

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	21 May 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
 Emily Woolard, Non-Executive

In Attendance: Gaye Boyd, Deputy Director of People and Culture
 Sarah Compton Bishop, NHS Board Chair
 Heledd Cooper, Director of Finance
 Charlotte Craig, Argyll & Bute HSCP
 Pam Cremin, Chief Officer, North Highland
 Ruth Daly, Board Secretary
 Fiona Davies, NHS Chief Executive
 David Eardley, Azets, Internal Audit
 Mary Fitton, Azets, Internal Audit
 Claire Gardiner, Audit Scotland, External Audit
 Stephanie Hume, Azets, Internal Audit
 Bryan McKellar, Whole System Transformation Manager
 Martin McLauchlan, Audit Scotland, External Audit (item 3.2)
 David Park, Deputy Chief Executive
 Liz Porter, Assistant Director Financial Services
 Liam Prior, Audit Scotland, External Audit (item 3.2)
 Iain Ross, Head of eHealth
 Stephen Chase, Committee Administrator

Please note, the items follow the numberings as laid out in the circulated in the agenda.

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 12 MARCH 2024

The minute of the meeting held on 12 March 2024 was approved as an accurate record. The Chair asked that the rolling actions be amended to show the relevant closed items. It was agreed to close the action regarding Procurement following the session held for the Board in 2023. It was also noted that Action 5 could also be closed now that KPIs were included in Internal Audit reports.

The Committee

- The minute of the meeting held on 12 March 2024 was approved as an accurate record.
- **Noted** the rolling actions and Workplan.

1.4. MATTERS ARISING

There were no matters arising.

INDIVIDUAL INTERNAL AUDIT REPORTS

2.1 Internal Audit Progress Report

The paper provided the Audit Committee with a summary of internal audit activity since its last meeting and confirmed the reviews planned for the coming quarter, identifying changes to the annual plan. Progress had been made against the annual audit programme with four reviews completed since the last Audit Committee meeting (as noted below). Work was noted to be on track to deliver the Internal Audit plan for 2023/24 by the 18 June 2024 Audit Committee. However, delays had been experienced as noted in the reports below.

During discussion, it was noted that the delay to the Complex Care Packages audit was due in part to the process of having the assignment plan signed off and partly due to difficulties finding time with staff contacts during the initial fieldwork. However, the Head of Adult Social Care has read both Internal Audit reports due for the 18 June meeting and work is on track to produce the reports for the meeting.

It was confirmed that any deferral of a report must be endorsed by the Committee before being taken forward.

It was noted that the deferral of the Children's Services audit was to ensure that the scope was focussed on NHS Highland internal arrangements and broader oversight and not an audit of the work of partner organisations such as Highland Council.

The Committee **noted** the report.

2.2 Primary Care

D Eardley introduced the paper which had assessed the annual review arrangements in place that are aligned with the GMS Contracts (Scotland) Regulations 2018. It was found that these arrangements did not include a pre-check with practices, or due diligence process on the submission of the return. In addition, NHS Highland had not issued up-to-date contracts to all independent GMS Practices. A sample of seven independent GMS Practices contracts were reviewed and none of these had been updated to reflect the changes required from the 2018 regulations, although contract change notifications had been sent to each practice.

The NHS Highland payment verification process was stood down in 2020 due to the pandemic and the resignation of the GP undertaking the checks, and had not been reintroduced. Payment verification was currently performed by National Services on behalf of NHS Highland. It was found that there was a lack of communication between National Services Scotland who currently perform a remote payment verification on behalf of NHS Boards and the Primary Care Team. A sample of NHS Highland policies across 2C Practices was reviewed and inconsistencies were found in versions used and the standard operating procedures in place.

Capacity issues reflected an apparent underlying root cause across the audit issues, and a number of recommendations were raised aimed at improving the overall primary care process including contract management, payment verification and policies across independent GMS Practices and board-managed 2C Practices.

In discussion,

- The Chief Officer as sponsor of the audit noted that though the completion dates were ambitious, they were realistic in terms of the scope of the audit with its focus on General Practice and ongoing work.
- Resourcing and capacity of staff was discussed and it was noted that in terms of the audit item that it was a matter of ensuring adequate controls were in place to manage capacity and enable prioritising of decision making. The Director of Finance commented that the current Value and Efficiency workstream could be of assistance in addressing how best to maximise and share resources.
- It was confirmed that the audit focused solely on North Highland and did not include Argyll and Bute.
- The Chief Executive noted that conversations about moving more General Practices back to an independent contracted model would need to address what capacity issues would need to be addressed by the Board.
- It was asked if the contracts to General Practice had been sent out at the same time. The Chief Officer noted that she would find out and report back outwith the meeting.
- It was confirmed that Payment Verification followed a national process from NSS. There was some scope to address certain areas at a local level but it was the national work that largely determined direction. The Director of Finance commented that a more defined response on the process of checking could be brought back to the Committee for Matters Arising.

