

HIGHLAND NHS BOARD	Assynt House Beechwood Park Inverness IV2 3BW Tel: 01463 717123 Fax: 01463 235189 www.nhshighland.scot.nhs.uk	
DRAFT MINUTE of MEETING of the NHS Board Audit Committee Microsoft Teams	2 May 2023 9.00am	

Present: Gaener Rodger, NHSH Board Non-Executive (Chair)
 Susan Ringwood, NHSH Board Non-Executive (Vice Chair)
 Alexander Anderson, NHSH Board Non-Executive
 Alasdair Christie, NHSH Board Non-Executive
 Garret Corner, NHSH Board Non-Executive
 Stuart Sands, Independent Lay Member

**Other Non-Executive
 Directors Present:**

Ann Clark, NHSH Board Vice Chair & Non-Executive (until 10.50am)

In Attendance:

Tim Allison, Director of Public Health
 Gaye Boyd, Deputy Director
 Louise Bussell, Director of Nursing
 Kate Cochrane, Head of Resilience (item 8 only)
 Heledd Cooper, Director of Finance
 Pam Cremin, Chief Officer
 Ruth Daly, Board Secretary
 Pam Dudek, Chief Executive
 David Eardley, Azets, Internal Auditors
 Patricia Fraser, Audit Scotland, External Auditors
 Claire Gardiner, Audit Scotland, External Auditors
 Stephanie Hume, Azets, Internal Auditors
 Kay Jenks, Audit Scotland, External Auditors
 Sophie Kiff, Head of Financial Services
 Arlene Johnstone, Head of Service
 David Park, Deputy Chief Executive
 Boyd Peters, Medical Director
 Donald Peterkin, Data Protection Officer (item 9 only)
 Liz Porter, Assistant Director Financial Services
 Iain Ross, Head of eHealth (item 9 only)
 Katherine Sutton, Deputy Director of Operations
 Alan Wilson, Director of Estates
 Stephen Chase, Committee Administrator

1.1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

Before the meeting commenced, the Chair noted apologies that the Internal Audit plan had been omitted from the suite of papers and gave committee members 10 minutes to read through the report; the draft of the report had been discussed at the previous two meetings.

The Chair welcomed the members and attendees to the meeting and introduced Claire Gardiner from Audit Scotland and Liz Porter who had taken up the post of Assistant Director of Financial Services.

Apologies were received from Kate Patience-Quaite, Fiona Davies and Charlotte Craig.

1.2 DECLARATION OF INTERESTS

Alasdair Christie advised that being an elected member of the Highland Council he had applied the test outlined in paragraphs 5.3 and 5.4 of the Code of Conduct and concluded that this interest did not preclude his involvement in the meeting.

1.3 MINUTE AND ACTION PLAN OF MEETING HELD ON 7 MARCH 2023 [pp.1-7]

The minute of the meeting held on 7 March 2023 was approved as an accurate record.

The rolling actions were noted:

- The Chief Executive noted that the leads for actions in the Rolling Action Plan needed to be updated. This will be actioned ahead of the next meeting.

The Committee

- **APPROVED** the amended minute of the meeting held on 7 March 2023.
- **NOTED** The Workplan, and that the Rolling Actions would be updated for the June meeting.

1.4. MATTERS ARISING

There were no matters arising.

INDIVIDUAL INTERNAL AUDIT REPORTS

2.1 Progress Report

D Eardley introduced the Progress Report and noted that the plan was on track for completion by June. He commented that the paper was longer than was the case normally in order to provide more contextual detail around the stages at which the audits were and some of the challenges encountered. Work was underway with management leads to address delays such as around the Children's Services audit. There had also been an effort to draw out broader cross cutting themes between audits to get a better picture of any systematic trends.

Progress had been made against the reports expected for the next quarter which will go to the June meeting, including for the review of Payment Protection which had been added to the workplan by management request in February. Work with management leads was underway to progress this item to meet deadlines to report to the June meeting.

