

<b>HIGHLAND NHS BOARD</b>	Assynt House Beechwood Park Inverness IV2 3BW Tel: 01463 717123 Fax: 01463 235189 <a href="http://www.nhshighland.scot.nhs.uk">www.nhshighland.scot.nhs.uk</a> 
<b>DRAFT MINUTE of MEETING of the NHS Board Audit Committee</b> Microsoft Teams	<b>28 June 2024 09.15 am</b>

**Present:** Gaener Rodger, Non-Executive (Chair)  
Alexander Anderson, Non-Executive  
Alasdair Christie, Non-Executive  
Garret Corner, Non-Executive

**In Attendance:** Gareth Adkins, Director of People  
Tim Allison, Director of Public Health  
Graham Bell, Non-Executive  
Evan Beswick, Interim Chief Officer, Argyll and Bute HSCP  
Louise Bussell, Nurse Director  
Ann Clark, Non-Executive Director  
Elspeth Caithness, Employee Director  
Muriel Cockburn, Non-Executive  
Sarah Compton Bishop, NHS Highland Board Chair  
Lorraine Cowie, Head of Strategy and Transformation  
Heledd Cooper, Director of Finance  
Ruth Daly, Board Secretary  
Fiona Davies, NHSH Chief Executive  
David Eardley, Azets, Internal Audit  
Patricia Fraser, Audit Scotland  
Claire Gardiner, Audit Scotland  
Stephanie Hume, Azets, Internal Audit  
Philip Macrae, Non-Executive  
Richard MacDonald, Director of Estates  
Gerry O'Brien, Non-Executive Director  
Liz Porter, Assistant Director Financial Services  
Nathan Ware, Governance and Corporate Records Manager  
Emily Woolard, Non-Executive  
Stephen Chase, Committee Administrator

*The meeting was preceded by a meeting of the Trustees of the Endowment Fund for NHS Highland and followed immediately by an In Committee meeting of the NHS Highland Board.*

## 1.1 WELCOME AND APOLOGIES

The Chair welcomed those in attendance. Apologies for absence from committee members were received from Susan Ringwood and Joanne McCoy.

## 1.2 DECLARATION OF CONFLICT OF INTEREST

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 OF MEETING HELD ON 18 JUNE 2024

The minute of the meeting held on 18 June 2024 was **approved** as an accurate record.

### 1.4. MATTERS ARISING

There were no matters arising.

## 2 ASSURANCE FOR THE CONSOLIDATION OF ENDOWMENT FUND ACCOUNTS

The Committee **noted** that the Endowment Fund Accounts had been approved and that it could take assurance that having been audited, with an unqualified opinion, that they could be consolidated within NHS Highland's Accounts.

The Committee,

- **Noted** that the Endowment Fund Accounts had been approved by the Trustees and that assurance was taken that having been audited, with an unqualified opinion, that they be consolidated within NHS Highland's Accounts.

## 3 Draft Final External Audit Annual Report & Letter of Representation from NHS Highland to Audit Scotland

C Gardiner thanked the Committee members for their forbearance in the slight delay to the release of the report, and introduced the cover letter and the Annual Audit Report.

- The Cover letter had been prepared under ISA580 and ISA260 and showed that the External Auditors intended to provide an unmodified audit opinion, and that the Annual Audit Report demonstrated no unadjusted errors. The Committee was asked to reflect to ensure that it was comfortable with the judgements and that there were no post-balance sheet events which could affect materiality.
- The Letter of Representation in appendix B of the report provided assurances from the Accountable Officer on the key judgements within the Annual Accounts, which included fraud and any areas of non-compliance with laws, regulations or litigations.
- C Gardiner confirmed for the purposes of assurance that the External Audit had remained independent and had complied with ethical standards for the year.
- It was noted that a modified audit opinion would be issued due to the change in materiality rates during planning and that this had been due to the increased level of expenditure faced by the organisation.

The significant findings of the report in key audit matters noted,

1. That the Pension asset and liability accounting treatment had departed from accounting standards in relation to how NHS Highland recognised the pension and asset liability. The External Auditor requested that the accounting treatment arrangement be formalised with Scottish Government.
  2. That the Pension Liability had become a Pension Asset and this had additional accounting regulations associated with the change requiring additional work by the actuary to restrict the pension asset with an asset ceiling. This had not impacted on the opinion of the External Audit but it was recommended that additional work be undertaken with Highland Council to address this in future years.
  3. That work continues to address documenting Lease Agreements to ensure a higher level of documentation than currently exists.
  4. That Non-current Asset Impairment is given more formal treatment in its processes.
  5. That the model used by NHS boards and the External Auditor regarding the change in accounting for service concession agreements differed and that therefore appeared over the reporting threshold and was noted. However, the External Auditor was satisfied that the estimate was materially correct and that no changes were required.
- It was noted that there were no material misstatements in the financial statements.

