

Lanarkshire NHS Board

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**Minute of Meeting of the Audit Committee
held on Tuesday 6th December 2016 at 9.00am
in the Board Room, Kirklands, Bothwell**

PRESENT: Mr T Steele, Non-Executive Director (Chair)
Miss M Morris, Non-Executive Director
Dr A Osborne, Non-Executive Director
Mr P Campbell, Non-Executive Director (from Item 6 iii)
Mrs L Macer, Employee Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
Mr C Campbell, Chief Executive
Mr A Gaskin, Head of Internal Audit Consortium
Mrs M Holmes, Internal Audit Consortium
Mrs F Mitchell-Knight, Audit Scotland
Mr P Lindsay, Audit Scotland
Mrs S Lawton, Audit Scotland
Mr N J Agnew, Board Secretary

APOLOGIES: Mrs N Mahal, NHS Board Chair
Mrs C McGhee, Corporate Risk Manager

1. **WELCOME**

Mr. Steele welcomed colleagues to the meeting. He extended a particular welcome to Fiona Mitchell-Knight, who was attending her first meeting since Audit Scotland had commenced their assignment as the Board's external auditors.

2. **DECLARATIONS OF INTEREST**

There were no declarations.

3. **MINUTES**

The minute of the meeting held on 6th September 2016 was submitted for approval.

THE COMMITTEE:

1. Approved the minute.

4. **ACTION LOG**

Mrs. Ace introduced the circulated updated Action Log, and highlighted the progress in relation to the actions arising from the Committee's deliberations on 6th September 2016.

THE COMMITTEE:

1. Noted the updated Action Log, and accepted the reported progress on actions.

5. **MATTERS ARISING**

i) **Gifts and Hospitality**

Mrs. Ace reported on work being taken forward to reaffirm and strengthen the arrangements for the Declaration of Interests – Gifts and Hospitality. The existing policies were robust with low tolerance, but had been enhanced by producing a single compendium document which served as a definitive guidance statement, endorsed by the Joint Policy Forum. Work was being taken forward with the General Manager for e-Health to explore the potential to develop and introduce an electronic form for reporting gifts and hospitality. It was also the intention to pursue a major publicity initiative to increase awareness of the policy and guidance, and to make clear the arrangements for the completion of Declaration Forms.

Mrs. Ace noted a question from Dr. Osborne about the position for the Integration Joint Boards. She explained that the IJBs had adopted the Local Authority specific arrangements for the Declaration of Gifts and Hospitality. However, she emphasised that, fundamentally, there was no material difference in the substance of the approach, although the reporting line was different.

THE COMMITTEE:

1. Noted and welcomed the reassurance about the arrangements being taken and planned to strengthen the arrangements for the Declaration of Interests – Gifts and Hospitality.

6. **INTERNAL AUDIT**

i) **Progress Report 2016-2017**

Mr. Gaskin introduced the report, and explained that it reflected further good progress in the delivery of the Internal Audit Plan for the year. He highlighted the audit of Food, Fluid and Nutritional Standards, the assurance level for which was 'adequate'. Mr. Agnew advised that the audit report would be considered by the Healthcare Quality Assurance and Improvement Committee on Thursday 8th December 2016.

Mr. Gaskin highlighted the audit report on Organisational Performance Management, the assurance level of which was 'substantial'. He highlighted the issues of performance in the delivery of the Treatment Time Guarantee and the Referral to Treatment Target, and acknowledged that these were a substantial focus for attention within the Board. He also highlighted the audit finding in relation to the coding completeness target, which acknowledged the approval of an additional resource of 6 WTE Band 3 staff to meet the target.

Mr. Gaskin acknowledged the need highlighted by Mr. Steele to recognise the distinction between assuring process and assuring performance, with the former issue being the responsibility of the Audit Committee and assurance about performance being an operational responsibility.

Mr. Steele highlighted the audit finding in relation to the gradual improvement in the sickness absence rate, with areas where performance was higher than the overall rate, and acknowledged that sickness absence performance was closely monitored and managed.

Mr. Gaskin highlighted the audit report on NHS Resilience, Business Continuity and Emergency Planning, the assurance level for which was adequate. He highlighted the requirement for the submission of a gap analysis against extant Scottish Government Guidance by 31st October 2016. He explained that this highlighted a need for further detail on timescales for the completion of actions and a requirement for RAG monitoring of progress. He also highlighted the need to reaffirm and strengthen the Resilience Group reporting line.