In discussion,

- It was confirmed that it had been difficult to advance work on the Children's Services Audit due to external colleagues wanting an extended process to agree the remit of the audit via the Joint Monitoring Committee of the Highland Health and Social Care Partnership. Therefore, Internal Audit had proposed that the work be split into two phases with the first being focussed on NHS internal process and a second phase tackling a wider scope as approved by the Audit Committee. However, the second phase was dependent on the process of agreement mentioned and it was felt that as a result this aspect of the work could not be completed by June.

- The Chief Executive and the Chief Officer noted a need to escalate discussion around the Joint Integration Scheme to better understand how it should work for the partners, to comprehend areas of blockage and misunderstanding, and how best to address these with Highland Council.
- D Eardley commented that it would still be possible to issue an audit opinion, in spite of the hold up with this particular audit, on the basis of the range of work that had been completed in the Internal Audit plan.
- It was suggested that it would be worth exploring the potential for carrying out a joint piece of work with the Highland Council's own Internal Audit department as a way of achieving more cooperation. The Director of Finance commented that NHSH had indicated to Highland Council that it would be open to sharing audit work.
- It was confirmed that work on the above was within budget but that changes to the scope of the audit if agreed with the Committee may require increased capacity and therefore some negotiation around the budget.
- The Chair noted that due to the delays to phase two of the Children's Services audit that it should be added to the plan for 2023-24.
- The Chair also noted that work had continued quite far down the line before it was asked that the scope of the work be changed.
- It was confirmed that work had been progressing well in cooperation with the new management lead for the Environment and Sustainability audit and this was expected to come to the June meeting.
- The Deputy Director of People and Culture confirmed that she would meet with the Payroll team to address capacity and what areas of work were outstanding regarding the Payment Protections Audit.

The Committee **noted** the report.

2.2 Governance and Accountability of Finance and Performance

S Hume provided an overview of the report and noted the control objectives graded as amber within the report and that the work had involved two distinct reviews over the course of the year focussed respectively on governance, accountability and performance, and governance and accountability of finance.

Three key themes were identified from this work:

- For accountability and governance, there was a need for having a documented framework in place and integrated reporting. Five improvement actions were identified around these areas.
- In discussions with staff across the organisation there was feedback that there was felt to be a lack of clarity around where accountability and decision making sat in relation to the new programme board structure and how it linked to responsibility and accountability for financial performance.
- It was identified that the structure and support in relation to training and development was relatively informal and unstructured and therefore there was a recommendation to look at what budget holders need in terms of additional support to address training needs.
- It was found that there had been a change in attitude in terms of the impact of PMO and a need to clarify staff responsibility to identify savings and efficiencies with support from PMO.

In discussion, the Deputy Chief Executive commented that this had been a very helpful audit and that it had come at a time when staff had been dealing with changes to working practices. In parallel to the audit a review of programme board structures had been underway to address accountability of governance and better communicate where responsibilities lay.

- The Director of Finance noted that as part of the organisation's budget setting packs there was now a budget holder manual included to assist budget holders in their

responsibilities and the role of finance in supporting that. It was also recognised that there was a need to roll out training again post-pandemic to ensure responsibilities are fully understood and embedded. This work would be done in conjunction with procurement training work.

- The Director of Finance confirmed that the proposed time scales for the work were realistic. The Deputy Chief Officer noted that he was happy to assign a specific target date to the work.
- There was broad agreement that the report painted an accurate picture and the good work to address these areas was acknowledged.

The Committee **noted** the report.

2.3 Quality

The Director of Finance explained to the Committee that there had been scope to carry out an audit of quality within the services and how it was reported, however following the commissioning of a robust review of quality by the Medical Director from the Strategic Nursing Advisor it was felt that it would not be a good use of resource to have Internal Audit duplicate this work. The commissioned work will be shared with the Audit Committee and oversight of embedding the actions arising would initially be held by the Committee.

The Committee

- **agreed** to the proposed approach.

2.4 Internal Audit Plan 2023/24

D Eardley gave a brief introduction to the plan which reflected feedback from previous iterations seen by the Committee and management forums.