The Committee **noted** the report.

2.3 Data Framework

M Fitton spoke to the paper which noted that there was no standardised guidance that instructed staff on what data was available to them, how to access it and how it should be used as part of their planning. This had led to inconsistencies in how different district services were using data within their planning including what data was used, its collection and who was using it. There was also limited consistency with data pathways in the organisation and the use of standard definitions within datasets.

Staff noted challenges in the ease of access to data which included an inability to access systems, staff not being included in distribution lists for data/reports, the restricted use of visualisation tools such as Power BI, the manual collection of datasets in parallel to the systems. Staff had also informed the Internal Audit team that they were not adequately trained, supported or comfortable in using data in their planning. All staff expressed concern with the level of training provided to use systems or incorporate data to drive decision-making or planning. Staff also reported numerous challenges with the reporting of data with little to no trend or root-cause analysis or benchmarking. The majority of staff had expressed a desire for data or further information to incorporate into their planning and showed a positive attitude towards using data as part of their planning process.

It was found that information reported to Scottish Government such as Delayed Discharges, had more robust processes with staff at all levels obtaining data and reviewing it daily.

The audit found evidence of an organisational approach to data-driven decision making was in the process of being established.

The report recommended a standardised framework with greater consistency for how data should be used. This would improve levels of guidance to signpost staff on how to collect, use and interpret data within their planning. Anecdotally staff reported that they did not have access to systems and had applied for access and had been either rejected or ignored. Distribution lists for datasets did not include all individuals within certain roles and seemed to be ad hoc in nature. It was felt that more focus on root-cause analysis would facilitate enhanced insights to help identify trends or to target factors to improve performance, with earlier intervention into outcomes helping to drive decision-making.

During discussion,

- Anecdotal evidence of difficulty of access to some systems was questioned in terms of access be able to do transactional work. However, the theme of inconsistency was acknowledged and it was felt that the report would help to target areas for improvement such as establishing a common structure and data centres.

- It was noted that the additional attention that had been paid to Delayed Discharges had greatly improved reporting and that this focussed approach could be adapted for other areas.
- Concern was expressed about staff using workarounds adding to areas of inconsistency in data gathering and it was felt that the actions from the report would address this. It was commented that there is a cultural dimension to the work required at all levels to help establish shared ways of collecting relevant data and enabling staff to have a better ownership and understanding of their roles within the organisation.
- The Chief Executive noted that it was essential that staff needed access to the right kinds of targeted data in order to do their work and that this would require a training component to ensure that staff had confidence in the data systems with which they work in order to make better use of data.
- A response was requested about the current status of the Morse system in light of delays noted.
- It was agreed that actions from the audit be taken to the FRP Committee.

The Committee

- **noted** the report, and
- **agreed** that actions be reviewed at the FRP Committee.

2.4 Vacancy Management and Monitoring

S Hume introduced the report which noted that NHS Highland had drafted a Standard Operating Procedure (SOP) to standardise the vacancy management process across the organisation, as the need for a more consistent process had been identified by management. An Integrated Service Planning (ISP) framework was also in development across NHS Highland, aimed at integrating finance, performance, workforce, and quality improvement factors. A Vacancy and Supplementary Management Group had been recently established at the Board level to oversee scrutiny and challenges related to vacancies.

The report identified a small number of areas for improvement which included, (i) finalising and implementing the SOP, and effectively communicating it across the organisation to help ensure a consistent approach throughout NHS Highland, (ii) ensuring that ATR forms contain explicit details providing necessary insight and are completed in their entirety, and (iii) establishing a process for accurately recording and documenting evidence of scrutiny and challenge over vacancies prior to approval.

In discussion, it was noted that interim actions would be identified for Control Objective 2 due to its completion date being a long way off due to the amount of work required to address the actions.

The Committee **noted** the report.

2.5 NTC Service Redesign

S Hume spoke to the report and noted the three control objectives which had the aim of gaining an understanding of the performance of the NTC within NHS Highland, if it was in line with the original business case, if the volume and mix of procedures was not aligned with original expectations, and in each case to note where there was good understanding of the barriers to performance and ensuring reliable reporting processes were in place. All of the actions identified were yellow and two actions were raised in relation to the report. Clear monitoring had been identified in place around performance with a clear reporting structure and leadership within the NTC.

