



Meeting: NHS Highland Board
Meeting date: 26 September 2023
Title: Audit Committee Annual Report 2022-23
Responsible Executive/Non-Executive: Pam Dudek, Chief Executive
Report Author: Ruth Daly, Board Secretary

1 Purpose

This is presented to the Board for:

- Assurance

This report relates to a:

- Legal requirement
- Local policy

This aligns to the following NHSScotland quality ambition(s):

- Safe
- Effective
- Person Centred

This report relates to the following Strategic Outcome(s)

Start Well	Thrive Well	Stay Well	Anchor Well	
Grow Well	Listen Well	Nurture Well	Plan Well	
Care Well	Live Well	Respond Well	Treat Well	
Journey Well	Age Well	End Well	Value Well	
Perform well	Progress well	All outcomes	X	

2 Report summary

2.1 Situation

All Governance Committees of the Board are required to submit an Annual Statement of Assurance to the Audit Committee and Board to provide assurance on their activities throughout the financial year.

2.2 Background

This report encloses the Audit Committee Annual Report covering the period 1 April 2022 to 31 March 2023 which was agreed by the Audit Committee on 20 June 2023.

2.3 Assessment

All Governance Committees provide annual assurance statements about the adequacy and effectiveness of the governance arrangements and systems of control within their respective areas. The Board’s Governance Committee annual reports were considered by the Audit Committee as per its remit, and thereafter by the Board in June 2023.

For completeness, the Audit Committee’s own annual report is reproduced now for the Board’s endorsement.

2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Substantial	<input checked="" type="checkbox"/>	Moderate	<input type="checkbox"/>
Limited	<input type="checkbox"/>	None	<input type="checkbox"/>

3 Impact Analysis

3.1 Quality/ Patient Care

3.2 Workforce

3.3 Financial

The Code of Corporate Governance provides a framework which defines the business principles of the NHS Board and the organisation, in support of the delivery of safe, effective, person-centred care and Quality Outcomes. The provision of robust governance arrangements includes production of Governance Committee annual reports. This is key to NHS Highland delivering on its key objectives and to improving workforce, clinical and financial governance.

3.4 Risk Assessment/Management

A risk assessment has not been carried out for this paper.

3.5 Data Protection

This report does not involve personally identifiable information.

3.6 Equality and Diversity, including health inequalities

There are no equality or diversity implications arising from this paper.

3.7 Other impacts

No other impacts.

3.8 Communication, involvement, engagement and consultation

Other than the consideration given to the Annual Reports by the respective Committees, consultation and engagement is not relevant to this item. The

Board's Annual Report and Accounts will be submitted to Scottish Government and made public later in 2023.

3.9 Route to the Meeting

The appendix to this report has been considered by Audit Committee in June 2023.

4 Recommendation

The Board is invited to **endorse** the Audit Committee Annual Report.

4.1 List of appendices

The following appendices are included with this report:

- Appendix A – Audit Committee Annual Report

NHS Highland

To: NHS Highland Board

From: Gaener Rodger, Chair, Audit Committee

Subject: Audit Committee Annual Report 2022/23

1 Background

In line with sound governance principles, an annual report of the work of the Audit Committee is completed. This is undertaken to cover the period up to 20th June 2023 and allows the Audit Committee to provide the Board of NHS Highland with the assurance that it has undertaken the responsibilities under its Terms of Reference, including recommending approval of the Annual Report and Accounts to the Board for approval.

2 Activity

This report covers the period 4th May 2022 to 20th June 2023 during which time there were eight meetings of the Audit Committee.

The Audit Committee's purpose is to:

- ensure the management of the Board's activities is in accordance with the regulations governing the NHS in Scotland that an effective system of internal control is maintained and that a strong corporate governance culture is in operation.
- approve and monitor the delivery of the internal and external audit plans.
- ensure a system of internal control is in existence and maintained to give reasonable assurance that assets are safeguarded; waste or inefficiency is avoided; risk management is in place; reliable financial information is produced.
- ensure a system of control is in existence and maintained to give assurance on risks related to information governance, security and privacy.
- support the Board and Accountable Officer in their responsibilities through a process of constructive challenge which focuses on both processes and outcomes.
- recommend the Annual Report and Accounts for approval by the Board.

The Audit Committee agrees the work-plan at the beginning of each financial year, operates with a formal agenda and written papers which are circulated in advance of the meeting. These circulated papers include written reports by both the Internal and the External Auditors. These reports detail the work undertaken, the key issues emerging and the steps being taken by management to address any weaknesses identified.

The Audit Committee is chaired by an independent non-Executive, with four other non-Executives as members. The Committee has implemented the option to co-opt a public member who brings a specific skill sets in relation to the understanding of the internal audit process within the public sector. Although not Committee members, the meetings are usually attended by the Chief Executive Officer and the Director of Finance. The Director of Finance serves as the Lead Officer to the Committee. All Board Members are able to attend as observers and Executives and other officers attend as appropriate to provide further detail and information and to answer specific questions from the Committee.

In addition to considering the work of the Auditors, the Committee also maintains an overview of a number of Internal Control areas on behalf of the NHS Board. An example of this is the overview of Risk Management - which although devolved to Organisational Units – is subject to overall Audit Committee Review.

A separate section of the Audit Committee agenda is dedicated to Counter Fraud, allowing the Committee to discharge this responsibility on behalf of the Board.

