022/23

Members noted the schedule of meetings for 2022/23.

A61 Record of Attendance

The Committee noted the record of attendance.

Meeting closed at 10:45