

Orkney NHS Board

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday 30 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 Mark Doyle, Director of Finance
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

A37 Apologies

There were no apologies.

A38 Declaration of Interests

I Grieve declared that she was the Vice Chair of the Endowment Fund Sub Committee.

A39 Minutes of previous meeting held on 2 May 2023

The minute of the Audit and Risk Committee meeting held on 2 May 2023 were accepted as an accurate record of the meeting, subject to the below amendment and was approved.

- Page 3 amend to *“He was assured 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.”*

A40 Matters Arising

There were no matters arising.

A41 Action Log

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

Governance

A42 Audit and Risk Committee Annual Report 2022/23– ARC2324-18

The Chair presented the Annual Report for review and approval.

Decision / Conclusion

The Audit and Risk Committee approved the Annual Report for 2022/23.

Internal Audit

A43 Final Internal Audit Annual Report – ARC2324-19

D Eardley presented the report advising that the report was now 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 2022/23 and accepted this as a final document.

Internal Audit Reports

A44 Shared Service Governance Report – ARC2324-20

D Eardley presented the Shared Governance report advising that it provided assurance over the strategy to support the delivery of shared services with other NHS Boards.

Several improvement areas were identified, specifically in relation to clarity regarding the communication between NHS Orkney and the service provider and, clearer Key Performance Indicators (KPIs) within Service Level Agreements (SLAs) would strengthen NHS Orkney's control framework. Areas of good practice were also highlighted.

Decision / Conclusion

The Audit and Risk Committee received the progress report, noted the information provided and welcomed the recommendations being tracked at future meetings.

Internal Audit

A45 Internal Audit update – Verbal

Members were informed that Azets were successfully re-appointed as NHS Orkney's Internal Auditors for the next five years. An audit plan would be presented at the next Audit and Risk Committee meeting.

Internal and External Audit Recommendations

A46 Internal and External Audit Recommendations – ARC2324-21

Members were advised that five internal audit recommendations were brought forward following the last update, and two internal recommendations had been added. It was agreed that further clarity was required before the closure of the Joint Working Arrangements recommendation.

Members discussed the importance of engaging with other governance committees to identify areas of internal audit and would welcome further cross-organisational audit, engaging with front line staff. The Chief Executive

advised that a discussion would be held at the June meeting of the Senior Management Team .

Decision / Conclusion

The Audit and Risk Committee noted the status and update of the actions.

Annual Governance Statement

A47 Directors' Subsidiary Statement on Governance - ARC2324-22

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.

Members were assured that SMART targets would be implemented in terms of rating risk responses. Risk had been delegated to the Medical Director where targets and objectives would be identified.

It was agreed that a further response would be provided in relation to confidence around schemes operated by the division for funding the work of external stakeholders who meet statutory equality requirements in relation to SLAs.

Post meeting note

During the 2022/23 period, NHS Grampian prioritised important training programs as well as legislative reporting to improve outcomes for individuals with protected characteristics. These efforts were aimed at creating a more equitable and inclusive healthcare system, and we remain committed to furthering this mission in the future.

Middle management and capability would be reviewed through the 2023/24 Staff Government action plan.

The Planning, Performance and Risk Manager informed members that she would be undertaking a holistic view across the organisation in terms of improvement and action plans. Work had started through the delivery planning process and the initial reference document would be provided by the end of June 2023.

Decision / Conclusion

The Audit and Risk Committee approved the Statement of Governance.

A48 Draft Audit and Risk Committee Annual Assurance Statement – ARC2324-22

The Chair presented the statement which provided formal assurance from the Committee to the Orkney NHS Board that the Annual Report and Accounts for 2022/23 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 2022/23 ensuring that the committees' responsibilities for issues of risk, control, governance, and the associated assurances were functioning effectively.

The Chief Executive assured members that both herself and Michael Dickson, previous Interim Chief Executive had reviewed the Annual Report and Accounts for 2022/23, recognising that Mr Dickson was the Accountable Officer for the year in question.

Decision / Conclusion

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

A49 Orkney Health Board Endowment Fund Governance Statement – ARC2324-24

The Chair of the Endowment Fund Sub Committee 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.

A50 Significant Issues that are considered to be of wider interest – Draft letter to the Scottish Government – Health Finance Division – ARC2324-25

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 22 June 2023.

Annual Accounts

A51 NHS Orkney Draft Annual Accounts for year ended 31 March 2023 – ARC2324-26

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 22 June 2023.

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 2022/23.

