

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday 2 May 2023** at **11:30**

Present: Jason Taylor, Chair
Issy Grieve, Vice Chair
Rona Gold, Non-Executive Board Member
Ryan McLaughlin, Employee Director

In Attendance David Eardley, Chief Audit Executive, Azets
Rashpal Khangura, Director, KPMG
Matthew Moore, Senior Manager, KPMG
Rachel Ratter, Senior Corporate Services Officer (Committee Support)
Laura Skaife-Knight, Chief Executive
Carrie Sommerville, Head of Finance
Keren Sommerville, Planning Performance and Risk Manager

A10 Apologies

Apologies were noted from Mark Doyle.

A11 Declaration of Interests

No declaration of interests were raised.

A12 Minutes of previous meeting held on 7 March 2023

The minute of the Audit and Risk Committee meeting held on 7 March 2023 were approved as a true and accurate record of the meeting.

A13 Matters Arising

There were no matters arising.

A14 Action Log

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

Governance

A15 6 Monthly Litigation report – ARC2324-01

The Patient Experience Officer presented the report updating members on current litigation cases overseen and managed by the Central Legal Office.

Members were advised that no new claims had been registered since August 2022, two claims had closed, and one remained open. The paper contained further details and estimated settlement costs.

NHS Orkney were members of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) which allowed the Board to claim for costs above the threshold of £25,000.

Decision / Conclusion

The Audit and Risk Committee noted the update on current litigation cases and associated financial information.

A16 Governance Committee Annual Reports

The Chair advised that all Governance Committees of the Board provide an annual report around Committee outcomes during the year, including any concerns, successes and areas for focus moving forward.

These reports were submitted to the Audit and Risk Committee, ahead of the Board, to provide assurance that each Governance Committee has fulfilled its remit.

I Grieve questioned why the governance committees had not raised any risks, in year, to the Audit and Risk Committee. The Chair advised that he discuss this further with the Board Chair for clarification.

Members discussed the need to align committee work plans with the priority areas outlined in the Plan on a Page 2023/24.

The Chair advised that the Audit and Risk Committee annual report would be presented at the next meeting once finalised.

A17 Joint Clinical and Care Governance Committee Annual Report 2022/23 – ARC2324-02

Members had received the Joint Clinical and Care Governance Committee Annual report 2022/23 for information and assurance.

R Gold asked if the Board or an appropriate group could consider the synchronisation of the reporting timeline. She highlighted that when the reports were presented together there was vision to where the risks were and the priorities of the Committees. It was suggested that moving forward consideration should be given to strengthening and aligning risk reporting.

The Chief Executive assured members that in future, the annual planning process needed to be defined to enable committees to have improved planning.

Decision / Conclusion

The Audit and Risk Committee noted the annual report.

A18 Finance and Performance Committee Annual Report 2022/23 – ARC2324-03

Members had received the Finance and Performance Committee annual report for 2022/23 for information and assurance.

I Grieve highlighted a good example of the issues raised previously in the meeting. The concerns listed could have warranted a risk factor to raise to the Audit and Risk Committee. She acknowledged that this may have been included in their risk register but felt some risks should have been scaled up.

Decision / Conclusion

The Audit and Risk Committee noted the annual report.

A19 Remuneration Committee Annual Report 2022/23 – ARC2324-04

Members had received the Remuneration Committee Annual report for 2022/23 for information and assurance.

Decision / Conclusion

The Audit and Risk Committee noted the annual report.

A20 Staff Governance Committee Annual Report 2022/23 – ARC2324-05

Members had received the Staff Governance Committee Annual report for 2022/23 for information and assurance.

Decision / Conclusion

The Audit and Risk Committee noted the annual report.

External Audit**A21 Draft Annual Audit Plan 2022/23 – ARC2324-06**

The Director of KPMG presented the External Audit Plan for 2022/23 which outlined the risk assessment and planned audit approach.

The key elements set out in the report were:

Materiality

Materiality had been set and compared with the level and expenditure and the revenue which was approximately 2%.

