

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	12 March 2024 9.00 am	

Present:

- Gaener Rodger, NHS Board Non-Executive (Chair)
- Susan Ringwood, NHS Non-Executive (Vice Chair)
- Alexander Anderson, NHS Board Non-Executive (until 10am)
- Alasdair Christie, NHS Board Non-Executive
- Garret Corner, NHS Non-Executive
- Stuart Sands, Independent Lay Member
- Emily Woolard, Non-Executive

In Attendance:

- Gareth Adkins, Director of People and Culture
- Louise Bussell, Nurse Director
- Ann Clark, Board Vice Chair, Non-Executive
- Heledd Cooper, Director of Finance
- Pam Cremin, Chief Officer, North Highland
- Ruth Daly, Board Secretary
- Fiona Davies, Chief Officer Argyll & Bute IJB (incoming NHS CE)
- Pam Dudek, Chief Executive
- David Eardley, Azets, Internal Audit
- Patricia Fraser, Audit Scotland, External Audit
- Claire Gardiner, Audit Scotland, External Audit
- Stephanie Hume, Azets, Internal Auditors
- Bryan McKellar, Whole System Transformation Manager
- Paul Nairn, Regional Planning Manager
- David Park, Deputy Chief Executive
- Liz Porter, Assistant Director Financial Services
- Iain Ross, Head of eHealth
- Stephen Chase, Committee Administrator

1.1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

There were no apologies.

1.2 DECLARATION OF INTERESTS

A Christie had considered making a declaration of interest in his capacity as a Highland councillor, but having applied the objective test and looking at his position in relation to the items on the agenda, he felt that he did not need to do so.

1.3 MINUTE AND ACTION PLAN OF MEETING HELD ON 5 DECEMBER 2023

Pending the resolution of an issue raised in item 2.1, the minute of the meeting held on 5 December 2023 was approved as an accurate record.

It was agreed that the actions from the recent committee development session would be added to the rolling actions and those arising from future development sessions.

The Chair agreed to discuss options with the Director of Finance for a risk management training session for the committee.

The Committee

- Pending the resolution of an issue raised in item 2.1, the minute of the meeting held on 5 December 2023 was approved as an accurate record.
- **Noted** the rolling actions and agreed that actions arising from Audit Committee development sessions would be added to the rolling actions.

1.4. MATTERS ARISING

There were no matters arising.

INDIVIDUAL INTERNAL AUDIT REPORTS

2.1 Internal Audit Progress Report

S Hume spoke to the report and provided an update on Internal Audit reports to be completed before the end of the 2023-24 session:

The Primary Care audit was expected to be complete ahead of the committee meeting in May once management responses had been collated. Internal Audits of Data Framework, Complex Care, and the NTC were also expected for the May meeting. The Social Care Review was originally planned for the May committee but would go to the June meeting due to issues signing off the scope of the audit. The June meeting was also expected to see the report for Adult Social Care for which field work was expected to begin soon. Audits of Supplementary Staffing and a Children's Services Review had been deferred for the next financial year.

It was noted that there were currently no issues expected which would require a modification of the annual audit opinion.

In discussion,

- The Chair asked if the audit of Complex Care Packages had been formally agreed at the December meeting. The Chief Executive commented that it would be useful to examine the decision-making process to avoid any potential confusion in the future and offered apologies for the confusion and agreed to pick up the matter with colleagues to ensure the necessary processes were in place for the audit work to proceed. The Chair requested that the minute for the December meeting be checked and amended if required to ensure due process had been observed
- It was clarified that the Complex Care Packages audit had replaced the time slot previously agreed for an audit of Children's Services which had been deferred to the 2024-25 session. The Complex Care audit had been deemed a useful follow up to some of the work carried out on the Clinical Advisory Group audit.
- The Chair noted that it would be beneficial for the committee to schedule an additional meeting ahead of the meeting to sign off the annual accounts in June in order to ensure all Internal Audits were complete and to reduce additional discussion at the annual accounts meeting.
- The Chair requested that the audit sponsors follow up with management leads in each of the areas currently engaged in internal audits to ensure timely completion.
- Regarding the audit of Adult Social Care, it was clarified that this would focus on the NHS Highland side of the service and would not be an audit of Highland Council provision.
- The possibility of an audit with support from the Internal Auditors on initiatives to streamline governance within the organisation was raised, however it was felt that this would be unlikely to form part of the 2023-24 programme in light of the slippage encountered in other areas.
- It was noted by the Internal Auditors that they would continue to meet regularly with the committee Chair where any concerns about the organisations audit rating could be raised if it arose as the end of the audit year approached.
- It was acknowledged that delays in management responses to audits had often been due to single points of contact and that while front-loading of the audit programme ought to address delays to the programme consideration should be given to capacity in order to ensure the programme runs as smoothly as possible.