Mr. (Calum) Campbell reported that he was a member of the national Resilience Group, where consideration had been given to the local system response to a declaration of the highest level of alert. He noted a request from Dr. Osborne for clarification of the Governors' role, in relation to reporting to and oversight by the Planning, Performance and Resources Committee and/or the NHS Board. He explained that there were systems and processes in place for the escalation of resilience issues to the Planning, Performance and Resources Committee and/or the NHS Board for control purposes in appropriate circumstances, and he highlighted as examples, the existence of a Full Capacity Protocol, and the response to the incident at M & Ds in Strathclyde Park, where escalation to appropriate levels in the organisation had applied.

THE COMMITTEE:

1. Noted and welcomed the Internal Audit Progress Report 2016/17.

ii) Follow-Up Report

The Committee considered an Internal Audit Follow-Up Report.

Mrs. Holmes introduced the report, and explained that this confirmed further

good progress, with delivery of actions at a level of 95%. She highlighted the remaining issues which merited attention, and reassured members about closure on the Records Management actions by the next meeting of the Audit Committee in March 2017.

Mrs. Holmes noted a request from Mr. Steele for clarification of the position with regard to the Laboratory Information Management System. She explained that this had previously been reported, and involved consultation with the vendor about the two elements of the system not supplied to Lanarkshire. She confirmed that the General Manager for e-Health continued to pursue the issues to a conclusion with the vendor. Mr. Agnew reported that the Corporate Management Team was well sighted on this matter, which featured on the CMT Action Log and was the subject of regular updates from the General Manager for e-Health, with a level of confidence that the issue, involving financial recompense to Lanarkshire, should be resolved in the foreseeable future.

THE COMMITTEE:

1. Noted and welcomed the Internal Audit Follow-Up Report.

iii) Mid-Year Review

The Committee considered a Draft Report on the Interim Evaluation of the Internal Control Framework 2016/17.

Mr. Gaskin introduced the Draft Report, encompassing the scope and objectives, the audit opinion and findings and the Action Plan agreed with management. He highlighted the issue of the relationship between the Integration Joint Boards, the NHS Boards and the Local Authorities in relation to the ownership of risk issues, and acknowledged that this had now been addressed. He also acknowledged the ongoing dialogue to resolve the issues highlighted in the 2015/16 Annual Internal Audit Report in relation to Governance, including a report to the Corporate Management Team, and updating on the Code of Corporate Governance.

(Philip Campbell joined the meeting).

Mr. Gaskin referred to Financial Governance, and acknowledged the Board's good financial control in a challenging financial environment.

THE COMMITTEE:

1. Noted and welcomed the draft report on the Interim Evaluation of the Internal Control Framework 2016/17.
2. Agreed that the Interim Evaluation Report should be shared with the relevant Governance Committees for information and/or action, as appropriate.

Neil Agnew

7.

EXTERNAL AUDIT

i) Draft External Audit Plan 2016/17

The Committee considered a Draft Annual Audit Plan 2016/17 from Audit Scotland.

Mrs. Mitchell-Knight introduced the Draft Annual Audit Plan. She provided a background explanation in relation to Audit Scotland's role as appointed Auditors for South Lanarkshire and North Lanarkshire Integration Joint Boards. She also highlighted from the Annual Audit Plan, the risks and the delivery of the Plan in accordance with the Code of Audit Practice.

Mr. Lindsay provided further detail on the contents of the Plan, with particular regard to the risks and planned work. He highlighted audit risk number 5 in relation to the consolidation of Health and Social Care accounts: North Lanarkshire and South Lanarkshire Health and Social Care Partnerships, with regard to meeting the timetable for Annual Accounts. He noted a question from Mr. Steele in relation to mitigation, and highlighted the management assurance which involved Board Finance Officers liaising with Chief Finance Officers regarding the timetable for draft accounts. Mrs. Ace reassured members that this issue would also be considered through agenda item 13, Year-end Processes (Governance assurances and consolidation of figures) between the NHS Board and the Integration Joint Boards.

