**Orkney NHS Board**

Minute of meeting of the **Audit and Risk Committee** of **Orkney NHS Board** held **virtually** via **Microsoft Teams** on **Tuesday 5 March 2023** at **09:30**

**Present:** Jason Taylor, Chair

Des Creasey, Vice Chair

Jean Stevenson, Non-Executive Board Member

Ryan McLaughlin, Employee Director

**In Attendance** Debs Crohn, Head of Improvement (for item 8.3)

Mark Doyle, Director of Finance

David Eardley, Partner, Azets

Kat Jenkin, Head of Patient Safety, Quality and Risk

Laura Skaife-Knight, Chief Executive

Paul Kelly, Azets

Rashpal Khangura, Director, KPMG

Anna Lamont, Medical Director

Rachel Ratter, Senior Corporate Services Officer (Committee Support)

Keren Somerville, Head of Finance

Alam Taimoor, Senior Manager, KPMG

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| A126 | A**pologies**  Apologies were noted from C Somerville. |
| A127 | **Declaration of Interests**  R McLaughlin declared a declaration of interest against the Cyber Security Review. |
| A128 | **Minutes of previous meeting held on 5 December 2023**  The minute of the Audit and Risk Committee meeting held on 5 December 2023 were approved as a true and accurate record of the meeting. |
| A129 | **Matters Arising**  There were no matters arising. |
| A130 | **Action Log**  The Action Log was reviewed, noting that there were no outstanding actions (see Action Log for details). |
|  | **Risk** |
| A131 | **Risk and Assurance Report – ARC2324-60**  The Medical Director presented the report providing an update on the status of all risks.  The Corporate Risk Register captured 16 risks. 15 had been reviewed and updated by the Risk Handler and 1 risk was overdue. There was 1 very high risk relating to Corporate Finance. All very high and high risks would be reviewed within 3 months.  The Chief Executive thanked the Medical Director for the report and highlighted two emerging risks. A robust conversation took place at the February Staff Governance Committee around staff turnover rates including score analysis.  Members were advised that a revision of risks had commenced. The Medical Director presented an example of the revised format detailing next steps and a final version would come to committee following ratification at SLT be made available to the committee.  **Decision / Conclusion**  The Audit and Risk Committee thanked the Medical Director for the report and noted the information provided. |
| A132 | **Risk Management Chairs Assurance Report and minutes – ARC2324-61**  The Medical Director 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 Risk Management forum would be the operation group reporting to decision making structures through to SLT with the committee taking assurance to Board.  There were over 1000 risks on Datix with over 52 risk registers. An update would be provided at the next Committee meeting.  The Chair queried whether failure to respond to an incident risk which delayed actions was a common issue.  D Creasey queried the status of the fire rescue response with an update due in December 2023. The Medical Director agreed to follow up.  J Stevenson queried the Datix reporting around a near miss and when something actually happened. The Medical Director advised that near misses applied to potential adverse advents.  The Chair thanked the Medical Director for the work completed to date.  **Decision / Conclusion**  The Audit and Risk Committee noted the report and took assurance from this and the approved minutes. |
|  | **External Audit** |
| A133 | **Annual Audit Plan 2023/24 ARC2324-62**  The Director of KPMG presented the report which provided the initial considerations of the audit for the year ending 31 March 2024.  KPMG had commenced their audit planning and risk assessment procedures and had identified the following risks on which they would focus on:   * Valuation of land and buildings * Fraud risk - expenditure recognition * Fraud risk - revenue recognition rebuttal * Management override of controls   D Creasey queried how external audit differentiated between what was legitimate and fraudulent and the investigation process. Members were reassured by KPMG colleagues that appropriate processes were in place.  The Medical Director raised a question around counter fraud, highlighting that there was an NHS Scotland counter fraud approach established by NSS. KPMG confirmed that whilst NHS Orkney does use the NSS approach, to enable to conduct a statutory audit, management override of controls was a required significant risk as per auditing standards.  One component of the group audit scope was identified as financially significant (NHS Orkney – parent) based on the percentage being contributed to the balance sheet and income statement.  Positive progress had been made against the annual accounts timeline and regular meetings with NHS Orkney colleagues would continue to take place to achieve the Scottish Government submission deadline of 30 June 2024. Members welcomed regular progress updates at future meetings from KPMG.  The Chief Executive and Chair reminded the committee it had oversight of the improvement plan which resulted from the annual accounts learning exercise for 2022/23.  The four wider-scope areas were briefly defined and the areas of focus and current position with the Risk Assessment work.  The Chair advised members that following a conversation with KPMG, testing of the savings plan would be included in the overall audit to test that they are realistic and deliverable.  **Decision / Conclusion**  The Audit and Risk Committee noted the workplan for 2024/25. |
|  | **Internal Audit** |