The identified actions were both in relation to action logs and the recording of actions:

- Point 2.1 noted a lot of review and scrutiny around performance within the NTC against what was expected versus what is actually happening between planned and actual procedures. However, this work was spread across a number of different areas and

different reports which made it difficult to get a good understanding of variance and the actions taken to address the issues to ensure a clear picture across the NTC.

- Point 3.1 noted actions for resolutions of issues. It was noted that although there were a lot of conversations and different mechanisms in place for issues to be escalated through the leadership team there was no process in place for monitoring and tracking those through to resolution. Therefore it was recommended that a process was put in place to ensure a clear picture.

The Deputy Chief Executive commented on behalf of the Chief Operating Officer that the report was useful and that the recommendations would be accepted and would be relatively straightforward to implement in the short time frame.

The Committee noted the report.
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2.6 Management Actions

The Chair drew the committee's attention to the action tracker and noted that some headway had been made with management actions. Verbal updates, in relation to outstanding actions, from audit sponsors we given to committee as follows:

2.6.1 Environment & Sustainability

B Johnstone, on behalf of the Director of Estates provided a verbal update and noted that there had been little progress over the past 12 months due staff leaving the organisation.

- Two new staff with Environment and Sustainability responsibilities had recently been recruited with two further new members of staff expected to take up their roles shortly. It was expected that once the new team had met with B Johnstone to determine a strategy that progress would pick up pace. It was noted that the strategy document had many parts to it and that therefore the associated Communications Plan would be likely to take 10 months due to projects such as a Knowledge Transfer Partnership to develop a new Environment Management System with UHI.
- A revised date of 31 March 2025 was proposed with the proviso that any progress made sooner would be reported to the Committee in the management updates.
- The Chair noted that Environment and Sustainability also reported to the FRP Committee.

2.6.2 Pay Protection

The Deputy Director of People and Culture gave a verbal update which recognised that there had been significant work to address with some of the identified actions but that the majority had been completed within the timescales. However, the work around reviewing the remaining areas had taken longer than anticipated and therefore the dates for completion had been amended.

2.6.3 Shadow IT

The Head of eHealth gave a verbal update supported by an Excel spreadsheet outlining the latest position. It was noted that delays had been experienced due to some delays in national policy being made available.

- It was noted that the Information Assurance Group had agreed at its last meeting to proceed with revalidating local policies pending the announcement of national policies. It was proposed therefore that the management of national policies be moved to the Risk Register for oversight effectively closing the action as an audit response.
- Certain issues had been identified in the work with the Medical Physics team in delivering some of the new systems with data migration. A revised completion date of September 2024 was proposed and it was suggested that the action be moved to the eHealth Risk Register.

- A review of the Radiology Radiotherapy backup system was to be scheduled before the end of June 2024, and it was proposed that this be managed via the eHealth Risk Register.

The Chair noted that I Ross and Internal Audit would discuss these matters to ensure that risks had been satisfactorily de-escalated and that if the outcome was positive the actions could be closed off as proposed. However, it was suggested that the item should return to the committee for a future update to assure the members that there were no further delays in areas such as national policy.

2.6.4 Endowments

The Assistant Director of Financial Services gave a verbal update and noted that most of the actions had been closed. It was commented that the review of current funds due to be closed and merged be removed from the action tracker and monitored via the Endowment Fund Committee due to the additional time that would be required to ensure the process was complete.

The Chair noted that this was a reasonable approach but that the conversation should be had with Internal Audit to ensure requirements of the audit were satisfied. In addition, it was noted that the item could be returned to the Audit Committee if the Endowment Fund Committee deemed it to be beneficial.

2.6.5 Patient Services

The Assistant Director of Financial Services gave a verbal update and noted that the remaining items were in the final stages of completion:

- The first steps in reconciling the Carefare system to the Finance system had been completed in identifying debtors ID in the financial system. However, this comparison of data required a manual approach due to the incompatibility of the systems. Therefore it was proposed that the completion date be changed to the end of July.
- A governance report on Aged Debt would be produced to assist management in seeing where Aged Debt was originating, for how long and what its main drivers were. It was suggested that the report would be ready for September.

2.6.6 Resilience

The Deputy Chief Executive provided a verbal update supported by a short report with further context by the Head of Resilience circulated before the meeting.

