

Lanarkshire NHS Board

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

CHAIR: Mr T Steele, Non-Executive Director

PRESENT: Dr A Osborne, Non-Executive Director
Miss M Morris, Non-Executive Director
Mrs L Macer, Employee Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
Mr C Campbell, Chief Executive
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
Mr N J Agnew, Board Secretary
Mr M Kennedy, General Manager, SALUS, Occupational Health
and Safety Service (for item)
Dr L A Smith, Director of Quality (for item)

APOLOGIES: Mr P Campbell, Non Executive Director
Mrs M Mahal, NHS Board Chair

1. **WELCOME**

Mr. Steele welcomed colleagues to the meeting.

2. **DECLARATION OF INTERESTS**

There were no declarations.

3. **MINUTES**

The minutes of the meetings held on 6th June and 28th June 2017 were

approved, subject to noting a correction to item 7 i) External Audit Interim Audit Report – opening paragraph to say ‘the Committee considered an Interim Audit Report 2016/2017 from Audit Scotland’.

THE COMMITTEE:

1. Approved the minutes.

4. **ACTION LOG**

The Committee considered an updated Action Log. Mrs. Ace outlined the principal elements of progress in relation to the actions, a number of which were addressed through the agenda items before the Committee today. The Action Log would be updated further to reflect key issues highlighted in discussion.

5. **MATTERS ARISING**

i) **Salus Annual Report**

Mr. Steele welcomed Mr. Kennedy to the meeting and invited him to update members on the key issues that had arisen during the course of the previous meeting.

Mr. Kennedy referred to the issue around the decline in the business margin. He advised that whilst, strictly accurate, it was important to view this matter within a context that potential savings in-year were not included within the financial forecast for the Service, because these were variable. Also talked through other contracts such as the provision of services to GPs across Scotland where we received a management fee which helped spread our own management costs.

He highlighted an immediate risk in relation to the ‘Fit for Work’ Contract. The value of which was of the order of £1.4m. He advised that a Green Paper was to be submitted to the Department for Work and Pensions (DWP) within the next two months about the continuation of the Programme or otherwise. In the event that the decision was not to continue with the Programme, the availability of funding would continue for six to nine months beyond the decision, in order to allow for an organised Exit Strategy.

Mr. Kennedy highlighted the Personal Independence Payments Contract. He reported that recruitment to vacancies was a challenge, due to a high turnover within the Service. He explained that income was based on item for service per assessment, and that performance was 14% short of target for the previous year, which reduced the surplus in the current year. He reported that there had been eight vacancies at the point of closing off 2016/17, but that this position had improved, with 2.4 vacancies currently, with a number of candidates being interviewed for those positions that day. He advised that the Performance figures for 2016/17 for the Service were the best on record.

Mr. Kennedy reported that the current contract continued to July 2019, with tendering being commenced in February 2018 for the next Contract. He

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reported that Personal Independence Payments was being devolved to the Scottish Government which did not take Executive power until 2020. He reported on meetings with Scottish Government officials, when Lanarkshire concerns were highlighted, and advised that these would be pursued further at a meeting which Scottish Government officials were to have with representatives of the Department for Work and Pensions. He explained that there were geography and ownership issues to be addressed, with consideration to be given to whether Scotland would remain as one area or be sub divided. He advised that key issues had been the subject of a paper considered by the Staff Governance Committee during the course of the previous week. He also advised that Scottish Government officials would seek a meeting with the Corporate Management Team to discuss key issues. Mr. Kennedy stressed that the Personal Independence Payments would remain in Scotland as an asset-driven Service.

Mr. (Calum) Campbell welcomed the Scottish Government commitment to meeting with local management to consider the position beyond the devolvement of the Service to Scotland, and he advised that this had been the subject of a presentation to a recent meeting of Chief Executives.

Mr. Steele welcomed the update, and asked for a further update to be brought to the Committee in March 2018. He asked for further information to be provided on the margin on operating activity and savings from other activity. He also sought further information on the position with regard to Fit for Work. Mr. Kennedy reported that Fit for Work was not operating as intended. He advised that National Services Scotland (NSS) was the lead agency for delivery. He confirmed that operational delivery operated effectively when the Service was used, but there was only a limited uptake in Scotland. He confirmed that conversations between Scottish Government representatives and the Department for Work and Pensions about continuation were underway.