The Committee **noted** the report and the changes to the Internal Audit work plan.

2.2 Internal Audit Draft Plan 2024-25

S Hume spoke to the report and drew attention to appendix 1 which set out the individual reviews that had been proposed for the 2024-25 session. Discussion had been had between the Internal Auditors and the EDG in November 2023 and feedback had been provided in early February 2024 as to the relative prioritisation of the proposed audits. Further scoping had been carried out in conjunction with the Director of Finance which was followed by further discussion with EDG for high-level comment.

It was commented that one of the reasons for asking the committee to approve the plan at the present meeting was to enable an earlier start to the programme from April 2024 and avoid slippage.

During discussion,

- The Chair noted that the plan had included a table with reference to the Risk Register, which itself had also been included.
- The Director of Finance commented on the decision-making process for the plan which had followed a robust process with Internal Audit colleagues who had recommended areas either from previous work or work undertaken in other organisations. These ideas had then been aligned with the organisation's value and efficiency work with consideration given to areas such as risk of fraud and financial impact.
- It was noted that part of the intention in conducting a review of fraud was in order to examine the processes in place to ensure better reporting and to see why the number of adverse reports of fraud was so low. This audit would be more akin to consultancy work with Internal Audit colleagues.
- It was noted that the proposed audit of Cybersecurity had been in response recommendations arising from the recent NIS audit (see item 3).
- It was asked if the proposed audits of sickness absence and supplementary staffing could be aligned. The Director of People commented that he would look at the potential opportunities to align these pieces of work, but noted that the Supplementary Staffing audit would look at controls that the organisation has in place more than underlying causes.
- The issue of if it would be an appropriate time to conduct an audit from a 'critical friend' angle of the Safer Staffing Act was raised. The Director of People noted that this would require some consideration around resources in light of the scope of the act and that he would bring an update to the May meeting of the committee.
- It was clarified that the focus of the internal audit plan had been guided by a need to get 'back to basics' around issues of governance following COVID and that a more cyclical approach to audits was not as pressing. However, the Internal Auditors noted that they had considered the organisation's audit universe to address those areas that had not been audited in the last three to five years and that the risk profile had been considered in each case.
- S Sands offered to discuss ideas around assurance mapping against the risk register with the Internal Auditors outwith the meeting. The Chair suggested that any useful outcomes of the discussion might be brought by the Internal Audit team to the EDG for assurance.

The Committee noted and agreed the Internal Audit Plan presented as a starting point for the for 2024-25 audit session, bearing in mind the need for flexibility with the plan where required.

The Committee noted and agreed the plan for 2024-25.
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2.3 Patient Property and Funds

D Eardley spoke to the report and noted the importance of the topic in terms of avoiding reputational damage to the Board and addressing issues of compliance which required regular updating and review.

Two typographical errors were noted in the report: On p.70 the summary table ought to have shown 3 issues related to compliance and not 4 as stated.

The Director of Finance noted that the audit had been requested to address concerns around controls, however the findings had been more positive than expected and that all improvement actions would be implemented.

The Committee **noted** the report.

2.4 People Management (processes for raising concerns)

D Eardley spoke to the report which noted the range of processes available to colleagues for raising any issues or observations, and that the audit had been carried out as a 'temperature check' and to benchmark work against other boards following the reconciliation processes implemented by NHS Highland in recent years.

The Director of People noted, as sponsor of the audit, that it had been a challenging area to address but that work with Internal Audit colleagues had been positive and that the recommendations would be accepted.

The Committee **noted** the report.

2.5 Management Actions

S Hume spoke to the audit tracker and noted the 62 live audit actions, of which 16 actions had been signed off as complete, with eight of those actions still requiring final documentation. 37 actions had been classified as on track in line with the completion date or the revised completion date. Two actions had not yet passed the due date for completion and seven had not received an update for this meeting or for the last meeting.