It was confirmed that the move of phase 2 of the Children's Services audit could be moved into the plan for 2023-24.

In discussion, the following areas were raised,

- It was asked if the number of days assigned to the audits was appropriate and if there were areas where more days would be beneficially released or areas where cross cutting work could cut down on the need for the full suggested allocation. Internal Audit commented that they would be happy to discuss further adjustments to the plan and that there was good opportunity to make use of data analytics in supporting the work and the reporting.
- It was noted that even though some areas in the plan may have received an audit in recent years it may still be worth carrying out a new audit in light of the significant challenges of the last few years and Internal Audit would look to the Committee for a clear steer on what it would like to see.
- It was noted that phasing of the plan will be added with an emphasis on front loading the work in order to achieve a suitable turnaround of work as far as possible in relation to the service areas audited.
- An outline of the proposed phasing of the audits will come to the June meeting.

The Director of Finance commented that the value and sustainability plan for the organisation would be looking at supplementary staffing and that therefore an Internal Audit may not be appropriate at this time. Therefore there would be further discussion with Internal Audit to determine best use of capacity in this area.

The Committee

- **noted** the reports.

3. Management Follow-Up Report on Outstanding Audit Actions

The Director of Finance noted that a thorough review of the outstanding audit actions had been undertaken as shown in the circulated and colour-coded spreadsheet. The majority of actions were complete or were recommended for closure subject to monitoring outwith the Committee.

- Procurement and Tendering was awaiting the new NHS Intranet to be updated and in the interim the current NHS site had been updated and processes were in place to ensure details are uploaded onto the new sites as and when they go live.
- Procurement training was being linked with other Finance training due to the overlap in routes of accountability.
- Healing Process actions were complete and had been reviewed by Internal Audit colleagues along with evidence around the audit of Whistleblowing.
- Statutory Mandatory Training actions were proposed to be downgraded in terms of risk with a task and finish group in place to lead on the closure of actions. Once the group has determined its Terms of Reference it was proposed that the detail would return to the Committee with recommendations as to which committee should oversee regular updates to its work.
- Care At Home actions had seen considerable progress since the last update with policies and procedures updated and were in the process of being rolled out.
- The Home Working audit was awaiting more information about national policy from Scottish Government but local processes and procedures were in place in the interim.
- An extension to the deadline for actions around the Accommodation Processes audit had been requested but good progress had been made.
- Property Transaction Monitoring actions had been folded into business as usual practice.
- The Endowment Fund audit had been delayed due to vacancies in the team but was now progressing well, however a request had been made to extend the deadline to September in order to support the recruitment of a Charities Manager.

In discussion, it was noted that,

- The short life working group on Statutory Mandatory Training had been initiated by the outgoing Director of People and Culture and that there would be follow up work to determine a suitable deadline to close off these actions. The EDG had commissioned this work and Terms of Reference will be brought to the Audit Committee to ensure a clear process of governance.
- The Chief Executive noted the need for this work to progress swiftly and that the Nurse Director will pick up this work.

The Committee

- accepted the recommendation of **substantial assurance**.

4. Request for Approval: Debt Adjustment

The Director of Finance introduced the item, noting that Scottish Government required that any losses above £15,000 be endorsed by Audit Committee before SG will approve them.

The Director of Finance commented that due diligence had been carried out and ensured that appropriate changes had been implemented to avoid a similar situation occurring where

a client can have left a care home but NHH had continued to pay the provider for the client's placement.

It was noted that the amount requested was unlikely to be recoverable but that it had not deteriorated the financial position of NHH.

The Committee

- **noted** the report and **agreed** to the proposed debt adjustment.

5. Counter Fraud

5. Counter Fraud Update

The Director of Finance noted that there was little that had changed since the previous update but noted that there was a link to a survey in the report for information regarding feedback on the Counter Fraud service. It was noted that there was ongoing work on the National Fraud Initiative exercise.