- The additional pressures around the timetable for the audit were noted as was the pressure that had been put on the NHS Highland and External Audit teams, which were due in part to errors in the accounting template and the late issuing of the accounts manual, final allocation letters and CETV (Cash Equivalent Transfer Value) figures and associated guidance from Scottish Government. It was noted that this had been the first time since the 2018-19 period that the accounts had been available for sign off within June and thanks were expressed to the Finance team for their work.
- It was recommended that work be undertaken to consider how best to distil the messaging of the annual accounts for lay readers and convey the key points raised in the reports.
- The External Audit found appropriate financial management arrangements were in place and that this had been informed by a review of budget setting and monitoring actions.
- Four material control weaknesses were noted and raised with management and the External Auditor was satisfied that appropriate actions had been agreed to address these areas.
- Future financial stability was noted as an area of concern, and the level of challenge faced by the organisation was flagged in the report. The External Auditor had expressed satisfaction that these risks were being addressed seriously and appropriately by NHS Highland and that the risks were similar across the sector.
- Satisfaction was noted that appropriate governance arrangements were in place and the work to address the Blueprint for Food Governance was acknowledged.
- The positive work undertaken to address cybersecurity arrangements was recognised but caution was noted due to the ongoing threat and the experience of other Scottish health boards who had experienced recent cyberattacks.

During discussion,

- The Chair recommended that the action plan from the External Audit be brought to the December meeting for consideration. It was noted by the Director of Finance that responses to most of the recommended actions were underway but commented that some of the actions were reliant on work with Scottish Government and Highland Council and that NHS Highland would work with partners to progress these areas.
- It was noted that there was little guidance given within the NHS Accounts Manual around performance analysis and that there was considerable scope given as to how non-reportable areas could be reported. It was suggested in discussion that this be an area for the Board to consider in addressing performance and required reporting and public messaging via the Annual Review. It was noted that the short turnaround time for the report necessitated a focus on reportable areas but that there was a broad keenness to consider ways to address performance and good communications with the public. The Director of People commented that there had been plans by Scottish Government to update the performance management measurement framework prior to the pandemic and that this area of pending reporting requirements should be considered as part of this conversation.
- A typographic error was noted on p. 276 of the papers, and it was commented that this should read "March 2025" instead of '2024'.

The Committee,

- **Considered** the report of the External Auditor and **noted** the content, and
- **Noted** the Letter of Representation.

#### 4 Draft Annual Report and Accounts 2023/24 for NHS Highland

The Director of Finance noted that the accounts had not changed significantly since they had been presented to the Committee on 18 June. There had been some guidance received late and there had been some minor changes to the pension information and the remuneration report values. The liability risk table (note 22) had been amended and an addition had been made to the principal payments (note 18b). There had been no material change to the

accounts from the version presented on 18 June. A guidance note had been included to assist with understanding the key variances discussed on 18 June.

There was discussion regarding Scottish Government's recent statements regarding proposed changes to the lead agency model around the implementation of a National Care Service. It was noted that this would not constitute a post-balance sheet event as the figures as presented had not been impacted by this news and that a new agency model would not be implemented until it had progressed through the Scottish Parliament. It was noted that the proposed changes would need to be addressed in future as a risk for the organisation but that there was no necessity to include reference to the proposed changes for the current annual accounts statement.

The Committee,

- **Noted** the submission of the NHS Highland Annual Report and Accounts including the Summary of Losses, and
- **Recommended** the Annual Report and Accounts for approval by the NHS Highland Board.

## 5 Any Other Competent Business

There was an update to the Patient & Client Funds Account noting a slight adjustment which had been discussed at the meeting on 18 June. The Assistant Director Financial Services noted that an adjustment had been queried by the auditors of £28,000 regarding unposted transactions to the source Trojan system. This was investigated and additional samples were provided to the auditor who was satisfied with the adjustments and that the SFR remain unmodified.

## 6 DATE OF NEXT MEETING

The next meeting will be on **Tuesday 10 September 2024** at **09.00 am** on a virtual basis.

The meeting closed at **09.52 am**.