In discussion,

- The Chair suggested that those actions which had revised completion dates be noted separately in the reporting.
- The Director of Finance noted that since the spreadsheet had last been updated there had been a lot of work undertaken around governance and accountability and the integration of the Strategic and Financial Plan. Confidence was expressed that the majority of actions would be closed by the next meeting and that there had been progress on the actions arising from the audit of the Endowment Fund arrangements now that a Charity Lead was in post.
- The Chair added that there had been updates provided by the Chief Officer in relation to actions arising from the audit of Community Partnerships just after the circulation of meeting papers and that item 2.6 provided further action updates on the Clinical Advisory Group actions.
- Discussion took place about the need for an additional meeting in April to address Internal Audit actions. After due consideration it was felt that instead the May meeting of the committee could be scheduled for a longer duration if required.

The Committee **noted** the report.

2.6 Clinical Advisory Group update on Out of Area Referrals

The Chair drew the committee's attention to the paper provided and that it had offered moderate assurance on completion of the internal audit review and the implementation of the recommendations. However, the Chair noted that at this stage it was only possible for the committee to note the progress of the work and that it was for Internal Audit to agree that the management actions had been implemented to meet their recommendations and that this would be reflected as appropriate in the reporting of Internal Audit at the next meeting.

P Nairn provided assurances to the committee, on behalf of the Medical Director as sponsor of the audit, that the Clinical Advisory Group processes had had a complete and thorough overhaul with the implementation of a new assurance governance process as well in place.

The Committee

- **noted** the report, and
- **accepted** moderate assurance.

2.7 Verbal Update on Scoping for Future Audit

The Chair noted that the scoping of the alternative audit to the deferred Childrens Services report would consider integration arrangements with Highland Council. The Director of Finance noted that conversations were planned and would take note of the current challenging financial situation of both organisations.

3. INFORMATION ASSURANCE GROUP UPDATE

The Deputy Chief Executive introduced the report which followed previous audit discussion and provided an update on the NIS audit. The Head of eHealth spoke to the report which had been written by the Information, Governance Security Manager.

- I Ross noted that much of the organisation's cyber defence was held at the national level but that there were also layers of cyber protection at a local level. The NIS audit had specifically called for the need to have independent assurance of certain areas of locally held cyber security, and that this would be a focus of the proposed Internal Audit of Cyber Security for NHS Highland.
- The report addressed the Information Commissioner's Office Data Protection Audit which had provided NHS Highland with an assurance rating of 'reasonable'. The audit gave a number of recommendations with 5 high-rated recommendations and 12 medium-rated. The working through of these recommendations was underway.
- The NIS audit had provided the Board with a score of 73% which was given based on the changes implemented since the previous NIS audit cycle, and placed NHS Highland in the top quartile for Scotland.
- I Ross noted concerns around the organisation's patch management endpoint, and an emphasis on ensuring documentation was fully implemented would help the organisation to address this area of quality management assurance.
- An action plan to evidence progress was underway and was due to be submitted to NIS by 14th October which would feed into a report to be published on 25th November.
- Positive work around Freedom of Information was noted in terms of responses to Freedom of Information requests.
- Some reportable incidents were noted over the last period concerning hand-over notes that had been found at Inverness Airport, and there had been an issue around functionality associated with an upgrade to the Skye Gateway system (SCI).
- It was noted that NHS Highland was not directly being targeted for cyber attacks, however suppliers to the organisation were under attack which had resulted in a loss of support from partners.

In discussion,

- The subject of breaches to policy around employees accessing health records inappropriately was raised. The IAG had been receiving reports arising from these breaches and an investigation around preventative controls was in progress as was cooperation with people partners to address the instances. It was noted that NHS Scotland had implemented a sophisticated Fair Warning system which would assist in a more proactive response by studying patterns of behaviour.

The Committee

- **noted** the report, and
- **accepted substantial assurance.**

4. COUNTER FRAUD

The Chair noted the recent committee development session on Counter Fraud with Gordon Young and that the discussion had touched on the Counter Fraud Strategy. The Assistant Director Financial Services added that a report would come to the May meeting ahead of the submission of the 12 components for the next year.

The Committee

- **noted** the report, and
- **accepted** substantial assurance on the ongoing Counter Fraud activities undertaken across NHS Highland, and that NHS Highlands complied with the majority of the standards.

5. EXTERNAL AUDIT PLANS

C Gardiner spoke to the report which was the audit plan for the second year of Audit Scotland's audit appointment. The materiality was highlighted in exhibit one as this was the level on which the External Audit conclusions would be based.

