

<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>18 June 2024 09.00 am</b>

**Present:** Gaener Rodger, Non-Executive (Chair)  
Susan Ringwood, Non-Executive (Vice Chair) (until 10.30am)  
Alexander Anderson, Non-Executive (until 10am)  
Alasdair Christie, Non-Executive  
Garret Corner, Non-Executive  
Emily Woolard, Non-Executive (until 10.30am)

**In Attendance:** Louise Bussell, Nurse Director  
Ann Clark, Non-Executive Director  
Lorraine Cowie, Head of Strategy and Transformation  
Heledd Cooper, Director of Finance  
Ruth Daly, Board Secretary  
Fiona Davies, NHS Chief Executive  
David Eardley, Azets, Internal Audit  
Patricia Fraser, Audit Scotland  
Stephanie Hume, Azets, Internal Audit  
Ruth MacDonald, Head of Social Work Services (items 2.1 and 2.2)  
Gerry O'Brien, Non-Executive Director  
Boyd Peters, Medical Director  
Liz Porter, Assistant Director Financial Services  
Nathan Ware, Governance and Corporate Records Manager

### 1.1 WELCOME, APOLOGIES AND DECLARATION OF INTERESTS

The Chair welcomed those in attendance and noted that Susan Ringwood and Emily Woolard would need to leave the meeting at 10.30am. There were no other formal apologies from Committee members. Ruth MacDonald was attending on behalf of Pam Cremin, Chief Officer for Community Services.

### 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 21 May 2024

The minute of the meeting held on 21 May 2024 was **APPROVED** as an accurate record.

The Committee also **AGREED** that the rolling actions spreadsheet be amended to show item 2 relating to risk management training was now closed. No further actions were required on this for Board members. It was **NOTED** item 3 relating to Audit Committee membership was currently in hand and would be included in a report to the Board at the end of July 2024.

### 1.4. MATTERS ARISING

There were no matters arising.

## INDIVIDUAL INTERNAL AUDIT REPORTS

### 2.1 Internal Audit Progress Report

The Committee had received an internal review on adult social care services covering (a) the delivery of the new multi-disciplinary discharge model across community and acute services, and (b) Care at Home review and systems. Speaking to the report Stephanie Hume, Internal Audit, provided a brief outline of the scope of the audit and confirmed that there were six control objectives resulting in eleven actions. Eight of the actions were grade three which represented high risk to the organisation. Key areas for consideration were as follows:

- Leadership oversight and governance of the new 'Discharge Without Delay' (DWD) planning model highlighted weaknesses. A short-term working group had been established to implement the new process however there was a lack of clarity on: (a) leadership and accountability of the project, (b) whether key individuals had been involved in the process design and (c) whether sufficient time and resources had been allocated. The DWD delivery group had been disbanded and the senior responsible officer had retired with no replacement.
- There was no documentation or scrutiny of the whole discharge planning process. The audit recommended that key processes should be outlined in the new model and queried whether a standardised approach should be adopted or whether individual districts could tailor their approach.
- Communication and training plans were not consistent regarding the new model.
- There was no clear escalation policy or process regarding patient discharge from hospital and treatment. There were different structures in place, and it was fundamentally unclear who held overarching oversight and management.
- Regarding Care at Home, there was no documented process and staff demonstrated inconsistencies in levels of understanding of care package processes and reviews.
- Reporting on care package reviews was very limited. While the costs were reported within financial reporting there was little information presented on this to District and Area managers and the Adult Social Care team.
- Accuracy of Care at Home data was not robust nor easily accessible. Management could not confirm the accuracy of the information with different information across different systems.
- There was a need for implementation support for new CM2000 system for Care at Home services with sufficient resource.

Responding to the summary of the review, Ruth MacDonald, Head of Social Work Services, emphasised the importance of the work to deliver the new Discharge Without Delay system. She highlighted the gap in regulations around delivery and the challenges of embedding the new model and simultaneously delivering services. It would be essential to re-establish an oversight group to direct this activity. She agreed that consistent data was crucial to delivery of CM2000 and the management plan arising from the audit would feed into the broader spectrum of work that is required.

During discussion, Committee members raised several issues and queries as follows:

- The management actions included a mixture of fixed dates and dates for review. It was explained that this included timelines for work that would be started immediately and would be fitted into Care at Home, Community Services and Acute Services workplans.
- The management actions appeared to be driven by the September finish date for the CM2000 project and the end of the lead officer's contract. It was queried whether a more realistic timeframe was necessary to address all the audit's findings. In response it was confirmed that a far more detailed action plan would be developed around all the findings. The CM2000 project plan was about ensuring a consistent use of the system across the Board. Other action plan timelines were not related to the CM2000 project.