Mr. Lindsay referred to audit risk number 9 relating to delayed discharges, with particular regard to a deterioration in the position from 2015/16, with a 16% increase in delayed discharges and bed days lost. He explained that the planned audit work would involve a Value for Money (VFM) Review in early January 2017 of the reasons for delayed discharges in NHS Lanarkshire and an assessment of the Board's arrangements for managing and minimising these.

Mr. (Calum) Campbell endorsed information provided by Mrs. Ace about a recent meeting which he and Executive colleagues, including the Chief Officers for the Integration Joint Boards, had had with the Cabinet Secretary, when delayed discharges performance had featured largely in the discussion. He confirmed a requirement to submit to the Cabinet Secretary within the next week a report on the plans to deliver the four hour unscheduled care targets and improve delayed discharges performance. He welcomed the planned audit work, and looked forward to availability of the outcomes.

Mrs. Mitchell-Knight confirmed that the findings of planned audit work appropriate to Integration Joint Boards would be shared with the IJBs. She noted an issue raised by Mr. (Philip) Campbell about aligning this work with work already underway within the Integration Joint Boards. She explained that the planned audit work in early January 2017 was of a lesser scale, with the major components of the audit work being taken forward through the

Local Authorities and the NHS Board, within the context of the applicable governance arrangements.

Mr. (Calum) Campbell highlighted the consideration being given in Lanarkshire to the discharge arrangements for Adults with Incapacity, and explained that the productive approach employed by Glasgow was being explored to establish whether there were principles should and could be applied to improving the performance in Lanarkshire. He emphasised that this issue spanned across the NHS Board and the Integration Joint Boards.

Mr. Lindsay explained that the audit fee was yet to be determined, and reported his understanding that fee letters would be issued over the coming weeks.

Mrs. Ace noted the wider dimensions risks in relation to financial sustainability and delayed discharges. She emphasised that the issues in relation to financial sustainability were already being addressed, and that the planned audit work in relation to delayed discharges should be particularly beneficial.

Mr. Lindsay noted a request from Dr. Osborne to ensure that the planned audit work in relation to delayed discharges fully encompassed the Integration Joint Board issues and responsibilities. He confirmed that this would be addressed in the planned audit work, as had been the case when a similar exercise was conducted within Forth Valley.

Mr. Lindsay noted an issue raised by Dr. Osborne about management assurance and the risk of management override of controls, and explained the Audit Scotland position on this matter.

THE COMMITTEE:

1. Noted and welcomed the Draft Audit Scotland Annual Plan 2016/17.

8.

FRAUD UPDATE

- i) Fraud Report

The Committee considered a Fraud Update Report.

Mrs. Holmes explained that the paper updated the Audit Committee on any suspected frauds or fraud prevention measures since the last meeting. She drew members' attention, in particular, to the ongoing case in relation to Operation Ariston, and confirmed that this was now at an advanced stage, with a potential for resolution by the time of the next Audit Committee meeting in March 2017. Mr. Steele acknowledged this position and explained that this linked closely to the subsequent item on the agenda relating to Protecting Against Procurement Fraud.

Mrs. Holmes also highlighted from the report the publication by the Association of the British Pharmaceutical Industry of a searchable database of

payments and benefits in kind made by the pharmaceutical industry to doctors, nurses and other health professionals and organisations in the UK. She linked this work to the endeavour around the prevention of bribery and corruption. She also reported on the progress of work by the National Fraud Initiative, and confirmed that the upload of ‘matches’ would commence on 26th January 2017.

THE COMMITTEE:

1. Noted the Fraud Update.

ii) **National Fraud Initiative Self-Appraisal**

The Committee considered a Draft completed Self-Appraisal Checklist.

Mrs. Holmes introduced the checklist, and highlighted the areas where further work was required.

Mrs. Ace highlighted Issue No. 3 under Leadership, Commitment and Communication relating to consideration of the use of the real time matching facility and the point of application data-service offered by the NFI Team to enhance assurances over internal controls and improve the approach to risk management. She explained that this would involve additional costs, and reassured members that existing Lanarkshire systems were identifying issues. However, she confirmed that this issue would be kept under close review.

