

SHETLAND NHS BOARD**Minutes of the Meeting of the Audit and Risk Committee held at 2.00pm on Tuesday 26th November 2024 via Microsoft Teams**

Present	
Mr Joe Higgins [JH]	Non-Executive Director (Interim Chair)
Mr Lincoln Carroll [LC]	Non-Executive Director
Mrs Natasha Cornick [NC]	Non-Executive Director (<i>till 2.55pm</i>)
Mrs Kathy Hubbard [KH]	Non-Executive Director
Mrs Gaynor Jones	Non-Executive Director (incoming Chair)
In Attendance	
Mr Colin Marsland [CM]	Director of Finance
Mr Brian Chittick [BC]	Chief Executive
Ms Edna Mary Watson [EMW]	Chief Nurse, Corporate (<i>till 3.20pm</i>)
Mr Karl Williamson [KW]	Head of Procurement and Finance
Mr David Eardley [DE]	Internal Audit
Mr Daniel Cunningham [DC]	External Audit
Mrs Pauline Moncrieff	Board Business Administrator (minutetaker)

1. Apologies

Apologies were received from Michelle Hankin.

2. Declaration(s) of Interest

There were no declarations of interest.

3. Draft Minutes of the Meeting held on 24th September 2024

The draft notes were approved as an accurate record of the meeting.

4. Action Tracker

Members discussed the action tracker and agreed the following updates:

(205) Updating both SR02(Finance) and SR08(Workforce) descriptions on the Strategic Risk Register

Agreed this action can be closed since updated descriptions were approved by RMG in Nov.

(207) Review of the Board's risk appetite around strategic risks and adequacy of controls

Wider discussion to be held at the Board Development Session in January 2025.

(218) Mental Health risk to be drawn up and included in the Strategic Risk Register

EMW reported this is being drafted in conjunction with the Director of CH&SC and should be presented to RMG in February.

(220) IT Stock Control risk to be drawn up and included in the Strategic Risk Register

EMW reported that this would be taken forward by the Director of HR in conjunction with the Head of IM&T. A meeting had been arranged to discuss this.

(221) Committee Business Plan 24/25: Training Programme for 24/25 to be finalised

Agreed this action can be closed given a topic had been finalised for the next training session (brought forward from 12 Feb to 21 Jan 2025).

5. Matters Arising

There were no matters raised from the draft minutes or Action Tracker.

BC informed members that Internal Audit had provided a draft Management Action Follow-up Report to EMT to allow follow up of risks with no response (prior to the report being presented to this committee). There would need to be further review of this process due to timings etc but this would remain an enduring action.

6. Risk Management Workplan 6-Monthly Update Report (Paper AUD 24/29)

EMW presented the report and commented that it had been a productive first half of the year with positive progress against the 2024/25 workplan. Members noted the progress highlighted.

- Dedicated training sessions on risk management and adverse events commenced in August but uptake had been low to date. A process had been instituted whereby all new managers (expected to manage an adverse event) are required to undertake training before accessing the system.
- There had been slow progress in moving risks to the new format with an improvement from 62% at the end of June to 65% (the target being 75% by the end of the year but due to winter pressures, 70% was considered reasonable).
- ‘Learning from adverse events: a national framework for Scotland’ is to be published in February 2025. Members noted the current framework was still in place and extant and a statement had been placed on the online document to specify that the Board is operating to the current framework until the new one is published.
- Access to the JCAD system still presented some challenges and was also a recommendation in the internal audit report on risk management (later on the agenda).
- Data standardisation work – significant input had been carried out with the Healthcare Improvement Scotland led groups and a number of data sets had been developed.
- The ‘Lessons Learned’ form in the adverse events structure, had been made mandatory resulting in a significant increase in the number of lessons reported and also beneficial to the level of consideration and investigation carried out by staff in reviewing an adverse events.

Discussion

In response to a question from JH regarding the governance structure around risk in other boards, EMW said that other than slight variation in group/committee titles, each board would have a meeting of their executive senior leaders to discuss risk alongside their clinical governance/risk team. This would then be tied into reporting to audit committee meetings. Within NHS Shetland, the Risk Management Group reports to the Audit & Risk Committee.