- It was asked whether there would be wider learning to be gained from the audit in terms of the organisation's approach to redesign. In response, it was acknowledged there were challenges in improving processes while continuing to deliver services. Overarching leadership was essential to success.
- It was acknowledged that different approaches could apply across the Board's districts. Further clarification was sought on what would be an acceptable level of variation in service delivery while ensuring equity of outcome. While aspiring to work to a consistent set of principles it was necessary to recognise the need for different approaches across the Board's geography and to take account of differing staffing resources across the districts. This was a long-experienced challenge, and it was important to set parameters that allowed variation within expected processes.
- Referencing the need for oversight activity, further information was sought on whether Executives were assured on how the actions would be governed going forward. The Chief Executive commented that oversight needed to be robust, and data driven. There was previously a degree of transparency which had fallen away recently, and which prompted her to want to understand the current situation with the Unscheduled Care Programme Board. The audit had not focussed on the wider integrated service delivery arrangements. The full suite of system activity encompassed complex multi-disciplinary decision making. One significant question was how the organisation culturally understood the function of discharge planning and managed associated the risks. It was not possible to achieve a full overview from the report.
- It would be important to understand how all the action points included in the audit would be picked up and tracked. It was noted that the Committee would receive a review of progress against the management actions in December 2024.
- As Chair of Highland Health and Social Care Committee, Gerry O'Brien welcomed the discussions and noted the complexity of the situation which had become apparent at this meeting. He welcomed the comments made and supported the view that there should be governance of the whole integrated pathway. He would work with the Chief Officer for Community services to understand what role HHSCC could play to move this forward. The issues raised in the audit report would be taken through the HHSC Committee to provide assurance to the Board.
- Focussing on the care and cost risks highlighted under Objective 4 (clear policies and procedures regarding the monitoring and review of Care at Home packages) it was queried whether sampling had been undertaken and whether this had impacted on any client. The input and sharing of information with the Joint Monitoring Committee and The Highland Council was also queried. The Chief Executive confirmed that she would look into this particular question.

The Committee <b>noted</b> the report.
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## 2.2 Complex Care Packages

The Committee had received an internal audit review on younger adults' complex care packages and governance arrangements. Speaking to the report David Eardley emphasised that his report was not intended to comment on any clinical professional judgements but focussed on processes and governance. The report identified areas for improvement in the current processes in place. The significant grade three findings were highlighted as follows:

- While there was clear scrutiny of individual packages the audit could not provide assurance on how they were seen within the context of wider system delivery. This explained why some care packages were confirmed but could subsequently not be met due to other factors. The delivery of some packages is therefore hampered and there was a need for better cognisance of what the package means not just from an individual perspective but also from a wider perspective.
- Some exceptions had been identified from Audit testing of the packages. This was a particular concern for high impact and value care packages. Some packages did not

include recommendations and did not address wider considerations such as resources availability and sustainability of the service.

- Review of packages should include a process to review periodically with dates that consider evolved care needs. There were significant cost impacts associated with some packages which did not include review dates.
- Management should develop a reporting framework for complex care packages in which the total number and costs are reported on a regular basis, alongside issues with delivery and details of the sustainability of the services being provided.

Responding to the summary of the review, Ruth MacDonald, Head of Social Work Services, emphasised the need for reviews. It was noted that the self-directed support legislation required organisations to tailor reviews according to patients' needs. There was learning as to how the organisation matched the reviews with resource reviews. Investment and review was an ongoing process and it was important to document and record this. The strategy needed review for individuals who have 24-hour needs. The SDS standard was to reduce bureaucracy while maintaining sufficient governance and oversight. The report helped put a framework around the work of the leadership team.

During discussion the following issues were raised:

- The report echoed the issues raised in the previous paper on integrated governance arrangements. The integrated strategic plan for adults was the overarching strategy that sets out the framework for complex care packages. A more granular plan was currently not available for 24-hour packages. This raised queries about the role of integrated governance in providing a suitable forum for staff to take these decisions.
- Establishing the overall governance framework was a key consideration. Notwithstanding the significant costs, it was essential that the primary consideration should be equity and equality of service provision of the packages.

The Committee **noted** the report.

### **2.3 Management Actions**

The Committee **NOTED** that there was no further update since the recent last meeting of the Committee on 21 May 2024. The next written update would come to the September 2024 meeting of the Committee.

### **2.4 Internal Audit Annual Report 2023-24**

The Committee had received a report that summarised the key findings from the internal audit work undertaken at NHS Highland which included Azets overall opinion on NHS Highland's internal control system.

