

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	27 June 2023 9.09 am

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

In Attendance: Tim Allison, Director of Public Health
Graham Bell, Non-Executive Director
Gaye Boyd, Deputy Director
Elspeth Caithness, Non-Executive Director
Ann Clark, Non-Executive Director
Sarah Compton Bishop, NHSH Board Chair
Heledd Cooper, Director of Finance
Ruth Daly, Board Secretary
Bert Donald, Non-Executive Director (until 11am)
Pam Dudek, Chief Executive
David Eardley, Azets, Internal Auditors
Claire Gardiner, Audit Scotland, External Auditors
Philip Macrae, Non-Executive Director
Joanne McCoy, Non-Executive Director
Gerry O'Brien, Non-Executive Director
David Park, Deputy Chief Executive
Boyd Peters, Medical Director
Liz Porter, Assistant Director Financial Services
Nathan Ware, Governance & Corporate Records Manager
Stephen Chase, Committee Administrator

The meeting was immediately preceded by a meeting of the Trustees of the Endowment Fund.

1.1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

Apologies were received from Louise Bussell, Catriona Sinclair and Fiona Davies.

1.2 DECLARATION OF INTERESTS

There were none.

1.3 MINUTE AND ACTION PLAN OF MEETING HELD ON 20 JUNE 2023

The minutes of the meeting held on 20 June 2023 were approved as an accurate record.

It was clarified that the approval of the 2021/22 accounts was minuted and that the minutes were approved at the subsequent meeting of the Committee in September 2022.

It was noted that the rolling actions would be considered at the September meeting with the aim of closing the items off.

The Committee

- **APPROVED** the minute of the meeting held on 20 June 2023, and
- **NOTED** that the rolling actions would be considered at the September meeting.

1.4. MATTERS ARISING

There were no matters arising.

2. INTERNAL AUDIT ANNUAL REPORT

It was the opinion of the Internal Auditor, Azets, that NHS Highland had a framework of governance, risk management and controls that provided limited assurance regarding the effective and efficient achievement of objectives. Across the reviews that were carried out, there were identified a number of cross cutting themes relating to assurance reporting, capacity, data-led and cost/benefit decision making, and policies & procedures. These areas were identified as having contributed to issues with the effectiveness of reporting, progress monitoring, with aspects of scrutiny and challenge, and of adherence to processes across a number of areas reviewed within the year.

The Chair introduced the item and asked the Internal Auditor to provide reasons for the 'Limited' level of assurance recommended by the report.

- D Eardley provided an overview of the report, noting how it brought together the audits carried out over the previous year and that it had summarised themes for clarity and a more strategic overview.
- It was commented that the four reports which came to the Committee on 20 June had a number of issues and observed the impact this had had on the overall assurance level offered and the wording of the opinion. D Eardley noted that he and his team had spoken with the Director of Finance and other colleagues to ensure that the audits were drawing out and presenting the data in the most useful way.
- It was felt by the Internal Audit that the assurance level ought to be amended from 'reasonable' to 'limited' to reflect the wording that had been agreed within Azets for 2022-23 onwards. It was clarified that a direct comparison between the term 'limited' as had been understood previously by the Board, could not be made and that the descriptor 'moderate' had been removed from Azets' lexicon. D Eardley noted that the assurance level had been arrived at after due consideration of the number of risks added and that this was a subjective judgement but that it was also a professional judgement reflecting the spread of issues over the year as elaborated in the report.

The Director of Finance commented that there had been discussion around the report and the assurance level with the Internal Auditors and had agreed with the issues identified but noted that the scope of the audit had changed considerably over the course of the year and that the organisation had got much better at addressing actions with most of the outstanding actions from previous years having now been closed.

- It was felt that there were no real surprises in the requested areas audited and that the findings aligned well with current risk register activity.
- The governance statement had been updated subsequent to its circulation at the meeting and would be recirculated to the Committee taking account of the Internal Audit report and recognising the work that had been carried out to progress the issues raised.
- The Chair commented on her surprise at the assurance level when compared to how far the organisation had travelled in terms of recognising areas of risk or concern, putting mitigations in place to address them, and using audits to assist and verify.
- The Chief Executive also commented that she had been challenged by the limited assurance status in terms of the journey undertaken by the organisation over the past few years. She noted that the Executive Directors' Group had recognised areas where audits could be more focussed and supported and confirmed that discussion had been had within the EDG to agree terms of a process for forthcoming audits.

During discussion, it was commented that in-year tracking of audit plan progress could be beneficial in terms of avoiding the surprises of the report and would assist a better overarching view of progress.

- S Sands commented that the audit reports show that the control environment is not as strong as it could be even though risk and control awareness is much improved in the organisation which should mean a better position could be reported for the next year.
- D Eardley answered that he would be happy to incorporate the Committee's suggestion of tracking into future work and that further discussion could help to contextualise reporting and assist both the Committee and the Internal Audit to steer the work in an impactful way.
- A Clark noted that the report comments that minuting is an area that could be stronger within the organisation in terms of governance.
- The Chair confirmed that the present meeting was an opportunity to consider the first draft of the annual report and accounts and that the additional meeting on 24 July would consider and recommend the final version of these reports along with the External Audit opinion to the Board for formal approval at an In Committee meeting.
- The Director of Finance invited members to comment on the reports before final versions are provided to External Audit to complete their opinion and submit the accounts in time for approval by Scottish Government ahead of the Board's formal approval.
- D Eardley commented on the language of the report that the technical committee within Azets had dissuaded colleagues from the use of the term 'moderate' for future reporting due to its similarity to 'reasonable'. He noted that a context is always provided for the given assurance level and that health boards had been facing increasing challenge. It was hoped that the policies and procedures work, cross cutting themes and increased clarity in the reporting (for example, through the use of colour coding) would help to steer the organisation towards better mitigation.
- The Medical Director noted that even though his name was nominally placed against the policy and procedures work it needed to be owned by the EDG due to its massive scope in order to ensure that it be addressed particularly in relation to the strategic transformation and improvement work of the organisation. He noted that this work will take time but that work was proceeding steadily.