| A134 | **Internal Audit Progress Report – ARC2324-63**  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.  Members were advised that the Clinical Governance Complaints Review had been finalised however was not on the agenda due to a delay in management responses which resulted in the paper submission deadline being missed.  The review of Infection Prevention and Control had been a suggested replacement for the removed Service Redesign review.  The Workforce Planning and Strategy review scope was under discussion with the Interim Director of People and Culture.  The Chair noted the position of the Clinical Governance Complaints review and requested the paper deadline issue to be raised at SLT by the Chief Executive.  **Decision / Conclusion**  The Audit and Risk Committee received the progress report and noted the information provided. |
| A135 | **Draft Internal Audit Plan 2024/25 ARC2324-64**  D Eardley presented the updated Internal Audit Plan providing an update on the proposed changes following further engagement from the Board and management team to meet NHS Orkneys evolving needs.  In summary, service re-design would replace infection control, it was proposed to replace the communications review with recruitment and staff records and an updated focus on the waiting times audit.  The Chief Executive requested an extension of two weeks for the ratification of the plan to ensure the plan was aligned with the wider organisation improvement objectives, the new corporate strategy and priorities, and other review work ongoing.  D Eardley welcomed the deferral of the plan, however, drew members attention to the aim to begin the reviews Recruitment and Staff Records and Significant Adverse Events Management by April and May 2024. It was requested that the two reviews could continue to take place noting the deferral of the plan or whether they would be paused. The Chief Executive believed that it would be concluded at SLT on the 19 March 2024 and move forward.  D Creasey queried that there was no allocation of audit days in terms of compliance and regularity. David Eardley reassured members that compliance and regularity was included and fell within various categories.  **Decision / Conclusion**  The Committee agreed the proposal to extend ratifying the Internal Audit Plan by 2 weeks. The final draft would thereafter be circulated virtually for approval. |
| A136 | **NIS Audit ARC2324-65**  The Head of Improvement presented the report providing an overview on  The ‘Network and Information Systems Regulations 2018’ (NIS), a legal requirement which came into force on 10 May 2018 to address the threats posed to network and information systems.  Over the last 4 years, NHS Orkney had scored poorly against the NIS audit criteria, with compliance currently at 38%. A review of the findings from the Audit Report received in December 2023, identified key areas for improvement and that the organisation was selling itself short through the lack of engagement and ownership of the process and the limited documentation provided to auditors.  Recommendations from the audit were built into the improvement program as well other plans around information governance on cyber security. A short life working group had been established within the improvement hub to focus on the NIS audit and digital maturity.  The NIS Audit Improvement plan would be presented to the Senior Leadership Team (SLT) in early April for endorsement and brought back to the committee at the next meeting.  The Medical Director queried why 75% of the controls had not been achieved due to lack of evidence. The Director of Finance explained information was supplied in mass rather than in sections. Staff reviewing the information did not have capacity to go through the documents in great detail.  The Chief Executive highlighted the first time this had been escalated was at the Information Governance committee in February 2023 and a clear plan to drive actions forward had been put in place.  Members were reminded that the Chief Executive was the Board and Executive Lead for Digital.  The Chair noted that the report stated that the organisation could potentially be subject to financial penalty if not compliant, and if the issues behind the poor compliance rate were lack of resource or linked to the prioritisation of work. The Chief Executive advised members that moving forward, strong leadership, teamworking, a clear plan and priorities were key to achieving a significantly improved level of compliance.  **Decision / Conclusion**  The Committee noted the report, and that an improvement plan would be presented to committee following approval at SLT. |
| A137 | **Cyber Security ARC2324-66**  P Kelly presented the report following a review to obtain assurance over the design and implementation of cyber security controls which aimed to prevent an attacker from moving within the network, and allow NHS Orkney to identify malicious activity.  The review found that the organisation had been active to enhance technical network technical defenses, including implementing a new firewall solution which had heightened security functionality.  Areas of improvement were identified and included in the Management Action Plan.  The Chair noted that the potential overlap of recommendations with the NIS Audit  **Decision / Conclusion**  The Audit and Risk committee noted the report. |
| A138 | **Clinical Governance – Complaints**  Paper not received. |
| A139 | **Business Continuity Planning ARC2324-67**  P Kelly presented the report which reviewed NHSO Business Continuity planning.  NHS Orkney had documented business continuity policies, plans and related documents in place however, in many cases were outdated and required review and updates to ensure alignment with current business requirements and working practice. Opportunities were identified for further improvement and recommendations were provided to help further develop and enhance the organisation’s approach.  The Medical Director and Chair both commented on the value of having hard copy continuity plans available in the event of digital failure.  The Chair queried capacity to deliver improvements and ongoing training requirements. The Chief Executive advised that work was to be undertaken with SLT and to agree ongoing prioritisation of training needs.  **Decision / Conclusion**  The Audit and Risk committee noted the report. |
|  | **Internal and External Audit recommendations** |
