

Lanarkshire NHS Board

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Minute of Meeting of the Audit Committee
held on Tuesday 5th December 2017 at 9.00am
in the Board Room, Kirklands, Bothwell

CHAIR: Mr T Steele, Non-Executive Director

PRESENT: Dr A Osborne, Non-Executive Director
Mr P Campbell, Non Executive Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
Mr C Campbell, Chief Executive
Mrs M Mahal, NHS Board Chair
Mr T Gaskin, Head of Internal Audit Consortium
Mrs M Holmes, Internal Audit Consortium
Mrs C McGhee, Corporate Risk Manager
Mr P Lindsay, Audit Scotland
Mrs S Lawton, Audit Scotland
Mrs A Drumm, PA
Ms Claire Sweeney, Audit Scotland (Item 14 only)
Ms Kirsty Whyte, Audit Scotland (Item 14 only)

APOLOGIES: Miss M Morris, Non-Executive Director
Mrs L Macer, Employee Director

1. **WELCOME**

Mr. Steele welcomed colleagues to the meeting and reiterated the focus is to ensure the Board is assured on internal control, financial integrity and risk management.

2. **DECLARATION OF INTERESTS**

There were no declarations.

3. **MINUTES**

The minutes of the meeting held on 5th September 2017 were approved.

THE COMMITTEE:

1. Approved the minutes.

4. **ACTION LOG**

The Committee considered an updated Action Log. Mrs. McGhee talked through the ongoing work with the IJBs to review the consistency of the Board and IJB risk registers. She stated an aim to have a workplan by March 2018 whose aim would be to deliver an agreed approach to definition and recording and management so each Audit Committee was receiving assurance in a similar way.

Mrs Ace highlighted the ongoing uncertainty over the future of some of the existing DWP programmes which SALUS was supporting in Scotland. She indicated future income assumptions from these were being given a higher risk rating. Mr C Campbell added that it may be some time before the uncertainty is resolved.

THE COMMITTEE:

Noted progress with the Action Log.

5. **MATTERS ARISING**

- i) None were raised.

6. **INTERNAL AUDIT**

- i) **Internal Audit Progress Report 2017/18**

The Committee considered the Internal Audit Progress Report 2017/2018.

Mr. Gaskin talked through the principal elements of the report. He noted that the Departmental reports into procurement gave adequate assurance and had nothing in it which would alarm the audit committee. The final report was very detailed and further work was underway with Management to finalise the recommendations which would be brought back to the next audit committee.

Mr Gaskin highlighted a number of housekeeping issues relating to controlled drugs, none of which represented a fundamental flaw in the system, but which should be addressed. Dr Osborne asked what the implications were for patient safety. Mr Gaskin said the risk to patient safety was low and that usage was monitored so any leakage would be picked up quickly. Dr Osborne welcomed the fact that the report was to go to the HQAIC committee.

Mr C Campbell raised the change in responsibility for controlled drugs over time from being predominantly medical to predominantly nursing. After

discussion it was agreed that he would have a conversation with the Medical and Nurse Directors locally to see if any changes were required.

Mr C Campbell

THE COMMITTEE:

1. Noted the final Internal Audit Progress Report 2017/18.

ii) **Follow Up Report**

The Committee considered an Internal Audit Follow Up Report.

Mr. Gaskin highlighted the principal elements of the report, and commended the satisfactory performance recorded, with 98% of agreed actions due having been implemented.

THE COMMITTEE:

1. Noted the Internal Audit Follow Up Report.

iii) **Mid Year Review**

The Committee considered a Report on the Mid Year Review of the Internal Control Framework. Mr Gaskin reported the findings requiring attention were of a minor nature and there was confidence that they would be resolved by the year end. He noted that the external environment was very tough and to have maintained control and delivered the financial outcomes was commendable.

Mr P Campbell noted the updates required to the Code of Corporate Governance and its C rating. Mr Gaskin explained that this was an early warning of what it would be assessed at if the points could not be remedied by the year end. It was noted that there would need to be further updates to reflect the Board's latest review of Governance arrangements and the creation of a new committee to monitor progress with population health, primary and community care. Mrs Mahal also indicated the templates used for each of the governance committee papers were being reviewed.