DECISION: the Committee noted the Risk Management Workplan 6-Monthly Update Report.

7. Strategic Risk Register Report (Paper AUD 24/30)

EMW gave a detailed update to the committee and highlighted the key points from the report for member’s assurance and noting:

- RMG had considered the workforce risk and concluded the greatest challenge was the financial impact to the organisation by the requirement for supplementary staffing in order to operate different working models safely. RMG had agreed the workforce risk should be revised to be purely the challenge to service provision and the financial impact aspect had been built into the financial risks.
- SR11 (Information Governance training for non NHS staff) – following review by the DoF, the risk rating had been increased in Q2 from 6 (medium risk) to 9.
- SR08 (Workforce) is the only risk to have a decreased rating score.

- There are 4 out-of-date risks reported partly due to the timing of when the committee paper had been written and the updates being provided. Members noted that there was a review process in hand for each risk.
- SR20 (Flu, coronavirus and other pandemic) was the only new risk added in Q2. The DPH had drafted this risk to replace both the previous risks (both risks now formally closed).
- RMG is supporting the Director of CH&SC to draft a new strategic risk around mental health and it was anticipated this would be presented to the next RMG in February.
- Proposals – the paper contained an update on the challenges around JCAD and the issues experienced with access to the system. The access issue had been escalated to the national JCAD team to resolve.
- Horizon scanning - a hot topic had been introduced by the Head of Estates concerning the Estates risk (as a result of the water ingress in some of the Board's estate over a period of time). A commissioned report was due in Oct and would inform on any actions necessary.
- There was an emerging concern around the use of the electric fleet across services with a number of areas reporting challenges in charging vehicles, access to charging points and the reliability of vehicles in the wintery weather for staff to reach vulnerable patients in the community. These concerns had been highlighted through the Board's Transport Group.

Discussion

KH asked why the Workforce risk rating had decreased despite ongoing pressures outwith the Board's control. BC explained this was due to decoupling the financial aspects from this risk plus changes in recruitment levels in some areas. The Board had sustainable supplementary staffing in place to ensure patient safety which would have previously escalated this risk.

LC was concerned the risk rating had decreased too far given the continued difficulties to recruit to certain posts (particularly in primary care and mental health) resulting in the continued requirement for supplementary staff. JH added that the Committee and RMG could choose to adjust the risk position at any point in time with the information at their disposal and this may be the case once the evidence from the supplementary staffing audit was available.

BC reported that within the areas of mental health and primary care mentioned, there had been no decrease in performance and supplementary staffing was utilised in both these services. In any area reporting a performance decrease, this was not due to staffing issues and no services have been cancelled due to lack of specialist staff available and was therefore why the decision had been taken to decouple the financial aspects from the workforce risk. The risk to the Board was that it costed more to provide sustainable services rather than the requirement to stop provision of services due to gaps in the workforce.

CM described the three aspects of risk to workforce and the consideration could depend on whether measuring out-turn performance, if the workforce was sustainable, or the financial cost.

NC suggested that the Board Development session on risk would be an opportunity to look in more detail at the risk scoring in order for committee members to gain assurance and an understanding of the scoring matrix and how decisions were reached at RMG. BC added that that it was important to include the strategic assumptions and said the plan was to include a PESTLE analysis of all the corporate risks in the training session.

ACTION: BC and EMW to discuss with Azets prior to the BDS on 21st Jan 2025

DECISION: the committee noted the Strategic Risk Register review.

8. Risk Management Group Action Note 18th September 2024 *(Paper AUD 24/31)*

EMW presented the approved minutes and provided Members with an update on the work in progress including that a demonstration from inPhase, had been postponed till the November meeting due to technical and timing issues.