In discussion, it was confirmed that though the organisation had not met the twelve standards for Counter Fraud services, there was no risk to the organisation as the team was working its way through the standards and putting a strategy in place. However, the Director of Finance recommended that the team give a presentation to the Committee later in the year for the sake of assurance that necessary measures were being implemented.

The Chair requested that a presentation by the Counter Fraud team be added to the Committee workplan.

The Committee

- accepted **substantial** assurance from the report.
- The Chair requested that a presentation by the Counter Fraud team be added to the Committee workplan.

5.1 Emerging Issue SBAR

The Director of Finance noted that there had been a potential fraud attempt against NHS Highland in March 2023. Fraudsters had hacked an e-mail account for one of NHH's care homes and had emailed the team requesting a change to the bank details for that home. Checks were carried out by the team and the changes were made. The receiving bank questioned the changes and blocked the payment.

- Actions had been carried out to address the errors and control weaknesses in the process. It was noted that there had been a breakdown in the relationship between the finance team and the social care team in terms of ensuring accuracy of information from suppliers where a non-response was taken to be a confirmation that the asked for changes were correct. Therefore, this step in the process will be removed and care homes will be treated like other suppliers and contacted directly when there are requested changes.
- The police were contacted and even though fraud did not ultimately occur because the receiving bank blocked the request, they are investigating due to the large amount of money involved.

- The team leader of the Accounts Payable team is investigating exactly what happened so that this experience can act as a case study to ensure better practice.
- It was commented that members of the team had been working significant additional hours in the lead up to the end of the financial year and that this had perhaps exacerbated error making. However, additional controls were now in place and training would be updated to increase awareness of these issues.

During discussion, it was asked if there were concerns that other areas may have similar kinds of weaknesses in terms of staff circumventing controls to get work done in good time. It was felt that though the mistakes made were preventable it was difficult to fully account for human error. It was suggested that too much of a reliance on manual processes (in part, determined at a national level) had meant that controls had been overlooked whereas the use of more automation could mitigate some of these issues.

It was noted that part of the review of procedures will be to determine clear segregation of duties and responsibilities so that it is used most effectively.

The Committee

- accepted **moderate** assurance from the report.

6. Risk Management

The Medical Director provided a brief update and noted that evidence for 11 of the 12 actions was embedded via links in the report.

An options appraisal was underway to look at best options to deliver training across the whole organisation around risk.

It was agreed that an update come to the June meeting of the Committee with an expected close of actions in August. Internal Audit offered to follow up offline to ensure actions were on track and evidence would be submitted in a timely fashion.

The Committee

- Accepted **substantial** assurance from the report.
- **Agreed** that an update come to the June meeting of the Committee with an expected close of actions in August.

The Chair requested that item 11 be held at this point in the meeting to ensure that the External Audit team were able to attend.

11.1 EXTERNAL AUDIT – Annual Audit Plan 2023-24

P Fraser introduced C Gardner as the appointed auditor for the External Audit.

C Gardiner introduced the Annual Audit Plan which was the first plan following Audit Scotland's appointment for the five-year period through to 2026-27.

- The plan outlined materiality levels for the year based on gross expenditure with the selected level of 1.5% based on a risk assessment and judgments around the needs of users.

- Performance Materiality was used as an indicator when evaluating errors, and anything above this level would have an ask of the accounts to be adjusted.
- The reporting threshold for materiality was given as £250,000. Any misstatements above this level would be reported to NHSH through the annual audit report.
- The Committee’s attention was drawn to Exhibit 2 which outlined the result of the risk assessment in year. One significant risk had been identified in relation to management override of control (this is a standard annual risk outlined by auditing standards).
- For risk relating to the level of estimation for land value and estates and the judgement required when calculating those values, the focus of External Audit will be to engage with management to assess the reasonableness of the values provided by experts.
- Regarding pensions, External Audit will work with the Finance Team to better understand the accounting standards which differ from the other health boards in NHSH’s partnership with local government.
- The External Auditor drew attention to the recent change in the Code of Audit Practise which had increased the scope to include vision and leadership and a focus on outcomes.
- There will be two thematic reviews carried out in the current year on Climate Change and Cyber Security, respectively and this will follow national guidance.
- The External Auditor also noted the fee had been increased to just under £225,000.