Mrs. Holmes noted a question from Mr. (Philip) Campbell about the balance between a proactive and a reactive approach, and about the extent to which the organisation had sufficiently challenged this issue. She explained that devoting further time and resources would enhance the organisation’s capacity for challenge. However, she emphasised the substantial scale of the endeavour currently around the prevention and identification of fraud. Mrs. Ace reminded members of the discussion earlier in the meeting about pursuing a proactive communications endeavour. She also reported that Counter Fraud Services had developed a module on the Bribery Act, which would be presented to the Corporate Management Team on 16th January 2017. She confirmed that the Corporate Management Team would be asked to consider the means of being increasingly proactive in the organisational commitment to fraud, and whether there was a requirement for enhanced communication.

Mr. (Philip) Campbell acknowledged the progress to date. He highlighted the need to consider further the means of recalibrating the appetite for risk, and suggested that this issue might usefully be further pursued in 2017/18.

THE COMMITTEE:

1. Endorsed the Draft National Fraud Initiative Self-Appraisal Checklist.

iii) **Protecting Against Procurement Fraud**

The Committee considered a report on Protecting against Procurement Fraud.

Mrs. Ace introduced the report. She highlighted the background and the findings and proposed actions and the recommendation to the Committee. She emphasised the endeavour to further strengthen controls across the organisation, but stressed that this was being taken forward without compromise to the progress of Operational Ariston by Counter Fraud Services and the upcoming prosecutions. She drew members' attention to the section of the report about the 2015 procurement process, and the findings arising from an extensive review. She explained that if the case was proven, it would show that, despite this, fraudulent collusion and false declarations could circumvent control. She reassured members about the extent to which all known elements of this issue had been reviewed, to see what more could be done, with a number of actions identified, as described within the Appendix to the paper. She highlighted, in particular, an element of the Contract where provision for other ad hoc work was greater than the initial contract value. This reaffirmed the requirement for a clear and more comprehensive contract specification, thereby rendering it potentially more attractive to a wider field of companies. She also highlighted action involving comparisons between the Contract Register and Contract Values, and scrutiny to identify areas where payments exceeded the tendered contract price. Mrs. Ace also highlighted a number of other actions, involving: tightened controls around signing single tender wavers; more strict enforcement of delegated authority levels; the involvement of more than one specialist on Commodity Advisory Panels; strengthening of the arrangements around the declaration of gifts and hospitality. She highlighted the particular endeavour around risk, with particular regard to e-Health and PSSD, and explained that the intention, where possible and practical, was to consolidate reactive work into a contract, thereby making the contract more openly competitive. She confirmed that over recent months, Procurement and Finance personnel had delivered a number of workshops across the system focussing on risks and the reinforcement of procurement rules. She also highlighted the introduction of a Procurement Remedial Notice Report which would be submitted to responsible Executive Directors for appropriate action, with any issues of particular materiality being reported to the Audit Committee. She reassured members that Business Continuity and Communications issues were under active consideration.

Mr. Steele acknowledged the report and the Action Plan. He reported that he and the NHS Board Chair and Vice-Chair had recently received a full briefing on the issues, including the Contingency Planning.

Mrs. Ace noted an observation from Dr. Osborne about the indication within the paper that the fraud risk in the Corporate Risk Register sat at medium, and the measure of this going forward, having regard to the actions taken and the potential for further fraud. She explained that further fraud was always a possibility, with a potential for the impact to be major, hence the assessed fraud risk as medium. She explained that the fraud risk would likely remain at this level, with the issues around procurement fraud continuing to receive close monitoring and scrutiny. Mr. (Calum) Campbell suggested that the opening paragraph in the paper viz: 'The fraud risk in our Corporate Risk Register sits at medium. This reflects the reality that, even with the expected

control structure in place, fraud is always a possibility given the scale of our activities, the number of suppliers and employers and the constant search by fraudsters for novel ways to circumvent controls', adequately summed-up the position, and he invited the Audit Committee to comment on this summary statement.

Mrs. Ace acknowledged a view from Mr. (Philip) Campbell about the importance of the organisational response to risk, with particular regard to the mitigation around the impact on service delivery to patients and the public. She reassured members about the organisational endeavour on business continuity planning in the event that the current supplier was no longer able to provide the level of service which the organisation required. This included the identification of an alternative supplier and the management of communications.

Mrs. Macer reaffirmed the importance of business continuity service planning and the provision of assurances, and the need for a plan to mitigate reputational risk.

