

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday 31 May 2022** at **11:30**

Present: Jason Taylor, Chair
Issy Grieve, Vice Chair
Ceri Dare, Non Executive Board Member
Martha Gill, Employee Director

In Attendance: Mark Doyle, Director of Finance
David Eardley, Chief Audit Executive, Azets
Claire Gardiner, Senior Audit Manager, Audit Scotland
Keren Sommerville, Head of Finance
Emma West, Corporate Services Manager
Gillian Woolman, Audit Director, Audit Scotland

A30 **Apologies**

Apologies were noted from C Bichan and M Dickson.

A31 **Declaration of Interest – agenda items**

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

A32 **Minutes of previous meeting held on 3 May 2022**

The minute of the Audit and Risk Committee meeting held on 3 May 2022 were approved as a true and accurate record of the meeting.

A33 **Matters Arising**

A7 – Draft Internal Audit Annual Report

It was clarified that the use of unqualified and unmodified opinion was different to that expressed as an external audit opinion, in this instance it reflected that there was nothing to draw the committee's attention to and the position was as expected.

A14 – Annual Accounts update

G Woolman confirmed that the external audit had commenced but this was not the review of the accounts, which had been received on the 9 May 2022.

A34 **Action Log**

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

External Audit

No agenda items this meeting.

Internal Audit

A35 Internal Audit Annual Report 2021/22 – ARC2223-16

D Eardley presented the report advising that the version presented was final and all draft marking would be removed. There were no material changes to the version previously provided to the committee.

Decision / Conclusion

The Audit and Risk Committee received the Internal Audit Annual Report for 2021/22 and accepted this as a final document.

A36 Internal Audit Plan 2022/23 – ARC2223-17

D Eardley presented the plan for 2022/23 which was an updated version of that provided to the previous meeting and took comments into consideration.

The plan noted the allocation of audit days, spread across finance and financial management, strategy and governance, operational reviews, follow up, contingency and management to cover the areas of key risk and focus and meet needs within the finite resources available.

Members were advised that the plan was a final version but included a limited amount of flexibility to meet the needs of the organisation. Scopes would now be drawn up around the proposed audits and shared as appropriate with relevant managers and leads.

I Grieve questioned the confidence level of completing the work within the timescales allocated and was advised that although it was a wide remit, scopes and timings were well planned to deliver against the proposals. As in previous years, the Committee would be kept updated on delivery against targets at each meeting.

G Woolman observed that the detailed plan was helpful to the External Auditors in understanding the breadth of the work to be undertaken, and would be highlighted in the handover.

Decision / Conclusion

The Audit and Risk Committee reviewed and approved the plan for 2022/23.

Internal Audit Reports

A37 Waiting Times – ARC2223-18

David Eardley presented the Waiting Times Internal Audit which provided good assurance over the arrangements in place around effective monitoring and reporting

One improvement action had been identified around Treatments Times Guarantee (TTG) letters, this related to errors with references in the letters rather than an underlying issue with recording, but to avoid any doubt and confusion this had been raised and had been addressed.

I Grieve welcomed the report and the assurance around improvement it provided and asked that this be shared with the Board.

M Gill questioned if the report provided assurance that patients were not being missed from waiting lists and was advised that samples were taken from as complete a listing as possible but the Audit was a 5 day focused piece of work on waiting times as requested and no absolute assurance could be provided.

Decision / Conclusion

The Audit and Risk Committee welcomed the assurance the report provided and noted that the one recommendation was actioned.

Internal and External Audit Recommendations

A38 Internal and External Audit recommendations follow-up report – ARC2223-19

Members were advised that four recommendations were brought forward following the last update, one was recommended for completion and three items remained in progress with an estimated completion dates through June to September 2022.

Members welcomed the positive report and progress made in the completion of actions within the planned timescales.

Decision / Conclusion

The Audit and Risk Committee noted the status and update of the actions and approved the closure of the one recommendation.

Annual Governance Statement

A39 Directors' Subsidiary Statement on Governance – ARC2223-20

The Director of Finance presented the report advising that the preparation of the subsidiary statement on governance was an important part of triangulating information available to the Chief Executive and supported compilation of the governance statement for inclusion in the annual accounts.

The statement had been discussed at the previous meeting and was now presented as a final signed version by the relevant Executive Directors.

Decision / Conclusion

The Audit and Risk Committee approved the Statement of Governance.

A40 Draft Audit and Risk Committee Annual Assurance Statement – ARC2223-21

The Chair presented the statement which provided formal assurance from the Committee to the Orkney NHS Board that the Annual Report and Accounts for 2021/22 had been reviewed and considered fully by the Committee. The report complemented the Chair's Reports presented to the Board following each

meeting, and the Annual Report for 2021/22 ensuring that the committees' responsibilities for issues of risk, control, governance, and the associated assurances were functioning effectively.

Decision / Conclusion

The Audit and Risk Committee approved the Annual Assurance Statement for signature by the Chair.

A41

Orkney Health Board Endowment Fund Governance Statement – ARC2223-22

The Corporate Services Manager presented the report advising that NHS Orkney was required to prepare consolidated financial statements incorporating the Orkney Health Board Endowment Funds. Accordingly, an important part of the assurance required by the Chief Executive was a statement from the Chair of the Endowment Fund Sub Committee confirming whether the Committee has fulfilled its remit and whether there had been adequate and effective governance arrangements in place for the year under review.