The Audit Committee meets with both sets of auditors in private session annually without any non-Audit Committee members present. The Chair also has ongoing direct contact with the Internal Auditors between meetings where appropriate and, as Fraud Champion for the Board, has maintained contact with the Board's Fraud Liaison representative.

Membership and Attendance to 20th June 2023

MEMBER	28/06/22	06/09/22	06/12/22	07/02/23	08/03/23	02/05/23	20/06/23
Alasdair Christie, Chair 2022	✓	✓	✓	✓	✓	✓	
Gaener Rodger, Chair 2023	✓	✓	✓	✓	✓	✓	
Gerry O'Brien, Vice Chair 2022	✓	✓	✓	n/a	n/a	n/a	
Susan Ringwood, Vice Chair 2023	Apol	✓	✓	✓	✓	✓	
Alex Anderson, Non-Executive	✓	✓	✓	✓	✓	✓	
Garret Corner, Non- Executive	n/a	n/a	n/a	✓	✓	✓	
Stuart Sands, Independent Lay Member	✓	✓	Apol	✓	✓	✓	
IN ATTENDANCE							
David Garden, Director of Finance	✓	n/a	n/a	n/a	n/a	n/a	
Heledd Cooper, Director of Finance	n/a	✓	✓	✓	✓	✓	
Iain Addison, Head of Area Accounting	✓	✓	n/a	n/a	n/a	n/a	

During the period covered by this report the Committee Chair was Alasdair Christie (until 31/12/22) and Gaener Rodger (from 1/1/23). The Committee Chair was supported by Gerry O'Brien (until 31/12/22) and Susan Ringwood (from 1/1/23) as Vice Chair.

3 Sub Groups

The Audit Committee receives Minutes of meetings of the Information Assurance Group and the Resilience Committee together with a short update report according to the meetings schedule for these groups.

4 External Reviews

As part of their work, the External auditor submits an update on work undertaken to the Audit Committee, summarising not only the work undertaken, but also highlighting to the Committee any areas of significant interest.

The Audit Committee also received assurance on and sight of the NHS Highland Data protection audit report by the Information Commissioner's office. This reviewed the extent to which information governance accountability, policies and procedures, and information sharing agreements and logs which comply with the principles of all data protection legislation are in place and in operation throughout the organisation. This external audit offered a reasonable level of assurance to the Audit Committee. Management actions have been agreed and are anticipated to be completed by March 2024.

5 Key Performance Indicators

Internal Audit Service

A major part of the work of the Audit Committee relates to Internal Audit, whereby the Committee consider and approve the Audit Plan before monitoring the delivery of this plan and consideration of the key points arising.

During this period, the Audit Committee received a formal written summary on 13 Audit Reviews. These reviews were agreed as part of the 2022/23 Audit Plan and included reviews of:

- Patient Services Contracting and Invoicing
- Endowments
- Financial Governance and Accountability
- Governance and Accountability of Performance
- Out of Area Referrals
- Recruitment
- Workforce Planning
- Shadow IT
- Property Transaction Monitoring
- Environmental Sustainability
- Community Planning Partnership
- Consultants Contracts Job Planning
- Protection Payments

A further scheduled review on Equality of Services was considered to be unnecessary and was removed from the audit plan.

A planned review on Children's Services has been deferred to 23/24 with the scope currently being redefined.

The Committee received 12 reports, 10 of which contained Grade 3 and 4 Issues equating to 30 High and 1 Very High Risk Exposure against a Control objective. All reports were considered in full by the Committee.

Common themes reported to the Audit Committee for the 2022/23 period included:

- Policies and Procedures – A lack of clarity regarding when documents were last formally reviewed and these not being consistently applied across the processes being undertaken.
- Capacity – NHS Highland staff noting issues with sufficient capacity to ensure work is undertaken in a timely manner and in line with policies and procedures.
- Communication and Training – A need for formal communication plans and training plans to support staff in understanding their roles and responsibilities.
- Assurance Reporting – A need for regular assurance reporting on activities as opposed to ad hoc reporting.
- Integrated Reporting – The need for further integration of performance, financial and workforce information.

Agreed management Action Plans were noted by the Committee against all issues reported.

The details of reports considered are in the Audit Committee Papers. The Audit Committee minutes are subsequently presented to the full NHS Board.

The internal auditors are responsible for reviewing the management action plans that are produced with each report and reporting progress in implementing the agreed recommendations back to the Audit Committee.

Reducing the outstanding management actions raised in internal audit reports has been a key focus of the committee throughout the financial year. With significant work being instructed this has resulted in reducing the outstanding actions remaining to acceptable levels. This has been assisted by the introduction of a more robust process for monitoring and reviewing action plans by management, to ensure improved compliance.

Year End – Annual Report and Accounts of NHS Highland 2020/21

The Audit Committee considered the Annual Report and Accounts of the Board which included the Governance Statement and these were recommended to the Board for approval.

6 Emerging issues for 2023/24

Further progress to reduce the outstanding actions from internal audit reports is planned aiming to eliminate prior year outstanding actions completely.

Executive sponsors will be encouraged to bring more focused areas for review in 2023/24.

7 Conclusion

Over this period, there has been good progress for the Audit Committee. The Audit Committee has also recommended to the Board the accounts for 2022/23 for approval.

The Audit Committee has fully discharged it's duties to date and has therefore been able to contribute to the Board operating within the appropriate framework of Internal Control. The systems of control within the remit of the Committee are considered to be operating adequately and effectively.

Gaener Rodger,

Chair of Audit Committee,

21st June 2023