THE COMMITTEE:

1. Noted and welcomed the findings and proposed actions within the report.
2. Agreed that the introductory paragraph to the report adequately reflected the position in relation to the inclusion of the fraud risk in the Corporate Risk Register at a risk level of medium.

9.

EFFICIENCY

The Committee considered a report on arrangements for managing the Efficiency Programme. Mrs. Ace introduced the report which: confirmed that the arrangements for formalising the efficiency programme had been operating as intended in the previous quarter; informed the Committee of the latest medium risk assessment of the savings programme; informed the Committee of the latest assessment of the risk to the Revenue Resource Limit target which was medium, as per the month 7 Finance Report to the NHS Board in November 2016; and updated the Committee on proposed arrangements for 2017/18.

Mr. Steele reported that he had been invited to join the membership of the Oversight Scrutiny Group, the other membership of which comprised: the NHS Board Chair; the Vice-Chair; the Chief Executive; the Director of Finance; the Director of Strategic Planning and Performance, and the Board Secretary.

Mrs. Ace highlighted a number of key issues, including: the magnitude of the financial challenge at the start of the year; the enhanced reporting in place; the programme of enhanced scrutiny; the closure of the gap in the Financial Plan; the downgrading of the risk to delivery to medium; the challenges faced in dealing with additional pressures during winter; Acute Division

confidence about their financial position for the remainder of the year; the funding of the Winter Plan in full; additional Scottish Government and internal funding to address Treatment Time Guarantee performance; the continued strict focus on drugs expenditure; the reduced impact of high cost drugs occurring later in the financial year; and additional Scottish Government funding for the Capacity Plan.

Mrs. Ace explained that the Corporate Management Team was now also focussing on early planning for 2017 based on assumptions about likely uplift and savings requirements, with proposals equating to 3% efficiency being considered by the CMT on 12th December 2016. She acknowledged the potential impact of further efficiency savings requirements based on the delivery of a substantial efficiency savings plan during the current year, and highlighted the need for relevant efficiency savings proposals to, where appropriate, be accompanied by a comprehensive service impact risk assessment. She confirmed that the efficiency scheme template and associated guidance had been revised accordingly to reflect this.

Mrs. Ace noted a request from Mr. (Philip) Campbell for an indication of whether there were any issues which might generate further Independent Patient Treatment Requests (IPTR)s with the consequent impact on the Revenue Resource Limit (RRL) target. She described the position within Scotland relative to the position South of the Border, and reassured members about the level of scrutiny and involvement by the Divisional Medical Director for Acute Services in relation to the more significant cases involving new, expensive treatments.

Mrs. Ace explained that the Scottish Medicines Consortium undertook regular horizon scanning, as did the West of Scotland Regional Planning Group specifically for cancer drugs. She reassured members that the Deputy Director of Finance, Acute Services, drew this information together as a basis for dialogue locally with clinicians to inform a view about the likely resource consequences for Lanarkshire.

Mr. (Calum) Campbell noted issues raised by Miss. Morris about the lack of evidence of improvement in the Did Not Attend (DNA) rate. He reassured members that reducing the DNA across the system for both outpatients and inpatients was a substantial endeavour, and included telephone contact with individuals about appointment reminders, and a review of the application, by Consultants, of the Access Policy. Mr. (Philip) Campbell endorsed this information, and confirmed that DNA rates were considered in detail by the Acute Operating Management Committee. He also explained that appointment letters helpfully included the cost of appointments/missed appointments. Mrs. Ace acknowledged these explanations, and indicated that evidence of progress in reducing the DNA rate may become available at the financial year end.

Mrs. Ace noted a request from Dr. Osborne for clarification for the basis for the application of 3% efficiency for 2017/18, and the cumulative impact on service delivery, given the substantial Efficiency Savings Programme being delivered in the current financial year. She explained that whilst formal

confirmation of the uplift and Cash Releasing Efficiency Savings (CRES) requirement for 2017 was awaited, it was understood that the CRES would at least be 3%, and potentially between 5 and 7%. Mr. (Calum) Campbell explained that Executive Directors had been tasked with identifying 3% efficiency savings within their areas of responsibility, and that the Corporate Management Team would give further consideration what might be done, transformationally, to realise efficiency savings beyond that level whilst minimising the impact on service delivery.