The financial planning process for 2022/23 highlighted a financial gap of £6.9m and anticipated delivery of £4.9m savings in the year and a forecast outturn of £2.0m overspend for 2022/23.

Members were advised that the Financial Sustainability Office supported the delivery of £3.4m of savings. Significant challenges were faced with some of the anticipated savings schemes, in particular, progress with the implementation of a sustainable medical model and the anticipated delivery of savings from the Integrated Joint Board (IJB). Additional cost pressure funding from the Scottish Government in year allowed the savings target for 2022/23 to be fully achieved.

A comprehensive review of income and expenditure including the main areas of impact was provided.

The Committee 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.

Members raised concern that there was no data available against the key national clinical targets for Child and Adolescent Mental Health Services (CAMHS). The Chief Executive informed the Committee that this had been raised at the Finance and Performance Committee and the Parliamentary Committee and assured members that the Head of Community Care would provide data to be included in the report.

Decision / Conclusion

The Audit and Risk Committee reviewed the Annual Accounts for year ended 31 March 2023, noting that the final version would be presented to the Committee on the 22 June 2023 seeking a recommendation of Board approval.

A52

Orkney Health Board Endowment Fund Annual Accounts for year ended 31 March 2023 - ARC2324-27

The Endowment Fund Treasurer provided the Committee with the Orkney Health Board Endowment Fund Annual Accounts for the year ended 31 March 2023.

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, due to reduced income from investments and a reduction in donations. Expenditure had increased, essentially due to a large bid that was approved the previous year.

The charity conducted a review of its ethical investment policy during the year with the Trustees agreeing that the strategy should be strengthened so that there would be no direct or indirect investment in health damaging products, including fossil fuels.

Decision/Conclusion

The Audit and Risk Committee reviewed and recommended onward submission to the Trustees for final approval.

Information Governance

A53 Information Governance Committee Chair's Report and approved minutes - ARC2324-28

The Head of Finance presented the Chair's report from the recent meetings of the Information Governance Committee, highlighting the below:

- The Information Governance Assurance report was attached as an appendix following the request from the Audit and Risk Development session on the 27 March 2023
- Significant concern was raised that 60% of policies were past their review date therefore provided a risk to the organisation. The report highlighted actions that had been taken to address the issues
- Members received an update on the Record Management Plan and the returned Progress Update Review document for review and comment.

Decision / Conclusion

The Audit and Risk Committee noted the update provided and took assurance from this and the approved minutes.

Fraud

A54 Counter Fraud Standard – Fraud Standard Statement – ARC2324-29

Members were provided with an update on NHS Orkney's position following the implementation of the NHS Scotland Counter Fraud Standard (CFS) which was introduced on 1 April 2022 under the terms of Partnership Agreement 2022 – 2025.

The report highlighted Board progress against the twelve components of the CFS. NHS Orkney had completed a self-assessment meeting six out of the components and partially meeting the remaining six components. This highlighted significant progress made during the first year.

Decision / Conclusion

The Audit and Risk committee noted the update and welcomed regular reports to future meetings.

Risk**A55 Risk Management Forum Chair's report and minutes – ARC2324-30**

The Planning, Performance and Risk Manager presented the Chair's report from the recent meetings of the Risk Management Forum, advising members around risk that had been added, deescalated, changed or made inactive during the reporting period.

The Chair welcomed the report and accompanying minutes and members agreed that it would be beneficial to receive regular updates. Members were assured that risk would feature as a standard item on the Senior Leadership Team agendas going forward.

The Committee were satisfied with the Risk Management Forum Terms of Reference and the Risk Management Strategy and provided feedback for the final versions.

Decision / Conclusion

The Audit and Risk Committee noted the report and took assurance from this and the approved minutes.

Members approved the Risk Management Forum Terms of Reference and recommended Board approval of the Risk Management Strategy following comments and updates.

A56 Risks escalated from other Governance Committees

No risks had been escalated.

A57 Agree items to be brought to the attention of the Board or other Governance Committees**Board**

- **Shared Service Governance Report**
- **Improvement and Action Plans**
- **Risk Management Strategy**
- **Progress with policy updates**

A58 Any Other Competent Business

No other competent business was raised.

A59 Items for Information and Noting only**A60 NSI National Single Instance Financial Ledger Services**

A61 NSI Post Implementation and Lessons Learned

A62 Reporting Timetable for 2023/24

Members noted the schedule of meetings for 2023/24
A63 Record of Attendance

The Committee noted the record of attendance.