Mrs Mahal queried what would be required to get an A rating. Mr Gaskin said over past years there had been a degree of untidiness, with delays in updating for changes and implementing action points. The core code of governance was sound. Mrs Mahal said she would welcome a further discussion with Mr Gaskin, the Audit Committee Chair and the Board Secretary on how to progress this, particularly in light of the new governance arrangements coming into force in 1st January 2018.

Mrs Mahal

THE COMMITTEE:

1. Noted the report on the Mid Year Review.

iv) Audit Charter

Mr Gaskin said the periodic review of the Audit Charter had not indicated any changes needed, that it remained fit for purpose and met the Public Audit standards.

THE COMMITTEE:

The committee noted and approved the charter.

7. **EXTERNAL AUDIT**

i) 2017/18 Annual Audit Plan

Mr Lindsay talked through the proposed audit plan. He explained that external audit required to review the Board's own assessment of its fraud risk. It had been several years since the last formal fraud risk assessment had been undertaken by the Board and it had been agreed with Mrs Ace that this would be updated for 2017/18.

Mrs Ace/
Mrs Holmes

He reported that there would be a value for money review of the use of temporary staffing within the Board and a follow up of the previous year's review into delayed discharges.

Mrs Ace informed the committee that another area discussed in the external audit planning meeting was how the accountable officer received assurance that the Board was delivering Best value. Previously this had been achieved by completing an extensive stocktake against the characteristics of Best Value. The last time the exercise was completed was in 2015/16 and it had been agreed this should be updated for 2017/18. Mrs Ace reported she would be taking this forward with the Board Secretary.

Mrs Ace

The Audit fee proposal was expected in January and it was proposed it would be agreed between Audit Scotland, the Chair of the Audit Committee and the Director of Finance.

Mrs Ace/Mr Steele

In relation to the Cyber attack, Mr Campbell reported that NHS Lanarkshire had been asked to become a "cyber catalyst" and would be testing new controls. Audit Scotland indicated they were aware of this and would look at it alongside their own review programme.

Mr Steele noted some organisations test their system vulnerabilities by controlled test hacking.

THE COMMITTEE:

1. Noted and welcomed the Annual Audit Action Plan.

8. **WORKPLAN**

Mrs. Ace introduced the Workplan for 2017/18 and confirmed that this was on track. She highlighted that the structured review of the fraud risk and the arrangements to secure best value would be added to the workplan for March 2018 and June 2018 respectively. Mrs Ace

THE COMMITTEE:

1. Noted and welcomed progress with delivery of the Workplan 2017/18.

9. **FRAUD UPDATE**

The Committee considered a Fraud Report, including progress on the National Fraud Initiative.

On request from Mr Steele, Mrs Holmes updated the committee on the current legal status of Operation Ariston.

Mr Steele asked for further information on the type of management enquiries carried out in response to allegations relating to NHS staff conduct. Mrs Holmes talked through the type of detailed checks such as reviewing records of activity, roster, timesheet, leave and pay documents and verbal enquiries on site. She indicated at times the allegation arose from a false perception of the person's agreed working pattern.

Dr Osborne asked why the rate of referrals from NHS Lanarkshire in the CFS quarterly fraud report appeared low. Mrs Holmes explained of our approaches to CFS for advice or to agree an internal investigation was the most appropriate first step did not get counted as a formal referral. She reported that the referral rate and practice had been discussed at the annual review meeting with CFS and no concerns had been raised. Mrs Ace confirmed these discussions had taken place on several occasions and we had separately explored whether we were opting for internal investigations when an external referral would be more appropriate. She reported none of these discussions or investigations had revealed a gap in our referral process.

THE COMMITTEE:

1. Noted the Fraud Update.

10. **ARRANGEMENTS TO SECURE EFFICIENCY**

The Committee considered a report on the Arrangements for Managing Efficiency Programme.