Mr. Steele commended the arrangements for managing the Efficiency Programme, and acknowledged the contribution of management and staff across the organisation to the delivery of a satisfactory financial performance during the first seven months of the financial year.

THE COMMITTEE:

1. Noted and welcomed the report on arrangements for managing the Efficiency Programme, including the proposed arrangements for 2017/18.

10. **RISK MANAGEMENT**

i) **Quarterly Compliance Report**

The Committee considered a Risk Management Process Compliance Report.

Mr. (Calum) Campbell introduced the report. He explained that there were 339 live risks across NHS Lanarkshire, and confirmed that all very high graded risks were reviewed on a monthly basis by and with the risk owner. He highlighted the Risk Register KPI, and explained that there were 23 Corporate Risks where the assessed level of risk exceeded the assessed level of tolerance. He drew members' attention to the section of the report which explained the key actions in relation to these 23 risks, including their consideration by relevant Governance Committees as the designated assurance source. He highlighted the adverse event/incident KPI – closure of incidents within indicative timescales. He reported that the Associate Director for Healthcare Assurance and Improvement was taking forward a substantial endeavour to improve performance in relation to the KPI involving the completion of Significant Adverse Event Reviews (SAERs) in 90 days, and advised that, although not reflected in the timescale to 31st July 2016 covered by the presented report, performance had already shown improvement, with further improvement planned. He referred to the Corporate Policies KPI, which confirmed that all policies were within their Review date.

Mr. Campbell highlighted, as a key issue, the Corporate Risk Register profile and risk tolerance, both of which were clear, reflecting the pressures and challenges which the system was managing.

Mr. Steele endorsed the report, which confirmed that risk management processes, introduced since the review of the risk management arrangements, were now firmly embedded.

THE COMMITTEE:

1. Noted the Risk Management Process Compliance Report, and accepted the report in relation to the Risk Register Adverse Event/Incident Management and Corporate Policies.

ii) **Risk Management Summary Report**

The Committee considered a Risk Management Report prepared for the Audit Committee. This: provided a summary of risk business considered at Corporate Management Team meetings over the last quarter, including a summary of changes to the Corporate Risk Register; set out the corporate risk profile over an annual period, with an overview of changes of risks by the risk tolerance status over an annual period; and enabled the Audit Committee to oversee corporate risks that had the Audit Committee identified as the Assurance Committee.

Mr. Campbell noted a question from Mr. Steele about Section 2 of the report which described the NHS Lanarkshire Corporate Risk Register profile and tolerance status, with particular regard to comparability with a wider, Scottish NHS Boards profile. He advised that this information was not readily available. However, he explained that other NHS systems were dealing with the same pressures and challenges which Lanarkshire was managing. Mrs. Ace endorsed this view and highlighted, as an example, the pressures on General Medical Services, where there was a commonality between Boards in relation to the risk around the availability of General Medical Practitioners. Mr. Gaskin explained that realistic benchmarking would be challenging, especially since other systems may adopt a markedly different approach to risk management, and have a different risk appetite.

Mr. Agnew noted an issue raised by Mr. (Philip) Campbell about alignment with Integration Joint Boards. He confirmed that the Corporate Risk Manager had, over several weeks, undertaken work with North and South Health and Social Care Partnerships to ensure alignment between the NHS Board and Integration Joint Board Risk Registers. He reported that this work had now concluded, satisfactorily, with the outcome featuring in a report on Assurance to the Corporate Management Team. Mrs. Ace confirmed this view, having had access to the agenda and papers for the inaugural meeting that afternoon of the South Lanarkshire Integration Joint Board Audit Committee. Dr. Osborne also endorsed this conclusion in relation to North Lanarkshire Integration Joint Board. It was noted that North Lanarkshire IJB had held a risk workshop and that a similar workshop for South Lanarkshire was scheduled for January 2017.