- It was noted that discussion was required to consider the most suitable route to report on the work of the group.
- National guidance had been received about risk and its function as a catalyst to cascade down to regional level and as well as ensuring an integrated service level approach working across agencies, and this had helped to set levels of priority.
- The organisation's response to a number of incidents which had occurred over the period since the last update were detailed in the paper, and it was noted anecdotally that NHS Highland had dealt with more incidents over a six month period than the rest of the country had over the year. It was felt that teams had responded very well.
- In terms of resilience planning and business continuity planning the aim was to ensure that responses were not only adequate, but as simple to carry out as possible.
- NHS Highland had participated in a national 'desktop exercise' for major incident response which had involved all Scottish health boards. The simulated incident was centred on Golspie which meant that the organisation was at the centre of the exercise. The response team had performed very well and it was felt to be a good learning experience and there would be a number of learning events which would arise from the exercise, the first of which was the updating of NHS Highland's major incident plan, but further formal commentary was to be received and would be adopted into the plan.

The Committee

- **noted** the verbal updates and Resilience report, and

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

2.7 Draft Internal Audit 2023/24 Update

D Eardley provided a verbal update of progress towards the Internal Audit report for 2023/24 and noted that the Progress Report (item 2.1) had outlined work towards completion and some of the challenges faced but that work was currently on track.

The Committee

- **noted** the update.

3. EXTERNAL AUDIT

3.1 Verbal Draft External Audit 2023/24

C Gardiner confirmed that interim work was completed at the end of March. There were no significant issues highlighted and the follow up will address some control issues raised as part of last year's audit and will include this in the narrative in the annual audit report.

The accounts were received at the end of the previous week slightly behind schedule but with awareness of some national issues concerning errors with the template and the late issue of the manual. It was also noted that there had been a change to IFS16 and the model that Scottish Government asked health boards had been issued late in the day in addition to the final allocation letter. Some pre-emptive testing had been carried out in advance of receiving the accounts and it was felt that the team were in a good place to progress in line with original time scales.

However, it was noted that there was an emerging issue in relation to SPP and the required figures for the Remuneration report and it was hoped that information relating to this area would be received by late May which may add pressure on the audit team in the final stages. It was noted that this was a national issue and not specific to NHS Highland.

It was hoped that the draft report would be available for the Director of Finance to review by the clearance meeting that had been scheduled for 10th June, which ought to enable the report in its final version to be ready for the meeting of the Committee on 18th of June.

The Committee

- **noted** the update.

3.2 NHS in Scotland 2023

M McLauchlan provided a slide presentation outlining the main points of the report with attention paid to areas of relevance to NHS Highland.

- It was agreed that the slides would be made available to the Committee after the meeting.
- The key message reflected that the report gave a high level strategic view with a three-part structure reintroducing a lot of financial analysis that had been paused during the COVID pandemic. The report also was intended to serve as the Auditor General's input into discussions about longer term reform. The recommendations reflected, a greater need for direction from Scottish Government (SG) and the recommendations from the report were largely directed towards SG more so than health boards to address and support reforms.
- The report reflected the fact that SG had provided a one-year budget although there had been clear indication that multi-year spending plans should be produced for the current calendar year.

- The alignment of financial activity planning introduced for 2024/25 onwards was broadly welcomed and reflected pressures around inflation, pay deals, and prescribing costs.
- The announcement of a pause on new capital projects, highlighted wider capacity issues across the system, and with the end of COVID-19 specific funding, the 2023/24 break even position had been more challenging.
- The overarching finding was that there was a fundamental mismatch between demand and capacity across the health and social care system and that this was contributing significantly to progress from recovery to reform under the Scottish Government's Corporate Recovery plan.
- Proposed plans were currently sitting with the Auditor General awaiting approval, but there had been work undertaken to address some of the feedback received from stakeholders. Publication had been delayed through COVID and moved to February of each year with the intention post-pandemic to return to pre-Christmas publication. Notwithstanding timing of a general election it was hoped that the next overview report with a tight focus on finances and performance would be available this side of Christmas.

In discussion, the Chair noted slide 9 regarding good governance as particularly pertinent to NHS Highland and that this item would be addressed in item 9.1 (below).

- It was commented that the recommendations from the report had gone to Scottish Parliament and its Audit Committee in March and that it was due to appear in Parliament in June for formal acceptance of those recommendations its Audit Committee had endorsed. The recommendation around a capital investment strategy was accepted by Scottish Government and taken forward through the budget communication at the start of the year. It was noted that the Deputy First Minister's budget statement as well as the then Deputy First Minister's budget statement indicated broad acceptance of the recommendations. Work will be followed up directly with the Scottish Government and will report next year on progress.
- The Deputy Chief Executive noted the importance of distinguishing Integrated Joint Boards (IJBs) from other integration arrangements in national communications. M McLauchlan commented that an expanded financial bulletin was due to be published in July which would give an overview of the sector and that discussions were being had to address how to better reflect the distinctions in communications.