Mr. Kennedy

Mr. Kennedy noted an issue raised by Dr. Osborne about a commitment from the Minister for Social Services that assessments would be conducted on a not for profit basis. He confirmed that this was the position, and highlighted the need to consider the impact going forward.

Mr. Gaskin highlighted staff turnover over 18 months, and the timescale of 4 months to train new staff. Mr. Kennedy reassured members that the impact of attrition on staffing was recognised. He reported that exit interviews with staff were mostly positive, and highlighted a reported frustration that staff did not have any ability to provide therapeutics. He noted an issue raised by Dr. Osborne about the potential benefits for recruitment of a secondment model. He confirmed that open secondment had already been offered, and could be pursued again. He also reported that only a small number of staff had been available from the redeployment register.

Mrs. Ace reassured members that the Personal Independence Payments Contract was the subject of a month by month forecasting tool which was sensitive to the numbers of assessments. She explained the performance position for the first four months of the current financial year, which

confirmed a net profit for the period.

Mr. Kennedy noted an issue raised by Mr. Steele in relation to IT. He confirmed that the system was provided and owned by ATOS. He advised that other commercial business was held on servers outwith Lanarkshire. He advised that the core NHS Lanarkshire service had been affected by the Cyber Security Incidents, and were in the process of being resolved.

Mr. (Calum) Campbell would raise with the Director General Health and Social Care and Chief Executive of NHS Scotland, the issues in relation to the future for the Personal Independence Payments Contract. The position with regard to the Fit for Work Contract would continue to be the subject of dialogue, with a view to the need for an Exit Strategy in the event that there was a decision not to continue beyond expiry of the current Contract.

Mr. Steele thanked Mr. Kennedy for his attendance and for the information shared with Members.

THE COMMITTEE:

1. Noted the update report on the issues arising from the consideration of the SALUS Annual Report.
2. Asked to consider a further update on the key issues highlighted at the meeting of the Committee in March 2018.

Mrs. Ace

ii) **Serious Adverse Event Reviews (SAERs)**

The Committee considered a report on Adverse Event Management, with a particular focus on performance on compliance with the target for closing Category 1 incidents within 90 days.

Dr. Smith reminded Members of the background to the issue, and updated the Committee on the substantial endeavour over recent months to improve system performance on compliance with the target for closing Category 1 incidents. She highlighted the principal elements of the Incident Management Implementation Plan, and described the enhanced reporting to support the endeavour.

Dr. Smith highlighted the principal recommendations within the report viz: that work continues on the Implementation Plan during 2017/18 and is monitored by the Healthcare Quality Assurance and Improvement Committee; and that regular reporting of performance against the target for completion of Category 1 Reviews continues at the Corporate Management Team and the Operational Units.

Dr. Smith noted issues raised by Mr. Steele about the impact of low numbers in percentage terms, and a request for clarification of the definition of an Adverse Event and the starting point for the measurement of performance against the target for completion of reviews. She explained that the definition

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of an incident as an Adverse Event was dictated by the point at which an incident was confirmed as an Adverse Event. She noted an observation from Mr. Gaskin about presenting performance against the target for completion of Category 1 Reviews as a rolling average quarterly may present a more realistic representation of performance in percentage terms given the low numbers of events involved, and she agreed to consider this further. Mrs. McGhee undertook to have further dialogue in this regard with Dr. Smith in order to bring further clarity to the reporting format and arrangements.

Mrs. McGhee
Dr. Smith

Mr. Steele highlighted the role of the Healthcare Quality Assurance and Improvement Committee as the designated Governance Committee for assurance in this regard. He acknowledged the improvement in performance over recent months, and re-stated the importance of capturing and disseminating the learning from Adverse Events and Reviews. He suggested that it would be appropriate to focus particularly on recurring issues and themes and he highlighted the new Duty of Candour which would apply from mid 2018 as a consideration in relation to reporting arrangements. Dr. Smith acknowledged the need for system preparedness for the introduction of the Duty of Candour, and she reassured members that, already, the principles of Duty of Candour were reflected in the approach to the management and reporting of Adverse Events and complaints. She advised Members that the relevant legislation was specific about the issues that would fall to be reported in relation to the Duty of Candour. She highlighted the requirement to consider further the alignment of Adverse Event Reporting and Recording and Reporting under Duty of Candour.