| A140 | **Internal and External Audit recommendations ARC23224-68**  The Director of Finance presented the report advising that there were 7 internal recommendations brought forward following the previous report and no new recommendations had been added.  The external audit recommendations from 2022/23 were reviewed, an update was included in the report.  The Chair reiterated that moving forward for the year 24/25, the committee requested an update on progress against external recommendations.  **Decision / Conclusion**  The Audit and Risk Committee noted the update and approved the extension to the timelines as requested. |
|  | **Information Governance** |
| A141 | **Information Governance Committee Chairs Assurance Report and approved minutes – ARC2324-69**  The Chief Executive presented the Chairs report informing members that the Information Governance Committee met on 21 December 2023 and 15 February 2024 highlighting:   * Information Governance Action Plan to become an Information Annual Workplan from April 2024 * Escalated item – out of date policies and procedures * Digital Governance review, top priority * Terms of Reference for IGC being refreshed to expand membership, including to ensure clinical engagement and attendance * Superb Information Governance team   **Decision / Conclusion**  The Audit and Risk noted the update provided and took assurance from the approved minutes. |
| A142 | **Information Governance 6-monthly Assurance Report (2/2) – ARC2324-70**  The Chief Executive presented the report providing an update on the work that had been undertaken to provide assurance in relation to NHS Orkney’s approach to information governance.  **Decision / Conclusion**  Members noted the update provided. |
|  | **Fraud** |
| A143 | **Counter Fraud Services Quarterly Report ARC2324-71**  Members had received the Counter Fraud Services quarterly report up to 31 December 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.  The Chair queried the work ongoing within the Board regarding the Fraud Standard. The Director of Finance confirmed that an update would be presented at the next committee meeting as part of the normal workplan.  **Decision / Conclusion**  The Audit and Risk committee noted the quarterly report. |
|  | **Governance** |
| A144 | Code of Corporate Governance – ARC2223-48  The Corporate Services Manager presented the NHS Orkney Code of Corporate Governance 2024/25 seeking a recommendation of Board approval following an annual review. The main changes included:   * Recordings were now permitted for the use of reporting purposes * Members of the press admitted to meetings shall be permitted to make use of recording apparatus and to use extracts from these recordings for reporting purposes   The Chair requested a minor addition to the wording of Audit Committee responsibility in respect of the Internal Audit procurement process.  **Decision / Conclusion**  The Committee recommended Board approval of the Code of Corporate Governance subject to minor formatting amendments. |
| A145 | **Royal College of Physicians Edinburgh – Project update ARC2324-73**  The Chair provided an update regarding feedback received from other Governance Committees regarding potential audit areas. He advised that the response had been limited most likely in part due to the relatively compressed timescales.  He proposed embedding the process into other governance committee workplans to align with the Internal Audit planning process.  **Decision / Conclusion**  The Committee noted the report and agreed to the proposal to include internal audit scoping on future work plans of all governance committees. |
| A146 | **Agree items to be included on the Chairs assurance report**  The following items were agreed to be included on the Chairs assurance report:   * 23/24 Internal Audit Plan progress report * Deferral of 24/25 Audit Plan approval to allow further work to be undertaken * External Audit Update * NIS Audit * Ongoing work and process with regards to risk management system * Annual Account timetable |
| A147 | **Annual Report**  The Chair highlighted that the Code of Corporate Governance required an annual statement providing assurance to the Accountable Officer be signed by the Chair. In view of the escalation of the board, he felt unable to do this without recasting the assurance statement to reflect the situation, gaps in control and new measures that had been put in place.  Members agreed that whilst the committee had worked through its work plan and provided challenge and scrutiny, there were gaps within control systems throughout the organisation which had led to the current financial situation, and that additional controls had since been put in place.  **Decision / Conclusion**  Members supported the Chairs view and the proposed recasting of the annual statement. |
|  | **Annual Accounts** |
| A148 | **Annual Accounts Timetable – ARC2324-74**  The Director of Finance presented the report setting out the NHS Orkney Annual Accounts timetable for 2023/24.  The final accounts would be presented to the NHS Orkney Board for approval on 27 June 2024 before submission to the Scottish Government by the 30 June 2024 deadline.  Weekly meetings would be held with KPMG and NHS Orkney colleagues.  **Decision / Conclusion**  The Audit and Risk Committee approved the Annual Accounts Timetable. |
| A149 | **Risks escalated from other Governance Committees**  No risks had been escalated |
| A150 | **Agree items to be included on the Chairs assurance report** |
| A151 | **Any Other Competent Business**  No other competent business was raised. |
| A152 | Items for Information and Noting only |
| A153 | **Audit Scotland Reports**   * Technical Bulletin 2023-4 |
| A154 | **Counter Fraud Services (CFS) Reports**   * **CFS Intelligence alert – Spearphishing** |
| A155 | **Reporting Timetable for 2024/25**  Members noted the schedule of meetings for 2024/25 |
| A156 | **Record of Attendance**  The Committee noted the record of attendance. |