Speaking to the report David Eardley confirmed in assessing the level of assurance given they considered the following:

- All the reviews undertaken as part of the 2023/24 internal audit plan.
- Any scope limitations imposed by management and any matters arising from previous reviews and the extent of follow-up actions taken including in year audits.
- The expectations of senior management, the Audit Committee, and other Stakeholders.
- The extent of how internal controls address the NHS Highland's risk management/control framework and the operating environment.
- The effect of any significant changes in NHS Highland objectives or systems and the internal audit coverage achieved to date.

He also confirmed that the most adverse reports of the year were the Adult Social Care Services and Complex Care Package audits, which reflected the complexity of those services and the work that was still required to improve their amber risk rating; he noted this had been reflected in the report.

The Chair sought clarity on whether the 26 remaining actions included those discussed in today's meeting; it was confirmed they were not included until Audit committee approves those recommendations.

The Committee <b>noted</b> the report.
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### 3. Audit Assurance Report on External Systems

The Committee received an Audit Assurance Report on External Systems as part of the annual accounts process. The report outlined the outcome of the three Service Audits undertaken in 2023/24; these were NHS National Services Scotland covering Practitioner and Counter Fraud Services; National IT Services for the NHS in Scotland; and NHS Ayrshire & Arran covering the National Ledger System (NSI – National Single Instance Financial Ledger Services).

The Assistant Director Financial Services confirmed it was the final report circulated and not a draft version as noted in the agenda, she highlighted:

#### NHS National Services Scotland (NSS) covering Practitioner and Counter Fraud Services.

- The assessment of payment practitioners and counter Fraud Services was conducted by PwC this year with various services being examined.
- Auditors noted the description did not fully represent the practitioner and counter fraud services payment controls that were implemented throughout the 2023-24 financial year. Most controls related to the control objectives were suitably designed for the same period, except for one test that failed during controls testing. Despite this exception, the controls were deemed necessary to provide reasonable assurance.
- NSS management acknowledged this exception, and their responses were included in the report as an appendix.
- The errors and values associated with these exceptions were minor—each less than £10, with one having no financial consequence. Staff members had been retrained in these areas, and further testing confirmed compliance with the controls, revealing no additional findings.
- The assessment led to a qualified opinion specifically related to the dental element. This qualification was not averse to the overall opinion, and the NFS audit and Risk Committee members expressed confidence in the operation of controls concerning payments to primary care contractors. A letter from the finance director was attached to confirm these findings.

#### National IT Services for the NHS in Scotland.

- The PwC reviewed the National IT Services for the NHS in Scotland for the first time. During the review, they assessed systems supporting the E-pharmacy programme across Scotland and the calculation of payments for primary care practitioners and NHS payroll.
- The auditors advised the descriptions provided was representative of the services provided throughout the 2023-24 financial year. Throughout the period it was noted that the controls had aligned with control objectives, except for one failure related to logical access for applications, operating systems, and databases. The failure was reviewed and found to have been minor with no significant impact in the overall confidence in IT controls.

- NSS management accepted the exception and took action to mitigate the impact. Staff received training, procedures were reviewed, and control wording adjusted where necessary. The NSS Audit and Risk Committee remains assured that IT controls were in place.

#### NHS Ayrshire & Arran covering the National Ledger System.

- There had been no findings or exceptions from the National Ledger System 2023-24 audit which had been conducted by same auditors as previous years.

The Committee **noted** the report and **took substantial assurance** from the satisfactory Service Audit reports from National Services Scotland (NSS) covering Practitioner Services Division, National IT Services and NHS Ayrshire and Arran covering the NSI Ledger system.

#### **4. Audit Committee Annual Report 2023-24**

The Chair spoke to the circulated report and noted the below adjustments she proposed to make:

- The final Audit Committee date would be updated to include 18 June 2024 meeting and its attendance.
- Section five, page three – Key Performance Indicators would be updated to reflect the committee had received 11 formal written summaries.
- Page three, paragraph six – the risk exposures would be updated to reflect the discussions in today's meeting.

The Committee **approved** the Annual Report of the Audit Committee.

#### **5. Draft Letter of Representation from NHS Highland to Audit Scotland**

The Committee **NOTED** that this related to item eight – Patient and Client private Funds and would be discussed as part of that item.

#### **6. External Audit**

##### **6.1 Draft Final Annual Audit Report 2023-24**

Patricia Fraser, Audit Scotland provided a verbal update and highlighted the following:

- Work was still underway to finalise the audit annual report, but they expect to issue an unmodified audit opinion.
- She confirmed that one error had been identified but after further assessment it had been noted as immaterial.
- She highlighted the delay had been caused by matters out with Audit Scotland and NHS Highland's control and indicated the finalised report should be ready by 21 June 2024.