Mrs. Ace confirmed to the Committee that the agreed arrangements were in place and functioning, and updated the Committee on the 2017/18 Programme and current risks. She highlighted that the initial efficiency target of £36.112m had been set with reference to the projected gap between income and cost growth in 2017/18. Slightly slower cost growth in some areas than projected and more waiting times funding than had first been anticipated meant that the gap to be closed by efficiency was now less than the original target. This meant breakeven against RRL could be achieved even if the £2.553m gap from the original target was not closed through cash releasing savings. Mrs Ace added that winter pressures posed an increased risk to some of the target efficiencies in reducing temporary nursing staffing within the Acute Division and that her financial projections had allowed for a slight increase in the reported gap.

In response to a question from Mr Steele she explained that we could still be measured against the original efficiency target, even though we had achieved our underlying financial objective of achieving breakeven. If we were to spend time identifying and then reviewing service areas who had achieved increased productivity without necessarily freeing up cash savings it would be likely we would find sufficient examples in order to report we had met the £36.112m target. This however would take time away from the higher priority of identifying cash savings for 18/19. Mr C Campbell informed the committee he had an independent evaluation of the hospital at home services which set out its cost effectiveness against traditional approaches which could provide evidence of greater productivity. Mrs Ace undertook to look at examples of productivity where there was readily available information to evaluate and quantify impact.

Mrs Ace

Mrs Ace emphasised there was no planned reliance in the financial plan on savings from slippage against funding agreed to achieve key objectives. She referenced ongoing discussions on the winter plan, where all divisions were being encouraged to implement plans in full. She noted that the dip in performance against the CAMHS access target and TTG had been caused by difficulties recruiting to vacancies. This had also led to an unplanned underspend but that plans to restore performance were being actively encouraged.

Mrs Ace noted that the level of non recurring savings being relied on had been cautiously assessed as being slightly over £9m. However some of the savings labelled non recurring, such as drug discounts offered, were likely to continue beyond the current financial year. This would be assessed in greater detail for the final version of the 18/19 financial plan.

THE COMMITTEE:

1. Noted that the monitoring arrangements previously described remained in place.

2. Commended the clarity of the update against the efficiency programme and its relation to achieving financial breakeven.
3. Noted that work to close the gap for 17/18 would look at accessible demonstrations of productivity whilst giving priority to identifying cash releasing savings for the 18/19 plan.

11. **PROCUREMENT**

The Committee considered a Procurement update.

Mrs. Ace explained that the update informed the Audit Committee of any Standing Financial Instruction waivers granted during the quarter. She reported receiving a higher level of enquiries and requests for waivers which she believed evidenced increased awareness of the procurement process. She noted not all were approved. She highlighted a waiver request on which further due diligence was required, relating to Laundry equipment, as it gave an example of a common issue of the difficulty of periodic replacement of items of equipment that form part of a wider system.

Mr Steele asked if the Chief Executive felt the balance between tighter scrutiny and progressing with operational plans was right and whether he was experiencing any kickback from the organisation. Mr C Campbell indicated he was content with the approach being taken on these issues, being guided by procurement advice. Mrs Ace added that there was a degree of kickback from some managers wishing to proceed with the incumbent supplier rather than going through a competitive procurement process but this was being managed effectively at Director level.

Mrs Mahal asked whether the awareness raising workshops had taken place in the service areas identified as being at higher risk. Mrs Ace replied that a recent commitment with the South HSCP to run a workshop with their extended management team would complete the awareness sessions for Mrs Ace priority groups.

THE COMMITTEE:

1. Noted the Procurement Update Report.
2. Asked for later confirmation that the awareness event for the South HSCP had taken place.

12. **RISK MANAGEMENT**

i) **Risk Management Process Compliance**

The Committee considered a Risk Management Process Compliance Report.

Mrs. McGhee talked through the various KPIs on compliance with the risk management process. She referred members to the summary chart on the

position as at the reporting date, in particular, the 99.7% compliance of risks that had been reviewed within the agreed timescale and the actions taken. She highlighted the 80% compliance for the closure of Category 1 adverse events against the indicative time period of 90 days, the 89% compliance for category 2 adverse events (30 days) and the 82% compliance for category 3 adverse events (10 day target). All corporate policies were within their review date as at the reporting period.

Mrs McGhee updated the members on the recent change to the reporting, monitoring and oversight of category 1 graded adverse events, in that the CMT now discuss the events on a weekly basis through the CMT 'huddle', with follow up on actions through individual directors. Oversight for performance against closure of category 1 adverse events that exceeds the 90 days is RAG rated and reported through the Planning, Performance & Resource Committee.