Risk Management Group draft Action Note 18th September 2024 *(verbal update)*

EMW said that the inPhase demonstration had taken place and the Clinical Governance team would now build a business case including how the system had the ability to offer more in terms of creating a corporate assurance structure for the organisation. Also discussed had been a request to consider escalating risk 1378 (Outdated Policies & Official Documents) currently an organisational risk. However following discussion, RMG had agreed not to escalate at this time because an appointment had been made to the Corporate Records Manager post. Emerging issues reported had been an update on the clinical risk from the estates issues, electric vehicles etc. Other items received by RMG were the Strategic Risk Register, the Risk Management workplan, the JCAD report, and the Terms of Reference.

Discussion

Members discussed the issue of electric vehicles for use by staff and particularly the issues during periods of wintery weather. JH commented that this had also been mentioned at the Clinical Governance Committee earlier that day by the Director of CH&SC.

Decision: the committee noted the updates from the meetings on 18 Sep and 13 Nov 2024.

9. Risk Management Group Terms of Reference *(Paper AUD 24/32)*

EMW presented the updated Terms of Reference and highlighted the changes to the previous version which included the opportunity to have additional meetings (or to extend the length of the meetings); a standardised agenda including core business plus time for directors to provide an update on emerging challenges facing their directorate; and working more collaboratively with the Committee and Internal Audit around training and development opportunities.

DECISION: the committee approved the RMG Terms of Reference.

10. Corporate Governance Handbook: Section 5 – Scheme of Delegation *(Paper AUD 24/33)*

CM pointed out an omission from Note 4 in the Scheme of Delegation (appendix 1) which should state that if an invoice is above the standard delegated limit allowable by the DoF and Chief Executive, they can jointly authorise the invoice up to their combined limit value, but must notify the Chair of the Audit & Risk Committee and the Board Chair. The formatting error will be corrected before presentation to the Board for approval in December.

The Scheme of Delegation for the Board had also been updated to take account of changes in job descriptions which have been notified and a new post title of Deputy Chief Officer for the IJB had been added to allow them to sign off invoices in the absence of the Director of Health and Social Care (Chief Officer of the IJB).

KW informed Members that another slight change was required which had been notified in the last few weeks. The Elective Services Manager post no longer existed and needed to be removed from both the Board and the Endowment Scheme of Delegation with the rights being updated to the Chief Nurse Acute. This change should be made before the paper is presented to the Board in December.

ACTION: Director of Finance

[Mrs Cornick left the meeting]

DECISION: the committee approved the Scheme of Delegation.

11. Corporate Governance Handbook: Section 5 – Standing Financial Instructions

(Paper AUD 24/34)

CM explained this was one of the core governance documents of the organisation and had not been considered by the Board for 4 years due to no changes being proposed in that time. The SFIs are reviewed annually by the Audit & Risk Committee and External Audit have recommended that the Board formally approve these again this year.

Members noted that as part of the Blueprint for Good Governance, there was a proposal for a national standardised document for SFIs, but work on this was not yet complete. Therefore, there were no proposed change to the Board's SFIs currently in place. They will be reviewed next year hopefully taking forward the national Once for All review of the SFIs across Scotland.

Discussion

BC commented that the national strategic finance environment had changed since the SFIs were last reviewed by the Board and it was important that they should be linked to national work moving forward. CM said the SFIs had been reviewed annually since 2020 (the last time a change was recommended to the SFIs) and were normally only presented to the Board for approval when a change is proposed. The national review should bring consistency across boards in terms of the operating structure in addition to the key documents which underpin the principles set out under the legislation and governance structure of the NHS across Scotland.

DECISION: the committee approved the Standing Financial Instructions.

Internal Audit

12. Internal Audit Progress Report Quarter 2 2024-25

(Paper AUD 24/35)

DE presented the paper which gave assurance that internal audit work was on track and a performance status update against the KPIs. Following discussion at the previous meeting of Audit & Risk Committee and subsequent discussions with the Chief Executive, the proposal was to replace the Review of the Blueprint for Good Governance Action Plan with Supplementary Staffing. This is subject to any further discussion and ratification from the Committee.