Mr. Steele returned to the issue of the KPI for the closure of Category 1 Significant Adverse Event Reviews within 90 days and the inclusion of open SAERs in the report, with an indication that there was no update. Mr. (Calum) Campbell reaffirmed his explanation about the timescale which the report to the Committee covered to 31st July 2016, and the progress of work commissioned by the Associate Director for Healthcare Assurance and

Improvement in August 2016, aimed at delivering a material improvement in performance. He explained that measurement of the 90 days was from the date of the incident, but that there could be a time lag between the occurrence of the incident and notification to Lanarkshire. He acknowledged the need to better understand the reasons for such delay, but explained that these cases were usually small in number, equating to a high percentage of the overall number of Category 1 SAERs. Mr. Agnew explained that the Corporate Management Team had previously agreed a role for the Clinical Directors in reviewing cases where there was a delay between the occurrence of an incident and notification to Lanarkshire, in addition to which, an officer had now been designated to co-ordinate and exercise strict oversight of the progress of SAERs, working with Review Leads.

Mr. Steele acknowledged the reassurance about the endeavour to improve performance and delivery of the KPI for the closure of Category 1 SAERs, and asked that a report on the progress of the work to improve the position be presented to the Committee in March 2017.

THE COMMITTEE:

1. Noted the summary of risk business discussed through the Corporate Management Team over the last quarter, including new and closed risks, material changes to the existing risk, Category 1 Adverse Event Reporting and effectiveness of the management of NHS Lanarkshire Corporate Policies.
2. Endorsed the amendments to the Corporate Risk Register, the new and closed risks, the current NHS Lanarkshire Risk Profile, the Annual Profile for risk and tolerance, and very high graded risks.
3. Accepted the assurance of the mitigation of risk ID 594 – Fraud, Bribery and Corruption with new Control No. 8.
4. Asked to receive, in March 2017, a report on the progress and outcomes from the work being taken forward by the Associate Director for Healthcare Assurance and Improvement in relation to delivering a sustainable improvement in performance against the KPI for the closure of Category 1 Significant Adverse Event Review within 90 days.

Mr. Campbell

iii) Corporate Risk Register

The Committee received and noted the updated Corporate Risk Register, having regard to the consideration of the Risk Management Process Compliance Report and the Risk Management Report prepared for the Audit Committee.

11. **AUDIT SCOTLAND REPORTS**

i) NHS Financial Performance 2015/16

The Committee considered a report on the NHS in Scotland 2016 prepared by Audit Scotland.

Mr. (Calum) Campbell explained that the report linked closely with the agenda item on risk management, with particular regard to the impact of the issues highlighted by Audit Scotland on an increasing risk tolerance level.

Mrs. Ace noted an observation by Mr. (Philip) Campbell in relation to the presented National Resource Allocation Committee (NRAC) information, with particular regard to systems above and below parity. She explained that this information was available within the full report, and she undertook to circulate this to members.

Mrs. Ace

Mr. Gaskin highlighted a particular issue within the Report. This indicated that the NHS in Scotland was undergoing major reform, with a number of significant changes to the way Health and Social Care Services were delivered, including National Policy aimed at transforming the way services are delivered, to shift the balance of care from hospital based services to more community based services through the 2020 Vision for Health and Social Care and the National Clinical Strategy, amongst other issues. He reported his understanding about the timescale for the publication of a Scottish Government response to the report. Mr. (Calum) Campbell acknowledged the need for alignment between the delivery of targets and the overall vision. He explained that this, in turn, linked to the National Review of Targets being led by Sir Harry Burns.

Mr. (Philip) Campbell highlighted the rising spend on drugs as a major pressure, and the particular issue of the costs associated with prescribing and dispensing of drugs commonly available to buy over the counter.

Mr. Steele highlighted the authority which Community Pharmacists now had to prescribe under the Minor Ailment Service. He referred to the checklist for Non-Executive Directors which accompanied the Audit Scotland Report, and suggested that most questions therein were capable of being answered positively. He proposed that an arrangement be made early in the New Year to bring Non-Executive Directors together as a group to consider the completion of the checklist, with the composite of that endeavour being fed in to the forward financial planning. Members endorsed this proposal.

Mr. Steele

ii) Scotland's New Financial Powers

The Committee received and noted the Audit Scotland Report on Scotland's new financial powers – key issues for the Scottish Public finances.

12.

AUDIT COMMITTEE SELF-ASSESSMENT

The Committee considered a draft completed Audit Committee Self-Assessment and Effectiveness Review Checklist.

