

Lanarkshire NHS Board

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Minute of Meeting of the Audit Committee
held on Tuesday 6th March 2018 at 9.30am
in the Conference Room, Kirklands, Bothwell

CHAIR: Mr T Steele, Non-Executive Director

PRESENT: Mr P Campbell, Non Executive Director
Mrs L Macer, Employee Director
Councillor J McGuigan, Non Executive Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
Mr C Campbell, Chief Executive
Mrs M Mahal, NHS Board Chair
Mrs M Holmes, Internal Audit Consortium
Mrs C McGhee, Corporate Risk Manager
Mr P Lindsay, Audit Scotland
Mrs A Drumm, PA

APOLOGIES: Dr A Osborne, Non-Executive Director
Mr T Gaskin, Head of Internal Audit Consortium
Mrs S Lawton, Audit Scotland

1. **WELCOME**

Mr Steele welcomed Councillor McGuigan to his first meeting.

2. **DECLARATION OF INTERESTS**

There were no declarations.

3. **MINUTES**

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

THE COMMITTEE:

1. Approved the minutes.

4.

ACTION LOG

The Committee considered an updated Action Log. Mr Campbell confirmed that his discussion with the Nurse Director indicated that the responsibilities for issue of controlled drugs by nurses was well understood and kept under a review so this action could be closed. Mrs Mahal confirmed the conversation with internal audit on the control ratings for the code of corporate Governance had been discussed and the enhancement needed to process to raise the rating from B to A were understood and being worked on. It was noted that the other actions were picked up later in the agenda.

THE COMMITTEE:

Noted progress with the Action Log.

5.

MATTERS ARISING

i) Salus

Mr Kennedy talked to the paper highlighting the actions taken to mitigate potential loss to the Board following the withdrawal of the national Fit for work programme, managed through SALUS in Scotland. Additional commercial opportunities had been generated and staff had been successfully redeployed. There was a wider discussion on the Board's exposure when entering into these larger national contracts, with specific reference to the uncertainty round the future of the PIP programme post June 2019. It was noted that the June audit committee was scheduled to receive its annual update on the risks and controls around commercial activity and that this would provide a broader context against which to consider these issues. It was agreed that Mr Campbell would meet with Mr Kennedy and Mrs Ace in advance of that meeting to talk through the Board's approach to the uncertainties surrounding PIP.

THE COMMITTEE:

Noted the report and the intention to reconsider the risk of loss of business when considering the Salus annual report at the June Audit committee.

IJB Annual Reports

Mrs Ace introduced the item, explaining that the IJBs and NHS Board had put in place a suitable process for providing each other with cross assurances to enable governance statements to be concluded for the 2016/17 annual accounts. However the later sign off date of the IJB accounts had meant the formal exchange of some of the information suggested by the guidance happened at a later date. The extensive suite of information included in the audit committee papers was purely for background information as to the process and type of information considered by the IJB in reaching their conclusions on their own governance statements. In developing the cross assurance process for 17/18 it was intended to rely on the output of each organisation's assurance process rather than reconsidering the primary

evidence considered by the separate legal bodies.

THE COMMITTEE

Noted the suite of evidence and the intention to have a streamlined process in place for the 17/18 governance statement.

6.

INTERNAL AUDIT

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

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

Councillor McGuigan asked about any common factors or trends in the high value of disputed invoices noted in the procurement audit. Mrs Ace explained much of the high value was found in invoices with other Boards, particularly Glasgow, where charges, not agreed by any other Board, had been levied for delayed discharges. Councillor McGuigan asked at what point such a dispute would be escalated to the Scottish Government. Mrs Ace said the threshold for doing that was high, but in this particular instance a resolution was believed to have been reached in December although the invoices had not yet been credited. It was agreed Mrs Ace would pursue this with Glasgow and escalate it if not resolved. Mrs Holmes added that many of the lower value queries were around the receipting process and should reduce over time as the purchase order process further embedded.

Mr Steele commented that, although providing adequate assurance, there were a number of recommendations. Mrs Ace confirmed management action had been agreed for all of them

THE COMMITTEE:

1. Noted the final Internal Audit Progress Report 2017/18.
2. Asked for the disputed delayed discharge invoices to be raised again with NHS G G & C.

ii) **Follow Up Report**

The Committee considered an Internal Audit Follow Up Report which demonstrated high percentage completion of actions by the due date.

In response to a question from Mr Steele, Mrs Holmes explained that the percentage achievement in the tables at the end of the report related to the total number of recommendations, including those who were not yet due for completion. The committee agreed this latter percentage was less relevant and could be dropped from the report to avoid confusion.

THE COMMITTEE:

1. Noted the Internal Audit Follow Up Report.
2. Asked for future reports to be amended to include only the percentage

completion of those at their due date.

7. **EXTERNAL AUDIT**

i) **2017/18 Interim Audit Report**

Mr Lindsay presented the report on behalf of Audit Scotland, highlighting that the interim work had not revealed any new control weaknesses. Mr Smith was invited to comment on the small number of 16/17 findings where further controls had not yet been introduced. With regards to the communication of information to payroll, particularly the timely communication of employees leaving, Mr Smith noted that the implementation of EESS in May should bring enhanced capability for reconciliation between HR and payroll data. It was noted that the organisation had chosen to retain the manual counter signature on journals rather than seek a national system change to electronically enforce this. Mr Lindsay indicated additional audit testing had been directed in these two areas.