Discussion

In response to a question from JH on agreement of the scope for the Supplementary Staffing audit, DE said that work had commenced in order to complete in time for presentation at the March meeting, but Members could still comment on any particular issues they may wish to raise. JH asked if the narrative of the scope could be shared with Members for information. BC commented that there were still some final discussions being held with HR colleagues around the scope to order to agree what the focus will be. BC agreed to circulate the information of the scope of the Financial Savings Review audit to Members. **ACTION: Chief Executive**

DECISION: the committee noted the Internal Audit Progress Report Q1 2024-25.

13. Internal Audit Management Action Follow-up Report Q2 2024-25 *(Paper AUD 24/36)*

DE presented the report and stated that a response had been received yesterday on some of the issues reported in the paper. An update had been provided on the IT Stock Control and Cybersecurity Asset management actions. This will be rolled into the next cycle of follow up and presented to the Committee in March.

Members noted that of the 24 open actions, 12 are very high risk (grade 4) and DE encouraged should therefore merit more scrutiny and prioritisation than those down the grading spectrum.

Discussion

CM informed Members that one of the management actions from the Freedom of Information audit, concerned an information system. At the last Information Governance Group meeting, a presentation had been delivered by a relevant company on FOI administration and a business case will be prepared based on assumptions of what it will mean for the board and would proceed through the board's entire scrutiny and prioritisation for investment process.

DECISION: the committee noted the Internal Audit Management Action Follow-up Report Q2.

14. Internal Audit Report 2024/25: Risk Management (Paper AUD 24/37)

DE commented that the report gave the Committee a range of positive assurances regarding the systems in place; the Risk Management Strategy being approved; Datix formally recording, storing and updating risks; the work of the Risk Management Group, wider scrutiny of the wider governance through the Audit & Risk Committee. Members noted the 4 areas for improvement and the Control Objectives in the Management Action Plan as identified in the report.

In response to a question from JH regarding the timescales for the management actions as presented in the report, EMW confirmed they were all considered to be reasonable.

DECISION: the committee noted the Internal Audit Report 2024/25: Risk Management

15. Internal Audit Draft Strategic Audit Plan 2025-26 (Paper AUD 24/38)

DE presented the paper which was an update of the forward programme for NHS Shetland and how Azets could support from an internal audit perspective and feed into the wider assurance on the internal control environment of the Board. Members were invited to comment with the final version of the plan being presented to the Committee in March 2025. It was acknowledged that the operating environment of the Board could change within the year, so it would be possible to review the plan and make amendments throughout the year if required.

Discussion

CM said that under the terms of the Audit Handbook, the Audit & Risk Committee were the owners of the Audit Action Plan and as such were responsible for approving that management can make recommendations in conjunction with Internal Audit. Any changes which may occur during the year are required to be agreed by the Audit & Risk Committee.

BC explained that the suggested areas for future audits had been recently discussed with Internal Audit and indicated in the report. JH commented that this had also been discussed at Clinical Governance Committee that morning. Recommendations had been made and JH agreed to forward these to GJ as incoming Chair or Audit & Risk Committee for consideration when agreeing the final audit plan for 2025/26. **ACTION: Interim Audit Committee Chair**

CM informed Members that historically External Audit had advised that there should be at one financial audit on the plan each year otherwise there would be an additional external audit fee for them to conduct such an audit.

In response to a question from JH concerning the reason for a proposed audit of income generation, CM explained there were 3 aspects within the scope to maximise the income from treating patients that the Board is entitled to collect.

- The increase in the number of tourists accessing the Board's services and the level of income generated not necessarily corresponding to the activity. The audit would review the process of managing claims under several schemes eg. EHIC/GHIC
- Appropriately capturing all activity for other boards bearing in mind NHS Shetland is only funded to treat its own patients.
- Income from dental treatments had dropped over the years despite having 3 times the number of patients than independent practice. Ascertain that the Board has robust processes in place to collect income.

[EMW left the meeting]

Members commented that the lack of exit interview information was a concern and could be impeding the Board's understanding of issues affecting retention and therefore the ability to address potentially significant issues and gather valuable learning. CM said that the original Recruitment and Retention audit had been split and the Retention review had been conducted in 2023/24. The Committee were reminded that they could decide on the key areas they wish to prioritise from across the risks of the organisation.