The Committee noted the report.
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3. Audit Assurance Report on External Systems

The report outlined assurance for the Committee collated from the respective service organisations that the external systems utilised by NHS Highland had adequate controls in place.

The Assistant Director of Financial Services drew the Committee's attention to the reports and outlined the different areas covered and noted that it was concluded that the Committee could take assurance from the reports.

The Committee **noted** the report.

4. Audit Committee Annual Report

The report provided assurance to be presented to the Board that the Committee had undertaken the responsibilities under its Terms of Reference, including recommendation of approval of the Annual Report and Accounts to the Board for approval.

The Chair commented that the report had been considered at the meeting on 20 June and noted amendments to the number of grade 3 and 4 issue reports following the four reports considered at that meeting.

The Committee **noted** the report.

5. Assurance for the Consolidation of Endowment Fund Accounts

The Chair noted the report from the Chair of the Trustees of the Highland Health Board Endowment Fund and that it had been approved by the Trustees at the meeting that immediately preceded the Audit Committee.

The Committee **noted** the approved Endowment Fund Accounts which had been audited with a unqualified opinion, and **agreed** that they be consolidated into the NHS Highland Board accounts.

6. Draft Final Annual Audit Report

The Chair noted that this item would be presented for consideration at a meeting on 24 July and requested that the Committee accept the deferral.

The External Auditor was invited to provide comment on the audit work. She thanked members for their patience while audit work continued. She noted that it had been a challenging year for everyone and that a large amount of audit work had been conducted including in areas where it may not have been conducted in the past, and expressed thanks to Finance colleagues for their assistance to the audit team in working to conclude the audit reporting on a timely basis to provide assurance to Scottish Government.

The External Auditor noted that at the last meeting it was mentioned that some control issues had been identified which had led to additional auditing, sampling and a higher level of testing. To date, no significant misstatements had been found and therefore no amendments are envisaged for the accounts as presented to the Committee.

In discussion, the External Auditor commented that they had been prioritising financial statements and that the wider scope of the audit work would be concluded within the first two weeks of July.

The Committee **noted** the update and that the report would be brought to the meeting on 24 July.

7. Letter of Representation from NHS Highland to Audit Scotland

The Committee **noted** that the letter of representation from NHS Highland to Audit Scotland would be tabled on the meeting at the 24th of July.

8. Draft Annual Report and Accounts 2022/23 for NHS Highland

The Chair drew the Committee's attention to the draft report and accounts and commented that the draught auditor certificate would be tabled on the 24th of July, and invited discussion.

The Director of Finance highlighted some of the key messages for the Committee around the report and the accounts, noting its structure providing the financial position and key governance information.

- She noted that in terms of staff costs there had been no exit packages paid in 2022/23 and that the Statement of Losses had been seen at the last meeting.
- In terms of accounting policies, there had been no significant changes to highlight apart from the addition of the NFL rest 16, which had been adopted in the last year.

In discussion, the Chair noted that there was to have been an Environment and Sustainability statement this year and commented if a more substantial statement was required by Scottish Government than the reporting on page 33 of the document. The Director of Finance confirmed that she would check the details and update the report if necessary. The External Auditor commented that some of her team were looking at the content of the performance report and would be reviewing it against checklists and would liaise with the Director of Finance to ensure requirements were met.

- A Anderson commented on the limited information about Dental Services
- A Clark noted the difficulty in representing achievement in certain areas such as Community Services and the mitigations carried out in the Care Home sector
- In answer to questions, the Director of Finance commented that it had been a challenge to establish more data around Community Services and therefore a more narrative slant was necessary for this area.
- The Director of Finance noted that she would confirm what reserves the Highland Council had held on behalf of NHS Highland and of this what had been brought in to the organisation's position in the last year.
- The Chief Officer for Community Services commented that she could provide more narrative and detail for Dental Services to the Director of Finance for the report.
- A Clark commented that many parts of the document were some of the best she had seen in her time on the Board.

- The Chair thanked the Director's team for their work on behalf of the Committee.

The Committee **noted** the report.

9. Patient and Client Private Funds

The report detailed the requirement of the Board by the Scottish Government Health and Social Care Directorates to provide an abstract of receipts and payments of patients' and clients' private funds for the financial year 2022-23 to confirm that the required responsibilities had been discharged during the period.

The Assistant Director of Financial Services introduced the report and noted that there had been no concerns expressed by the auditors Johnson Carmichael.

The Committee **noted** the report.

10. Any Other Competent Business

The Director of Finance confirmed that a meeting to recommend the annual accounts to the Board, followed by an exceptional meeting of the Board to sign off on the accounts and annual reports had been scheduled for 24 July in the expectation that audit assurance work would be complete to allow the Audit Committee to consider any audit findings and to formally recommend the accounts. The Chair noted that the Vice Chair would chair the meeting in her absence.

11. DATE OF NEXT MEETING

The next meeting will be on **Monday 24 July 2023** at **10.00 am** on a virtual basis to consider and agree the accounts.

(The next regular meeting of the Committee will be held on **Tuesday 5 September 2023** at **9:00 am** on a virtual basis.)

The meeting closed at **11.25 am**

There followed a private session with the Non-Executives, and the Internal and External Auditors.