Significant risk areas

- Valuation of land and buildings
- Fraud risk from expenditure recognition

The Committee were advised of the impact of new auditing standards in terms of the audit approach. The main change was around risk assessment.

The wider scope areas were highlighted to the committee which included financial sustainability and climate change.

The Chair asked for definition of the term materiality and an update on the progress of reaching deadlines. R Khangura explained to the committee that materiality was something that was likely to influence economic decisions of users based on financial statements. He assured members that officer capacity would be greater following work on the provision of the financial statement. Whilst not currently concerned, there could be potential issues where the provision of audit evidence or audit concerns could lead to delays.

The Chief Executive assured members that she and the Head of Finance had weekly meetings, additional support had been provided to the Finance team due to staff absence and she was confident deadlines would be met.

R Gold asked for clarity around the increased focus on the IT environment. M Moore explained that it was around understating business processes and systems within NHS Orkney, which of these were locally controlled or held by a third-party and the level of confidence in the controls.

Decision / Conclusion

The Audit and Risk Committee noted the work plan and welcomed the continued dialogue to ensure progress.

Internal Audit

A22 Internal Audit Progress Report – ARC2324-07

D Eardley presented the report which provided a summary of internal audit activity since the last meeting, confirming the reviews planned for the next quarter and identifying changes to the annual plan.

Decision / Conclusion

The Audit and Risk Committee received the progress report and noted the information provided.

A23 Draft Internal Audit Annual Report – ARC2324-08

D Eardley presented the report advising that the final version would be subject to the completion of the Shared Service Governance audit which would be presented at the next meeting of the Committee. No substantive changes to the report were anticipated.

The draft internal audit opinion was that NHS Orkney had a framework of governance, risk management and controls that provided reasonable assurance regarding the effective and efficient achievement of objectives.

There had been several amber findings including the IJB adjustment audit, there were no fundamental or recurring themes noted.

Decision / Conclusion

The Audit and Risk Committee noted the draft report and welcomed the final version to be presented at the meeting on the 30 May 2023.

Internal Audit Reports

A24 Waiting Times – ARC2324-09

D Eardley presented the Waiting Times Internal Audit which provided good assurance over the arrangements around effective monitoring and reporting.

Two improvement areas had been identified which if addressed would strengthen NHS Orkney's control framework.

The Chief Executive thanked the auditors for the report which provided a clear pathway for improvements. Members were informed that the Medical Director would take the executive lead role in carrying out a holistic review of waiting times which would include trajectories for improvement by service and evidence of clinical prioritisation.

Details of clear actions of underperforming areas would feature in the performance report. Moving forward, the report would routinely be at the Senior Management Team meeting and onward to Board.

Decision / Conclusion

The Audit and Risk Committee received the progress report and noted the information provided.

Internal Audit agreed to provide a breakdown of breaches, aligned to NHS Orkney and SLA partners.

Internal and External Audit Recommendations

A25 Internal and External Audit Recommendations – ARC2324-10

The Head of Finance presented the report advising that there were no internal recommendations brought forward following and there were five new recommendations added since the previous report. An extension was sought on Joint Working Arrangements 2022/23 to the 31 May 2023.

The Chair queried the lack of response to the Joint Working Arrangements recommendation. The Chief Executive assured members that this would be addressed with senior members.

Decision / Conclusion

The Audit and Risk Committee noted the update and approved the extension to the timeline as detailed.

Annual Accounts

A26 Draft Directors' Subsidiary Statement on Governance - ARC2324-11

The Head 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 reviewed and agreed by the Executive Management Team and would be presented as a final document at the 30 May 2023 meeting of the committee for approval.

The Chair highlighted risk management training and risk appetite as areas of interest and future focus.

I Grieve queried whether the statement was Scottish wide or pertinent to NHS Orkney as it would be relevant to earlier discussions around risk reporting through Governance Committees. The Head of Finance confirmed that the statements were updated by NHS Orkney, members agreed to further revision of the document.