Mrs Mahal observed that the North Health and Social Care Partnership, inclusion of 24 High risks appeared to be a disproportionately high number. Mrs McGhee noted that the North HSCP did have a different profile of services, hosting Mental health and learning disabilities services, but agreed further work was needed to ensure consistency of grading. Mr Steele commended the work done by Mrs McGhee within the Acute Division to review and standardise risk assessment and it was agreed this would be taken forward in the Health and Social Care Partnerships.

Mrs McGhee

Mrs Mahal also reiterated the point being taken forward through the Action Log in relation to the degree of consistency between the Board risk registers and the IJB risk register, referencing delayed discharges.

Mr Gaskin suggested that for the IJB the question should be "would the operational risk crystallising be sufficient to derail the strategic plan", and in cases where the answer to that is yes, it would suggest the operational risk should feature in the IJB register. Mr Steele proposed that as part of the work reference in action log number 12 consideration should be given to achieving clarity on different purposes between the partnerships and IJBs risk registers.

THE COMMITTEE:

1. Accepted the Risk Management Compliance Report.

ii) **Risk Management Summary Report**

The Committee considered a Risk Management Summary Report.

Mrs. McGhee introduced the report which: 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; confirmed the Corporate Risk Profile and Risk Appetite Status with a HEAT map on the risk profile in month. Mrs McGhee highlighted that the Audit Committee was the governance committee assigned to oversee the Audit Committee to oversee Risk ID 594-Fraud, Bribery and/or Corruption and that

some additional mitigating controls had been identified against this risk since the last report.

Mr P Campbell asked how we could have visibility of the expected timeline for mitigation activity in relation to the very high graded risks. Mrs McGhee agreed to given this consideration and propose appropriate reporting for the next Audit Committee meeting.

Mrs McGhee

Dr Osborne asked how the mitigating actions on the delayed discharge risk correlated with the agreed actions against the Audit Scotland Plan. Mr C Campbell flagged the weekly CMT consideration, the driver diagram, the pan Lanarkshire unscheduled care group and the winter bed plan as providing clear evidence that this had taken place.

THE COMMITTEE:

1. Noted and accepted the Risk Management Summary Report, and confirmed assurance in relation to for which the Audit Committee was the delegated Assurance Source.

13.

AUDIT COMMITTEE SELF ASSESSMENT

Mr Steele reported that having reviewed last year's self assessment he felt most of it remained current with the exception of the references to the developing PPRC. After discussion it was agreed that, subject to that amendment being processed the self assessment was reflective of current performance.

Mr T Steele

THE COMMITTEE:

1. Agreed Mr Steele would make the agreed change, thus completing the self assessment exercise for 17/18

Claire Sweeney, Associate Director Audit Scotland and Kirsty Whyte, Senior Audit Manager, arrived to present the Audit Scotland report. A number of further attendees including Michael Fuller, non executive director, and senior finance staff, arrived for the presentation.

14.

AUDIT SCOTLAND REPORT

Claire Sweeney gave an overview of the role of Audit Scotland and explained the approach behind the Annual NHS Performance overview report. It was, she explained, an opportunity to look at systemic issues facing the NHS. Kirsty Whyte talked through key findings in the report, highlighting, where appropriate, NHS Lanarkshire's performance relative to the Scotland wide trend. The Audit Committee was also informed of the further reviews relevant to the NHS that Audit Scotland planned to undertake in 2018.

The Audit Scotland team engaged with numerous questions about the report's findings and how they might be taken forwards.

THE COMMITTEE:

1. Thanked Audit Scotland for a helpful presentation and discussion.

15. **ANY OTHER COMPETENT BUSINESS**

No other items were raised.

16. **DATE OF NEXT MEETING**

Tuesday 6th March 2018 at 9.30am.

17. **FUTURE MEETINGS IN 2018**

All meetings would commence at 9am, with the exception of the Annual Accounts meeting

Tuesday 5 June 2018, BR
27 June 2018 at 8.30am, BR (Annual Accounts)
4 September 2018, CR
4 December, BR