During discussion, the Director of Finance commented, with respect to NHSH’s requirement to lead on value for money planning, that the increased fee for External Audit needed to be agreed by the Audit Committee in order to be approved and processed by the Board.

- The External Auditor noted the concerns around increased costs in the present economic climate and explained the need to address inflation and salary increases as well as the increased scope of the audit work following the changes to the Code of Audit Practice. It was commented that there had been an increased focus on quality across both the commercial and public sectors. It was also commented that charges had not gone up as much as they had for organisations in England and Wales.
- It was confirmed that there would be no additional funding from Scottish Government to offset increased charges.
- Scottish Government had queried the fee levels on behalf of NHS boards however, the External Auditor noted that fees were more or less at a standard rate across NHS bodies and that there was scope to increase the fees above the centrally set base level if there were any additional risk areas identified.

The Committee **noted** the report and **agreed** to the proposed fee for the External Audit for 2023-24.

The Committee

- **noted** the report and
- **agreed** to the proposed fee for the External Audit for 2023-24.

11.2 EXTERNAL AUDIT – Advisory Comments

P Fraser and K Jenks gave a presentation introducing Audit Scotland as an organisation and outlining key areas of the External Audit process for the Committee.

- The responsibilities of the appointed auditor’s duties were outlined as to provide an opinion on financial statements, to confirm that the accounts have been prepared in accordance with proper accounting practises, to ensure that proper arrangements have been made for ensuring that bodies have made proper arrangements for collecting and

recording and publishing prescribed performance information and for local government to hear objections made to the financial statements.

- The annual audit work is undertaken within a defined audit cycle, the main order outputs being the annual audit plan, and the independent audit auditors report, and the annual Audit report which comes at the conclusion of an audit process.
- A primary objective of the Audit Committee is to support the Accountable Officer and NHS Highland Board in meeting their assurance needs. The key responsibilities of the Audit Committee in relation to the Annual Accounts include reviewing the disclosures included in the governance statement on behalf of the Board to support the governance statement and to review and recommend approval of the draft NHS Highland Annual Report accounts.
- Other duties include reviewing and approving any changes in the accounting policy and this should be done annually and reviewing the schedules of losses and compensation payments, particularly with these, are above the delegated levels and prior to it being referred to the Scottish Government for approval.
- Any material misstatements identified in the governance statement are required to be reported in the independent auditor's report and a separate opinion is required on certain aspects of the report.

The Committee

- **noted** the presentation and guidance provided.
- It was agreed that the presentation be circulated to the members after the Committee.

7. Argyll and Bute IJB Audit Report

The Chair noted the report, and that the author, the Business Improvement Manager for Argyll and Bute IJB, was unable to attend the meeting. The Chair invited questions to be taken back to the author.

S Ringwood commented as a member of the Argyll and Bute IJB Audit Committee that she had seen the progress of the report and was satisfied with the final version presented to the NHS Audit Committee.

The Committee

- **noted** the report.

8. Resilience Group Update

The Head of Resilience commented that the last 12 months had seen levels of continuity preparedness within NHS Highland continue to improve and that this had included taking advantage of pressures around preparations for potential industrial action.

- Between July 2022 and January 2023 a systemic review to develop service impact assessments across the whole business and the service impact assessments had been undertaken and used to evaluate and consider existing continuity plans. A good level of assurance was provided to chief officers that the organisation was in a good operational position to respond when put into a situation where there was limited staff numbers. The next 12 months will progress this work with the aim of embedding continuity planning into everyday service management.

- Thanks were given to the Deputy Director of People and Culture, the Business Improvement Manager of Argyll and Bute IJB and the HR People Partners for supporting this work.
- As follow up to the 2019 audit of organisational resilience, it was noted that the themes continue to be taken forward. The cultural approach to the continuity agenda was seen to be improving with services starting to see tangible results as to how planning for levels of stress were assisting everyday business. Each of the main service areas will be reviewing an impact assessment in a couple of months.
- The Resilience team continue to support and encourage the operational units and is reviewing a Board Major Incident Plan to address the Board's capacity to respond to sustained and systemic pressure.