The Chief Executive thanked the Head of Finance for the report and indicated that the executive directors would look over the report in finer detail with regards to assurance and confidence.

Decision / Conclusion

The Audit and Risk Committee reviewed the report, acknowledged the further input from the Executive Management Team and welcomed the final version at the 30 May 2023 meeting.

A27 Annual Accounts Update – Verbal

The Head of Finance presented the report setting out the NHS Orkney Annual Accounts timetable for 2022/23. Work had commenced on the preparation of the annual accounts for 2022/23, external auditors were expected to receive the full draft of accounts and supporting documentation by the 12 May 2023.

Regular meetings with the Chief Executive and Auditors had taken place to track progress as well as team meetings to review work pressures.

Subject to audit approval the Board had delivered against its three financial targets which were revenue resource limit, capital resource limit and the cash target.

The draft accounts would be presented to the Audit and Risk Committee on the 30 May 2023 and the final accounts would be presented to the NHS Orkney Board for approval on 22 June before submission to the Scottish Government by the 30 June 2023 deadline.

Decision / Conclusion

The Audit and Risk Committee noted the update.

Fraud

A28 Counter Fraud Services Quarterly report – ARC2324-12

Members had received the Counter Fraud Services quarterly report up to 31 March 2023 dealing with areas of prevention, detection, and investigation of fraud.

The report outlined the number of cases by Board; NHS Orkney had reported no cases in the period.

D Eardley shared intelligence from across the NHS that there had been bank impersonation scams and for departments to be aware and follow local procedures with regards to bank details.

Decision / Conclusion

The Audit and Risk committee noted the quarterly report.

Risk

A29 Risk and Assurance Report – ARC2324-13

The Planning, Performance and Risk Manager presented the report which provided an overview and update on risk management across NHS Orkney. Members were advised that the report was also viewed by the Executive Management Team and Risk Management Forum to ensure managers were aware and reviews and updates had taken place.

The areas of success highlighted were all risks were subject to regular review and update which demonstrated good practice. The Risk Management Strategy and Risk Management Forum Terms of Reference had been presented to the management meeting on the 8 March and were agreed. These would be brought to the Audit and Risk Committee on the 30 May 2023. There were no risks added to Tier 1, the Corporate Risk Register and most risks were managed through departmental registers.

There were two new risks added to the Tier 2 Business and Support Risk Register, both in relation to the Covid-19 enquiries and one re-activated risk within the Tier 2 Health and Care Register which related to outstanding actions in terms of digital records.

The Joint Clinical Care and Governance currently had oversight of the greatest number of very high risks and included the ability to deliver a resilient and sustainable model of care on the isles, the closure of HDU and the risk of delayed diagnosis and treatment due to staff capacity and capabilities.

The fourth very high risk was aligned and reported to the Finance and Performance Committee and was in relation to Corporate Finance Risk.

It was agreed that the Risk Management Forum Chairs report and minutes would be presented at the next Audit and Risk Committee meeting.

I Grieve raised concern over the two risks relating to Covid-19 enquiries with regards to the impact on staff time. The Planning, Performance and Risk Manager explained that the risk was in relation to the impact of the enquiry on the capacity within the system.

The Chief Executive acknowledged the point raised from I Grieve and informed members that the extent of the nature of the ask was unclear at this stage and NHS Orkney would contribute in a way to ensure obligations were fulfilled.

Decision / Conclusion

The Audit and Risk noted the information provided, noting that there were no specific issues to bring to the Committee at this time.

A230 Risks escalated from other Governance Committees

No risks had been escalated.

A31 Agree items to be brought to the attention of the Board or other Governance Committees

Board

- Annual reports and future alignment with plan on a page

A32 Any Other Competent Business

No other competent business was raised.

Items for Information and Noting only

A33 Audit Scotland Reports

- Technical Bulletin 2023-1

A34 Counter Fraud Services (CFS) Reports

A35 Reporting Timetable for 2023/24

Members noted the schedule of meetings for 2023/24

A36 Record of Attendance

The Committee noted the record of attendance.