ACTION: JH agreed to put forward Exit Interviews for consideration on audit plan

LC said that whilst it was understood that teams were under pressure, the continued lack (or late) responses to the IT management actions was very disappointing. BC acknowledged that the team were trying to balance audit actions with improvement work, it was important to be transparent and communicate with Internal Audit when required. BC offered to have a conversation with the relevant staff.

ACTION: BC

In response to a question from JH on forwarding potential audit ideas for inclusion on the plan, DE explained that Internal Audit would collate all feedback and meet with the Committee Chair, Chief Executive and Director of Finance to review the implications for the current version of the forward plan to agree how best to reflect the steer from the Committee. A revised plan would then be presented to the Committee in March at which time Members can decide to agree only certain parts of the plans or to defer till the next meeting (it may be necessary to convene a special meeting in order to approve the plan due to the next meeting being in June 2025).

DECISION: the committee noted the Internal Audit Draft Strategic Audit Plan 2025-26 **and agreed** to consider at the March 2025 meeting for final approval.

16. Internal Audit Report 2024/25: Freedom of Information update (Paper AUD 24/39)

CM said that unfortunately the Head of Information Governance/FOI Lead was off sick and so unable to present the paper. The report had been slightly updated following feedback and discussion with the Audit & Risk Committee Chair concerning clarity of narrative around the management actions. Members were invited to comment and these would be fed back to the Information Governance Team.

DECISION: the committee noted the Internal Audit Report 2024/25: FOI update

External Audit

(no reports)

Audit Scotland

17. Alcohol and drug services report

(Paper AUD 24/40)

CM explained that Audit Scotland had produced this report to review alcohol and drug services in the context of the targets and policy commitments set by Scottish Government.

BC commented that the report had not yet been discussed at the Shetland Alcohol and Drugs Partnership, but anything relevant to NHS Shetland would be fed back to the committee.

DECISION: the committee noted the Audit Scotland Alcohol and Drug Services report.

Standing Items

18. Audit and Risk Committee Business Plan 2024-25 *(Paper AUD 24/41)*

CM said that the business plan was presented at each meeting for review and to amend as required. Members noted there were no significant changes since the last meeting and one meeting remained in this year's cycle before moving into the Business Plan for 2025/26.

JH pointed out that the topic for the committee training on 13 November had been Effective Audit Planning and the next training (rescheduled from 12 February 2025 to 21 January) would be Risk Appetite. CM said this had not been confirmed at the time of writing the paper but confirmed this would be amended. **ACTION: CM**

DECISION: the committee approved the Business Plan 2024/25.

19. Draft Audit and Risk Committee Business Plan 2025-26 *(Paper AUD 24/42)*

CM said that taking account of the dates of the scheduled for 2025/26, the agreed Internal Audit reports due for presentation to each will be added as and when these are confirmed. The Committee's objectives and Key Performance Indicators remain unchanged from those held in previous years. Members may wish to review the KPIs at the next meeting in March.

DECISION: the committee approved the Business Plan 2025/26.

20. NHS Shetland External Audit Action Plan Tracker *(Paper AUD 24/43)*

JH explained the paper contained the External Audit Action Plan tracker with the Internal Audit action tracker being in paper AUD 24/36. KW commented that this was the first draft of the report and Members were welcome to give feedback on any improvements. KW said the report gave assurance that all recommendations were being progressed. The report was divided into the recent 23/24 audit recommendations and some of the prior year's recommendations.

Discussion

LC commented that it would be beneficial to communicate with IJB auditors in order to avoid duplication of work and also to share learning.

BC suggested that in future it be helpful to group both audit action trackers together as one agenda item which was split into external audit and internal audit to ensure a holistic view that the organisation is on the right trajectory to completion of all actions. **ACTION: JH/CM/PM**

DECISION: the committee noted the External Audit Action Plan Tracker.

Other Items

21. Any Other Business – There was no further business.

22. Date of next meeting: Tuesday 25th March 2025 at 2.00pm by Microsoft Teams.

[the meeting concluded at 3.45pm]