This report was provided in fulfilment of the requirement and formed part of the end of year assurance process. The report had been considered by the Endowment Fund Sub Committee and approved for signature by the Chair, the report would also be presented to the full Trustees.

Decision / Conclusion

The Audit and Risk Committee noted the Governance Statement from the Chair of the Endowment Fund Sub Committee.

A42

Significant Issues that are Considered to be of wider interest - Draft letter to the Scottish Government - Health Finance Division - ARC2223-23

The Chair drew members attention to the draft letter, which advised that there were no significant issues that were considered to be of wider interest, the final letter would be signed on completion of the accounts.

Decision / Conclusion

The Audit and Risk Committee reviewed the draft letter and approved signing following receipt of the final Annual Accounts on the 23 June 2022.

Annual Accounts 2021/22

A43

NHS Orkney Draft Annual Accounts for year ended 31 March 2022 – ARC2223-24

The Director of Finance provided the Committee with the draft annual accounts for 2021/22 advising 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 final Accounts were to be presented to the Audit and risk Committee and Board on 23 June 2022.

The Board was monitored by the Scottish Government against three financial targets, Revenue Resource Limit, Capital Resource Limit and containing its spending and cash requirement. Subject to Audit approval NHS Orkney had achieved all three financial targets in 2021/22

Due to the impact of the pandemic, the Scottish Government recognised the exceptional nature of 2021/22 and the impact on delivery of financial plans, additional non-repayable funding had provided to support in-year financial balance of £11.087m.

Members were advised that £406,000 of additional social work staffing costs, that should have been allocated against covid related spend had not been done so. As such this amount had not been included in the figures submitted to the Scottish Government and subsequently had not been included in the additional funding received against additional Covid-19 related costs. This would have significant implications for both the Board and the IJB and conversations would continue to agree the best approach moving forward.

The Chair questioned whether the Scottish Government allocations could be amended in light of this but was advised that there was no additional government funding available at this late stage and this would need to be actioned internally.

I Grieve noted that the Integration Joint Board was able to determine the use of funding and there could be some degree of flexibility within the financial year.

The Director of Finance provided a comprehensive review of income and expenditure including the main areas of impact and the effect of the pandemic on delivery of savings targets.

Members were reminded that the accounts were not made public documents until laid before parliament later in the year and the Board had received clearance to publish.

I Grieve welcomed the comprehensive report and the final financial position but highlighted the challenges in savings going forward. She questioned the need to reflect the challenges with the IJB budget within the Health Board accounts and was advised by the Director of Finance that the IJB formed part of the accounts, as such the accounts provided a breakdown and full overview of the Board accounts, which the IJB budget formed part of.

G Woolman noted that this was an interesting reflection on the impacts of the preferred accounting treatment on IJBs in Health Board accounts, as a large sum of money was treated as expenditure and then used to purchase services, increasing the levels of expenditure and income, which could be considered as a distorted picture if considered in isolation. All narrative within the accounts needed to ensure transparency and conversations around this area would continue.

Decision / Conclusion

The Audit and Risk Committee reviewed the Annual Accounts for year ended 31 March 2022, noting that the final version would be presented to the

Committee on the 23 June 2022 seeking a recommendation of Board approval.

A44 Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2022 – ARC2223-25

The Endowment Fund Treasurer provided the Committee with the Orkney Health Board Endowment Fund Annual Accounts for the year ended 31 March 2022.

Members were advised that Orkney Health Board Endowment Fund was a registered charity and presented annual audited accounts to its Board of trustees for approval. Annual audited accounts were prepared which would also be consolidated into the annual accounts of Orkney Health Board.

The statement of financial activities detailed income and expenditure for the year including the distinction between donations and legacies. Income had reduced from the previous year, mainly due to the large amount of funding received from NHS charities together in 2020/21 which was not replicated in year. Expenditure had also increased due to spending of the additional income noted.

Members attention was drawn to the notes in the accounts which provided breakdown in further detail.

I Grieve questioned the impact of moving into a newly built well equipped hospital on applications to the Endowment Fund, the Treasurer advised that this could have some impact but as Endowments could not be used to fund core equipment or activity this effect would be limited.

Decision / Conclusion

The Audit and Risk Committee reviewed and approved the Endowment Fund Annual Accounts for year ended 31 March 2022.

A45 Any Other Competent Business

No other competent business was noted.

Items for Information and Noting only

A46 NSI National Single Instance Financial Ledger Services

The Director of Finance presented the reporting advised that NHS Ayrshire and Arran operated the National Single Instance (NSI) financial ledger service on behalf of all NHS Boards for the financial year ended 31 March 2022. The report detailed the relevant control objectives, the specific controls operating to meet these and the results of testing.

The opinion noted that the controls related to the control objectives were suitably designed to provide reasonable assurance and operated effectively through the period 1 April 2021 to 31 March 2022.

A47 **Reporting Timetable for 2022/23**

Members noted the schedule of meetings for 2022/23.

A48 **Record of Attendance**

The Committee noted the record of attendance.

Meeting closed at 12:35