Mr. Steele acknowledged the reports on Adverse Events provided to each meeting of the Audit Committee, and welcomed a suggestion from Mr. (Calum) Campbell that this might usefully be enhanced through the availability of an Annual Report to the Committee on performance against the target for the completion of Category 1 Reviews.

Dr. Smith

THE COMMITTEE:

1. Noted the report on Adverse Event Management, and the focus on progress in closing SAERs.
2. Endorsed the recommendations within the presented report.

6. **INTERNAL AUDIT**

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

The Committee considered a final Internal Audit Progress Report 2017/2018.

Mr. Gaskin highlighted the principal elements of the report in relation to: Internal Audit Reports issued; Draft Reports issued; and work in progress. He confirmed that, as appropriate, relevant reports were provided to the Integration Joint Boards. He advised that the outcome of the work in progress would be the subject of reports to the Audit Committee in December 2017. He confirmed that, overall, there were no material concerns arising

from Internal Audit activity currently.

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 97% of agreed actions due having been implemented.

THE COMMITTEE:

1. Noted the Internal Audit Follow Up Report.

iii) **Post Transaction Monitoring Report**

The Committee considered a Report on the Review of Post Transaction Monitoring and Property Disposals.

Mr. Gaskin highlighted the principal elements of the Review Report, with particular regard to the main findings. He confirmed that there were no material concerns arising from the Review. However, Mrs. Holmes had discussions with relevant Officers to ensure that there was clarity about the audit findings and recommendations.

Mrs. Holmes noted an issue raised by Dr Osborne about the likelihood of payment for invoices raised. She reassured Members that a process had been agreed which would ensure the payment of invoices.

THE COMMITTEE:

1. Noted the report on the Review of Post Transaction Monitoring and Property Disposals.

7. **EXTERNAL AUDIT**

i) **Delayed Discharge Review**

The Committee considered an updated Action Plan in relation to the recommendations of the Delayed Discharge Review. Mr. Lindsay highlighted the principal elements of the issues. He confirmed that the progress update would be reflected in the finalised report which would be issued to Mr. Campbell and to the Auditors for the Integration Joint Boards. He confirmed satisfaction with the reported progress of actions.

Mr. (Calum) Campbell acknowledged the progress to date in addressing the Audit Scotland recommendations. However, he stressed the requirement to

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fully deliver the Action Plan according to the required timescales, and to achieve the reductions in delayed discharges reflected in the target and trajectories.

THE COMMITTEE:

1. Noted and welcomed the Delayed Discharge Audit Action Plan update.

8. **PRIMARY CARE GOVERNANCE**

i) **Payment Verification Report**

The Committee considered a Payment Verification Report, which encompassed new arrangements for 2017/18 and any significant issues.

Mrs. Ace highlighted the principal elements of the report. She confirmed that the revised Payment Verification protocols for 2017/18 were in place and were operating. She advised that monitoring had not identified any material issues or concerns to report to the Committee.

THE COMMITTEE:

1. Noted the Payment Verification update.

9. **WORKPLAN**

Mrs. Ace introduced the Workplan for 2017/18 and confirmed that this was on track. She highlighted the addition to the Workplan of Procurement and Workforce Planning. She also confirmed that a six monthly private meeting with Internal Audit was scheduled into the Workplan.

THE COMMITTEE:

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

10. **FRAUD UPDATE**

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

Mrs. Holmes drew Members attention in particular to Case 4 involving Operation Ariston and outlined the current position with regard to the progress of the Counter Fraud Services and the Police Scotland Criminal Investigation on behalf of NHS Boards. She reported on the position with regard to submissions to the Crown Office and the Procurator Fiscal, and advised that the outcome would be confirmed to Counter Fraud Services and to NHS Boards.

Mrs. Ace noted issues raised by members about risk. She reminded Members of the previous reports to the Committee about the substantial endeavour to further strengthen the controls and the rigour in relation to the application of the Board's Policy on gifts and hospitality. Mr. (Calum) Campbell endorsed these views, and reminded Members of the extent to which the NHS Board had been regularly briefed on the issue.