As part of the planning process risks of material misstatement had been considered and two significant risks had been identified over the year relating to management override of control (a standard risk required by auditing standards relating to fraud), and in relation to the implementation of accounting standard IFRS 16 which had been implemented last year. Two other areas of audit focus were highlighted which focussed on areas with a large amount of uncertainty, which included valuation of land and buildings and pension liabilities. Two risks had been raised in relation to public interest in the health sector regarding challenges to financial sustainability faced across the whole public sector, and also IT risk.

The intention of the External Auditors was to sign the accounts by the target date of the 30th June 2024, and much work had been undertaken between the External Audit team and the NHS Finance team in order to ensure the process runs as smoothly as possible and avoid delays. A caveat was noted that there was the potential for templates and manuals from Scottish Government to delay the process.

The fee for the year was noted as £238,000, which was an increase of 6%. It was commented that it was understood that fee increases at the present time of financial challenge would not be welcome and that Audit Scotland had been working to create efficiencies to mitigate the full impact of any fee increases and the costs of its audit. There had been feedback and ongoing dialogue between the Director of Finance Group and with the External Auditor's Operating Officer. It was hoped that the continuity of the team would lead to efficiencies and a more effective audit.

The External Auditor confirm that she and her team remained independent throughout the whole of the audit.

During discussion,

- The Chair commented that the External Audit for the previous year had included a statement around environment and sustainability in terms of the organisation's climate change duties. The External Auditor noted that there had been no directive for detailed work in this area and that this year would involve follow up work with the next financial year seeing some more detail on the topic.
- It was confirmed that the fee increase was an increase in the baseline fee and that there had been scope for a 10% increase if there had been a significant change in the risk profile.

- Regarding the Scottish Government pause on capital projects for the NHS, it was noted that External Audit would liaise with the Director of Finance to understand how the Board planned to manage the restrictions.
- The Director of Finance commented that the process was further ahead than it had been at the same time last year and looked positive for completion in good time, and that any unanticipated challenges would be raised with the committee as appropriate.

The Committee **noted** the report.

6. AUDIT SCOTLAND REPORTS

The Chair drew the committee's attention to the link for papers at the Audit Scotland website.

C Gardiner offered to bring a presentation on the NHS in Scotland 2023 report to the committee.

The Committee

- **noted** the update, and
- **agreed** that the External Auditors bring a presentation on the NHS in Scotland 2023 report to the May meeting.

7. ANNUAL COMMITTEE WORKPLAN 2024-25

The Chair drew the committee's attention to the draft workplan for the 2024-25 session. It was noted that an additional meeting would be scheduled in June a week before the meeting to consider the annual accounts in order to support the close off of Internal Audits. A private session for members and auditors would be added to this meeting and it was agreed that a private session be held every 6-months to follow committee meetings with the December session to follow the December meeting where progress regarding the frontloading of the Internal Audit plan would be reviewed.

The Committee

- **noted** the report,
- **accepted** substantial assurance, and
- **agreed** that an additional meeting of the committee be scheduled a week before the meeting to consider the Annual Accounts, and that this meeting would include a private session for members and auditors.

8. ANNUAL REVIEW OF GOVERNANCE

The Board Secretary noted the amendments to section 9.11 of the Standing Financial Instructions, and the proposed changes to the Terms of Reference for the Highland Health and Social Care Committee and Staff Governance Committee, and that the Terms of Reference for the Clinical Governance Committee and the Remuneration Committee remained unchanged. The Terms of Reference for the remaining governance committees had been considered at the December 2023 meeting. The full suite of updated documents would be presented for approval to the Board at the end of March following the recommendation of the committee.

The Committee

- **noted** the report,
- **accepted** substantial assurance, and
- **recommended** the updated suite of governance documents to the Board for approval.

9. Any Other Competent Business

The Chair acknowledged that S Sands had reached the end of his tenure as a co-opted member and thanked him on behalf of the committee for his contribution since April 2020. S Sands commented that he had observed huge progress from the committee with a strengthening of risk management process in particular.

The Chair also thanked the Chief Executive on behalf of the committee for her work and substantial contribution to change in the organisation.

10. DATE OF NEXT MEETING

The next meeting will be on **Tuesday 21 May 2024** at **9.00 am** on a virtual basis.

The meeting closed at **10.56 am**.

DRAFT