The Committee

- **noted** the presentation.

A comfort break was held from 11.00 to 11.10am

5. COUNTER FRAUD

The Committee noted that there had been no significant update to add to that provided at the March meeting and that an update would return to the next meeting.

6. ARGYLL & BUTE IJB AUDIT & RISK COMMITTEE UPDATE

The Business Improvement Manager noted due to a change in administration and the committee not being quorate it was suspended until the appointment of elected members to the IJB. No specific health related audits reported to committee or identified to action during the period was highlighted.

The Committee **noted** and **agreed** to take **moderate** assurance from the report.

7. AUDIT ASSURANCE REPORT FOR EXTERNAL SYSTEMS

The Assistant Director of Financial Services advised there was delay in receiving the Audit Assurance Report for External Systems from NES. It was noted that the report would be deferred to the June 2024 meeting.

The Committee **noted** the report would be deferred to the June meeting.

8. AUDIT SCOTLAND REPORTS

The Committee Chair advised the agenda of links to reports that may be of interest to committee members.

- Scottish Public Services Ombudsman annual audit 2022/23
<https://audit.scot/publications/scottish-public-services-ombudsman-annual-audit-202223>
- Healthcare Improvement Scotland annual audit 2022/23
<https://audit.scot/publications/healthcare-improvement-scotland-annual-audit-202223>
- Mental Welfare Commission for Scotland annual audit 2022/23
<https://audit.scot/publications/mental-welfare-commission-for-scotland-annual-audit-202223>
- NHS Highland annual audit 2022/23
<https://audit.scot/publications/nhs-highland-annual-audit-202223>
- NHS National Services Scotland annual audit 2022/23
<https://audit.scot/publications/nhs-national-services-scotland-annual-audit-202223>
- Scottish Public Pensions Agency annual audit 2022/23
<https://audit.scot/publications/scottish-public-pensions-agency-annual-audit-202223>
- Highland Council annual audit 2022/23
<https://audit.scot/publications/highland-council-annual-audit-202223>
- NHS 24 annual audit 2022/23
<https://audit.scot/publications/nhs-24-annual-audit-202223>

The Committee **noted** the Audit Scotland Reports.

9. ANNUAL REVIEW OF GOVERNANCE

9.1 Blueprint for Good Governance Improvement Plan

The Board Secretary advised the report was the formal six-monthly assurance report to the Committee on progress made with the Blueprint Improvement Plan in relation to the committee. Four actions are specific to the Audit Committee which had progressed well, two of which are now complete. Translation of revised risk appetite into workable processes for colleagues and upskilling workforce in risk management knowledge and methodology would continue to progress through the upcoming months. The appendix to this report now details the progress that has been made for Committee members' information and oversight. The next Board level progress update is scheduled for July 2024.

Following questions from committee members regarding staff resource for actions that would be progressing over the coming months, further discussion would be had within the Executive Director Group.

The Committee **noted** and **agreed** to take **moderate** assurance from the report.

9.2 Revisions to Standing Financial Instructions

The Director of Finance noted The Procurement team revised the Standing Financial Instructions (SFI), adjusting thresholds for different tendering levels and aligning with current values. The revised SFI now includes references to Adult Social Care contracts where appropriate, except for payment in advance for social care, which does not align with the NHS manual for accounts. A forthcoming report will address risk mitigation related to advance payments in social care.

The Committee:

- **Noted** that a fully revised version of SFIs will be incorporated into the Code of Corporate Governance and uploaded to the web once fully agreed.
- **Agreed** to recommend approval of the revised SFIs at the Board on 28 May 2024
- **Agreed** a report to be presented at the next meeting regarding risk mitigation related to advance payments in social care.
- **Agreed** to take **substantial** assurance from the report.

9.3 Governance Committee Annual Assurance Reports for 2023-24

The Board Secretary spoke to the report which outlined the annual reports for 2023-24 to demonstrate how Committees functioned in the role defined by their Terms of Reference. The Annual Reports had been agreed at each respective committee meeting in March and April, except for the Remuneration Committee, which would be reviewed at the upcoming meeting. The audit committees own annual report would be presented to the committee in June 2024.

The Committee:

- **Approved** and **recommend** to the Board the Governance Committee Annual Reports for financial year 2023-24 which form a key part of the evidence in support of the Annual Accounts Governance Statement.
- **Agreed** to take **Substantial** assurance from the report.

10. Any Other Competent Business

There were no AOCB items discussed.

11. DATE OF NEXT MEETING

The next meeting will be on **Tuesday 18 June 2024** at **9.00 am** on a virtual basis.

The meeting closed at **11.40 am**.