The Committee **noted** the verbal update.

#### **7. Draft Annual Report & Accounts 2023-24 for NHS Highland**

The Director of Finance clarified that Committee were asked to note and provide comment on the report as the request for approval would come to the meeting on 25 June 2024. She confirmed the report had four sections: the performance report, the accountability report, the auditor's report, and the financial statements. A further report would be provided to the next

committee meeting to highlight key variances and provide detailed explanations for each variance.

The Assistant Director of Financial Services spoke to the circulated report and highlighted:

- Employee expenditure had seen a movement of £51.4million, which had been impacted by the pay outlift, supplementary staffing, medical agency locums, and junior doctors.
- Operating expenditure had been influenced mainly by prescription drugs in primary and secondary care, it was noted that primary care experienced a drug tariff increase leading to a movement of £7.7million, while secondary care experienced an increase in drug requisitions and medical supplies, amounting to over £5million and £4.9million respectively. These changes were driven by the opening of the National Treatment Centre and price increases in medical supplies.
- Income from other Scottish Boards was a key driver for operating income. Other sources had included additional endowment funding, adult social care quantum, and the real living wage allocation.
- There were acquisitions in capital of £26.7 million which the performance report provided a summary of the related projects. It was noted there was an increase in accrued income from the Highland Council for pass back of adult social care funds.

The Director of Finance added that the information contained in the report had formed part of the Integrated Performance and Quality Report (IPQR) throughout the year and included key targets set by Scottish Government.

The Vice Chair of Board suggested a review of the strategy in terms of transitioning from basic to best practices. The Chief Executive noted operational challenges had emerged throughout the year which made the timing of this process challenging. She highlighted the need to explicitly describe the process, clarify parameters and the underlying plan to achieve the later stages.

The Committee **noted** the NHS Highland Annual Report and Accounts including the Summary of Losses.

**The Committee took a short break at 10.46am and the meeting resumed at 10.55am**

## **8. Patient and Client Private Funds**

The Committee had received report that covered receipts and payments of patients' and clients' private funds for the financial year in accordance with the requirements of the 2023-24 NHS Board Accounts Manual.

The report provided an overview of the NHS Highland patient and client private funds for the financial year and asked the board to approve the accounts for submission to the NHS Highland Board.

The Assistant Director of Financial Services spoke to the circulated report and highlighted the following:

- The letter of representation confirms we had instructed Johnston Carmichael to audit the Patient and Client Private Funds accounts.
- The auditors reported no issues with the accounts; however, a reconciliation issue was identified separately and is being investigated.

The Committee **approved** the accounts for submission to the NHS Highland Board.

## 9. Counter Fraud Quarter One Update

The Committee had received a report that confirmed the Counter Fraud Service (CFS) had launched the CFS Prevention Strategy 2023-26 which detailed how CFS will prevent fraud over the coming three years. The document provided supports the 'Prevent Pillar' of the Counter Fraud Strategy which was launched last year.

The Case management system, Clue went live in April 2024 and had been utilised across all areas of CFS and it was expected the software would enhance efficiency and effectiveness in managing casework from initial referral to full investigation or prevention activity.

The Assistant Director of Financial Services confirmed a formal progress update would come to Committee in September 2024.

The Committee **noted** the report.

## 10. Best Value Framework

The Committee received a report that provided a summary of key achievements and progress made as part of the Scottish Government Best Value Framework. There are seven themes in the Best Value Framework; Vision and Leadership; Governance and Accountability; Effective use of resources; Partnership and collaborative working; Working with communities; Sustainability; Fairness and equality.

The Director of Finance spoke to the circulated report and explained NHS Highland had undertaken an initial assessment against each theme as part of the Board's Annual Report which was detailed under Appendix B. She highlighted the following points:

- NHS Highland had a responsibility to deliver the best value for services and guidance on how to achieve this had been provided by Scottish Government.
- It was noted in the previous year's external audit that NHS Highland could evidence a best value process was in place however couldn't formally evidence all the aspects required were being met consistently and this report formed an initial attempt to address the concerns identified.
- The Director of Finance confirmed the governance arrangements for the report were still under consideration, but it had been shared with the Finance, Resources and Performance Committee in the interim.

The Committee **noted** the report.

## 11. Audit Scotland Report

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

- <https://www.audit-scotland.gov.uk/publications/search>

The Committee **noted** Audit Scotland Reports.

## 12. Any Other Competent Business

There were no AOCB items.

## 13. DATE OF NEXT MEETING



The next meeting will be on **Tuesday 25 June 2024** at **09.00 am** on a virtual basis to have a detailed review of the annual accounts.

The meeting closed at **11.43am**.

DRAFT