In discussion, the Chair commented that it had been very useful that actions to raise the proposed assurance level of moderate to substantial had been included in the report.

The Committee

- accepted **moderate** assurance from the report.

9. Information Assurance Group (IAG) Update

The Head of eHealth commented that this was the third report to the Audit Committee from the IAG and covered the period from December 2022 to March 2023. The IAG had met only once since the last report and had considered the recent ICO Audit which had returned an assurance rating of 'reasonable'.

The Board received a formal reprimand from the ICO for a data breach from 2019 concerning how email had been sent to external sources. Actions were recommended around tightening controls in this regard. eHealth had been working since with Microsoft to address the ICO's recommendations. Microsoft had proposed that NHSH be one of the first health boards to use some new features available under MS365 which would include a prompt to remind staff about the importance of not sending sensitive information when emailing external parties.

The response time for Freedom of Information requests had seen a marked improvement with most responses surpassing the targets.

Information Governance and IT Security, were still at a heightened alert status due to the Russia-Ukraine conflict. Potential denial of service threats had been identified against two Scottish health boards during January 2023 by XXXXXX. NHSH was not one of the boards but Network Infrastructure Systems is a major area of work and Highland is preparing to be audited by NIS in October 2023.

The Data Protection Officer noted that all Scottish health boards were to be audited by ISO over the course of 2022-23 and that NHSH's audit had taken place in January and February 2023. The ISO will produce an overarching report for Scotland later in the year.

Work by the IAG on an action plan in response to the recommendations was in progress. A number of common themes had been raised among the health boards in terms of the management of information sharing agreements, and part of the response would be to find joint pieces of work with data protection leads on the other Scottish boards with particular attention paid to training.

In discussion, the Chair noted that the ICO report included both medium and high level recommendations and asked if that may affect the level of proposed assurance from the SBAR. The Deputy Chief Executive (DCE) noted that the time scales provided by the ICO to address the issues were generous and well within what NHS Scotland would expect of its own response to these areas of work. The areas of risk raised were similar to other Scottish health boards regarding cyber security and data protection. The DCE commended the eHealth team for its direct engagement with Microsoft to find solutions which placed Highland in advance of other boards in addressing these areas of risk.

The Committee

- accepted **substantial** assurance from the report.

10. Governance Committee Annual Reports

The Chair noted that the Committee had been asked to endorse the Governance Committee Annual Reports for the financial year 2022-23 to recommend that the Board accept substantial assurance at its next meeting on 30 May,

The Board Secretary noted that the reports are required to demonstrate how the committees had discharged their respective Terms of Reference, which had been endorsed at the March meeting of the Audit Committee, and to comment on how effectively they believed the systems of control had operated within their areas of responsibility.

The Board Secretary commented that reports relating to the Clinical Governance and FRP Committees had been updated that morning in the respective files in the Audit Committee Teams channel to incorporate attendance information for meetings held in March.

In discussion, it was confirmed that the Area Clinical Forum is not included in the suite of annual Governance Committee reports.

The Audit Committee will consider its Annual Report at the meeting on 20 June.

The Committee recommended that the Board take **substantial assurance** from the reports when they are presented to the Board on 30 May.

The Committee

- recommended that the Board take **substantial assurance** from the reports when they are presented to the Board on 30 May.

11. EXTERNAL AUDIT

See above.

12. AUDIT SCOTLAND REPORTS

The Chair drew the Committee's attention to the suite of reports at the link provided.

13. ANY OTHER COMPETENT BUSINESS

None.

14. DATE OF NEXT MEETING

The next meeting will be on **Tuesday 20 June 2023** at **9.00am** on a virtual basis.

The meeting closed at **11.53am**.

15. PRIVATE SESSION

A private session of the Committee for members and Internal and External Audit teams followed.

DRAFT