Mrs. Holmes noted an issue raised by Mr. Steele in relation to the case involving an overseas visitor and an outstanding invoice. She explained that the case was still current within the UK Border Agency, in order that it could be progressed in the event that the individual concerned sought to re-enter the United Kingdom.

THE COMMITTEE:

1. Noted the Fraud Update.

11.

ARRANGEMENTS TO SECURE EFFICIENCY

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

Mrs. Ace explained that the paper 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 the principal issues in relation to: the 2017/18 Programme Overview; the monitoring arrangements; and progress to 31st July 2017. She reminded Members that at the time of submitting the Local Delivery Plan £6.586m of efficiencies required to be found before the Board could be confident the predicted gap would be closed. She advised that an assessment carried out as at 31st July 2017 identified further savings leaving the Board a balance of £5.062m still to identify. She reported that the additional savings came from identifying further opportunities for hospital drug efficiencies and Savings Plans for a number of Administrative Departments submitted since the opening LDP. She reported on recent dialogue with the Locum Vendor, and confirmed that the new arrangements were currently being taken through an implementation phase.

Mrs. Ace highlighted an area of uncertainty in relation to a lack of information on drugs expenditure. She reported that a new pricing structure would produce efficiency savings. In addition, Pregabalin coming off-patent would produce savings of the order of 30%. She reported on the Acute drugs expenditure position. She advised that, as yet, no information about drug costs had been received from Glasgow, although invoices to July were due to be received within the next two weeks. She reported that the Risk Assessment around the impact on Hairmyres Hospital of changes to Hospital Services in Glasgow had been reduced, but would remain under review.

Mr. (Calum) Campbell noted an issue raised by Mr. Steele about the role of the Corporate Management Team in relation to the Efficiency Programme. He reminded members that reports to the Board, including the Finance Report

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were considered and agreed by the Corporate Management Team. In addition, there were Scrutiny Panel arrangements in place, involving an overview Scrutiny Panel and individual panels for Acute Services and for the Health and Social Care Partnerships which focussed on Performance Management. Financial performance issues were also addressed, as appropriate, during one to one meetings which he had with Directors.

Mrs. Ace noted an issue raised by Dr. Osborne about any programmes which were considered to be at risk in relation to the balance of £5.062m still to be identified. She confirmed that this figure took account of risk, and reassured members that financial forecasts took full account of any areas where delivery of the full value for the year was unlikely. She also noted an issue raised by Dr. Osborne about the future position with regard to the timely submission of invoices for drug costs from Glasgow. She explained that the delay had been occasioned by staff sickness absence, but reassured Members that she would continue to monitor performance and escalate any concerns to her counterpart in Glasgow.

THE COMMITTEE:

1. Noted that the monitoring arrangements previously described remained in place.
2. Noted that the gap in the Financial Plan had reduced to £5.062m and that further savings were being delivered against corporate budgets resulting in the risk rating being reduced from very high to high.
3. Noted that work continued on closing the gap.

12.

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. It also updated the Committee on any new issues and actions arising from the now largely embedded Action Plan developed in order to make the controls environment more hostile to anyone included towards Procurement Fraud. She highlighted the particular issues in relation to SFI waivers, and explained the position with regard to the two waivers that were granted during the quarter. She confirmed that the electronic Gifts and Hospitality Register designed to make reporting easier had been live since May 2017. She highlighted the position with regard to the Association of the British Pharmaceutical Industry Publication of its voluntary disclosure database of transfers of value made between Pharmaceutical Companies and NHS employees, and confirmed that the Lanarkshire position would be reviewed in six months. She reported that a Procurement and Fraud Awareness Workshop was held for North Integration Joint Board on 31st August 2017, and advised that a date would be sought to conduct a similar workshop for the South Integration Joint Board.

THE COMMITTEE:

1. Noted and welcomed the findings and actions set out in the Procurement Update Report.

13. **RISK MANAGEMENT**

i) **Risk Management Process Compliance**

The Committee considered a Risk Management Process Compliance Report.