The Committee accepted the draft completed Checklist, and agreed to reflect further on this during the meeting of Non-Executive Directors early in the New Year to consider the responses to the Checklist for NHS Non-Executive Directors in relation to the Audit Scotland Report on the NHS in Scotland 2016. Mr. Steele

13. **AUDIT COMMITTEE WORKPLAN 2016/17**

The Committee considered an updated progress report on delivery of the Workplan 2016/17.

Mrs. Ace confirmed that the Workplan remained on track. She explained that a private meeting with Internal Audit was scheduled for after the meeting that day. She also confirmed that updated Standing Financial Instructions and an accompanying Finance Scheme of Delegation would be presented to the Audit Committee in March 2017.

THE COMMITTEE:

1. Noted and welcomed the progress report on delivery of the Committee Workplan 2016/17.

14. **YEAR END PROCESSES (GOVERNANCE ASSURANCES AND CONSOLIDATION OF THE FIGURES) BETWEEN NHS BOARD AND INTEGRATION JOINT BOARDS**

Mrs. Ace highlighted the need to consider and align the timetable for the consolidation of NHS Board and Integration Joint Board accounts. She reminded members that Local Authorities operated to a longer timescale for the finalisation of their Annual Accounts than did the NHS. She highlighted the need for draft Annual Accounts for the Integration Joint Boards to be available, to inform key work on cross-assurance. She highlighted the Board's legal responsibility in relation to delegated controls over operational delivery, and reassured members about the existence of a structure to deliver this responsibility, and to provide necessary assurance to the Integration Joint Boards, including through the Annual Reports from the Governance Committees to the NHS Board. She confirmed that work would be taken forward with Internal Audit on setting out a process for cross-assurance, and to agree the supporting evidence which the Integration Joint Boards required, and the evidence which the NHS Board required in relation to the delegated powers. She acknowledged that this was, to a large extent, a transitional year, and highlighted the need to consider the coverage of Governance Committee Workplans for 2017/18 to reflect the cross-assurance requirements.

Mr. Gaskin acknowledged as pragmatic the view Mrs. Ace had described for 2016/17, and he highlighted the Audit Committee role in giving assurance to the Integration Joint Boards, based on the assurances provided to the Committee. He confirmed that the precise detail of the assurance would be the subject of discussion over the coming weeks and months, and that going

forward into 2017, the arrangements and processes would be further embedded.

Mr. (Calum) Campbell endorsed the approach described. However, he reminded colleagues that, fundamentally, he as Accountable Officer for NHS Lanarkshire, was responsible for staff, financial and clinical Governance, with Integration Joint Boards having responsibility for strategic planning and commissioning. He highlighted the role for Integration Chief Officers to demonstrate to the Integration Joint Board Audit Committees that the strategic planning and commissioning responsibility had been delivered appropriately during the year, and he suggested that the consultation report to the NHS Board on Achieving Excellence and the accompanying Scottish Health Council Report on the consultation process would be key to this requirement. He emphasised that the hierarchy of Governance had been resolved through the approved Support, Care and Clinical Governance Framework. He also acknowledged that agreement on performance over future years would be the subject of further discussion.

Mr. Gaskin acknowledged the description of the process. He suggested that, the primacy of the NHS Board and Local Authority Governance arrangements, notwithstanding, Integration Joint Boards had a right and a responsibility to seek assurance that the services they had commissioned had been provided in accordance with the good Governance principles applicable to the Local Authorities and the Health Board.

Dr. Osborne suggested that there was a need for further clarity around timelines and integrated budgeting, to support commissioning in a way that shifted resources in support of shifting the balance of care.

Mrs. Ace explained that the approved Integration Schemes and the Financial Regulations set out a Framework for this, and that further detail would derive from the ongoing discussions.

THE COMMITTEE:

1. Noted and endorsed the proposed year-end processes (Governance Assurance and Consolidation of figures) between the NHS Board and the Integration Joint Boards.

15. **DATE OF NEXT MEETING**

27th March 2017 at 9.00am.

16. **FUTURE MEETINGS IN 2017**

Tuesday 6th June 2017 at 09.00

Wednesday 28th June 2017 (Annual Accounts – 8.30am start).

Tuesday 5th September 2017 at 09.00

Tuesday 5th December 2017 at 09.00

Meetings will be held in Kirklands Hospital.

17.

PRIVATE MEETING WITH INTERNAL AUDIT

There followed a brief meeting between members of the Committee and representatives of Internal Audit.