Mrs. McGhee explained that the paper set out to report on a set of Key Performance Indicators (KPIs) as at 7th August 2017 for the Risk Register, Adverse Event/Incident Management and Corporate Policies. She drew Members' attention to the Section of the report which summarised KPI Compliance for the reporting period for each of these areas for which substantial additional detail was contained within the Report.

Mr. Steele sought clarification on the rationale for the significantly greater number of live risks within North Health and Social Care Partnership relative to South Health and Social Care Partnership, and the extent to which there was alignment of Policies with due consideration to risks relating to the health component of the Partnership. Mrs. McGhee explained that the difference in the number of live risks for each of the Partnerships would be directly influenced by the levels of 'hosted services'. She also confirmed that dialogue with both Partnerships about the alignment of Risk Registers was at an advanced stage. Mr. Gaskin explained that there were five risks, viz: Unscheduled Care; Delayed Discharge; General Medical Services Sustainability; Out of Hours; and Bed Modelling, which were co-owned. He confirmed that within North, Risk Management was under Review, including consideration of the relationship between the 'Parent Bodies'. He highlighted the fact that GMS sustainability did not feature in the North IJB Risk Register.

Mr. Gaskin highlighted the importance of having in place a process for ensuring congruence between the Risk Registers for the Integration Joint Boards and the Parent Bodies and vice versa as part of the overall process to provide assurance that the Integration Joint Boards were managing the relevant risks. Mrs. McGhee reaffirmed the extent to which she worked closely with Officers of the Health and Social Care Partnerships, in order to ensure that the Health components were appropriately addressed within the risk management arrangements. Mr. Gaskin advised that reports on the review of risk management would be provided to the Integration Joint Board Audit Committee in December 2017, at which point clarity would be sought on the level of information to be shared with the NHS Board Audit Committee.

Dr. Osborne highlighted an issue in relation to delayed discharge which sat operationally with the NHS Board, but had multiple interdependencies which impinged on Local Authority Services. She highlighted the need for clarity about the risk measure and the need for a shared understanding about the level of risk. Mrs. McGhee explained that as part of the process to ensure ongoing

alignment of Risk Registers, she met on a quarterly basis with representatives of the Health and Social Care Partnerships to consider a number of issues, including: mitigating controls; accountability; and reporting arrangements, with information on this issue included in the regular reports to the NHS Lanarkshire Corporate Management Team. She also reassured Members that within the Health and Social Care Partnerships, the Senior Leadership Teams exercised oversight of the 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; and enabled the Audit Committee to oversee corporate risks that had the Committee identified as the Assurance Source.

THE COMMITTEE:

1. Noted and accepted the Risk Management Summary Report, and confirmed assurance in relation to Risk ID 594-Fraud, Bribery and/or Corruption for which the Audit Committee was the delegated Assurance Source.

14. **TERMS OF REFERENCE**

The Committee considered updated Terms of Reference.

Mrs. Ace explained that there had only been one change to reflect the new arrangements for the Secretariat function beyond the retirement of the Board Secretary.

THE COMMITTEE:

1. Endorsed the revised Terms of Reference for submission to the NHS Board for approval.

15. **AUDIT SCOTLAND REPORT**

Mr. Lindsay referred to the Audit Scotland Report on NHS Workforce Planning. He confirmed that the author, Richard Robertson, was willing to attend a meeting to present and discuss the report findings.

Members were agreed that it would be appropriate for this dialogue to take

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place within the form of the Staff Governance Committee. Mrs. Macer, as Staff Governance Committee Chair, would liaise with Mr. Lindsay about scheduling the consideration of this issue.

Mrs. Macer

16. **ANY OTHER COMPETENT BUSINESS**

a) Audit for 2017/18

Mr. Lindsay explained that planning for the 2017/18 would commence in mid August, and he confirmed that an Audit Plan would be presented to the Committee at its meeting in December.

b) Neil Agnew

Mr. Steele reminded members that this was Neil Agnew's last meeting of the Audit Committee prior to his retirement at the end of September. He acknowledged the substantial contribution which Neil had made through supporting the Audit Committee throughout his 26 years as Board Secretary, and extended to Neil his, and members, best wishes.

17. **DATE OF NEXT MEETING**

Tuesday 5th December 2017 at 9.00am.

18. **FUTURE MEETINGS IN 2018**

Mrs. Ace would arrange for meeting dates to be circulated.