It was noted that further audit work was taking place on Cyber security. Mr Campbell noted that NHS Lanarkshire had been selected as a Cyber catalyst and had made considerable progress since the historic Cyber attack but it was noted that Cyber attacks remained a high risk for all organisations.

THE COMMITTEE:

1. Noted and welcomed the Interim Audit Report.

8. **GOVERNANCE STATEMENT**

i) **Guidance**

Mrs Ace introduced that paper saying there had been no real change in the guidance since the previous year and the extract, taken from the annual accounts manual was attached for the Audit Committee's information. The one area of ongoing discussion was Audit Scotland's approach to the IJB Set Aside budget. Mrs Ace said this was being discussed at a national level and that Christine McLaughlin was looking to agree a national approach. Mr Lindsay confirmed Neil Cameron from Audit Scotland was involved in these discussions. Mrs Ace confirmed that whilst there was a time lag in the ISD data, it had not acted as a barrier to plans to move the setting of care, and that she had worked proactively with the CFO of the North and South IJB to reach an agreed position.

The list of evidence intended to be presented to the audit committee was included in the paper. Mr Steele questioned whether there were any items already apparent as potentially requiring disclosure, specifically querying the performance against TTG. Mrs Ace agreed this would remain a relevant item for consideration in 17/18. Other than that, and the national discussions on the IJB set aside, there were not any immediately obvious issues, with nothing in

any external inspection reports highlighting anything of significance.

ii) Key Lines of Enquiry for Risk Management

The Committee considered a paper on Key Lines of Enquiry and the responsibility of the Audit Committee in receiving assurance of the reliability and integrity of the risk management framework.

Mrs McGhee introduced the paper and outlined the elements of the Key Lines of Enquiry relating to strategic processes for risks, control and governance, and risk management processes, and confirmed that this approach was endorsed by the Corporate Management Team on 19th February 2018. The Audit Committee accepted this report as evidence that an adequate and effective risk management system is in place.

iii) Accountable Officer's Duties

The Committee noted the evidence that the Accountable Officers duties were being adequately fulfilled.

iv) Draft Annual Report for the Audit Committee 2017-18

It was noted that the final report would go to the May Board. The Committee were invited to submit any comments on the draft to either Mr Steele or Mrs Ace.

THE COMMITTEE:

1. Noted the guidance and accepted the evidence reported so far.
2. Asked for a more detailed assessment of any potential disclosure on TTG performance to come to the 5 June Audit committee.

9. **WORKPLAN**

i) 2017-18 Workplan

Mrs Ace introduced the item, setting out the substantial completion of the workplan to date with only the 18/19 internal audit plan deferred until the next meeting. Mrs Holmes explained it was at an advanced stage and would be presented to the CMT for comment on Mr Gaskin's return and from there to the 5 June Audit Committee.

THE COMMITTEE:

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

ii) 2018-19 Workplan

Mrs Ace presented the draft 18/19 workplan noting it was derived largely

from the historic cycle of evidence considered by the Audit Committee and could be amended as new issues arose during the year.

THE COMMITTEE:

1. Noted the Workplan 2018/19.

10.

FRAUD UPDATE

The Committee considered a Fraud Report. The Committee asked if we were being kept informed of the progress with operation Ariston and Mrs Holmes confirmed we were but that the legal process moved slowly.

Mr Steele noted the embedded quarterly report from Counter Fraud Services and flagged the table of referral numbers by Board. Mrs Holmes confirmed this had been discussed at the annual review meeting with Counter Fraud services and they were satisfied with NHS Lanarkshire's engagement. Mrs Ace reported that at that meeting CFS had said the numbers could not be looked at in isolation as there was engagement with the Fraud Liaison Officer on a range of issues, at times saving the need for a formal referral. It was noted CFS had been invited to the June Audit Committee to present their annual report and to answer committee members questions directly. Mr Steele welcomed this but asked, given the size of the June agenda if this could be deferred to the September Committee.

THE COMMITTEE:

1. Noted the Fraud Update
2. Asked to defer the counter fraud presentation to September 2018.

11.

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. She highlighted, as in previous reports, that the initial gap between income and expenditure had reduced during the year, primarily down to lower drugs growth than forecast. This in turn had reduced the cash saving needed to bridge the gap. However in order to still report positively against the savings target declared in the LDP , evidence of productivity gains had been sought and quantified.

Mr Steele asked how much attention was given to identifying and reporting on Productivity Gains. Mrs Ace replied that her priority focus was on balancing the Board's financial plan so, unless needed to satisfy a specific target, less time was spent identifying and quantifying them. She indicated that the corporate objectives included achieving the best outcomes and value for

money, ensuring that all resources are deployed to best effect, achieving transformational change in desired outcomes and value for money and that improved productivity was a factor, alongside sustainability in many service redesigns. Mr Steele reflected that Public confidence in the NHS's use of resources could be enhanced by positive reporting on productivity gains. Mr C Campbell agreed this should be taken into account in our communications.

Mrs Ace talked through the stages of developing the 2018/19 CRES programme leading up to the Board consideration of the 18/19 financial plan on 28th March. Mrs Macer confirmed that earlier engagement with staff side on the proposed savings list had been viewed positively.

THE COMMITTEE:

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

12.

PROCUREMENT

Mrs Ace presented the Procurement paper, noting that the internal audit progress report had already covered many of the current actions. Mrs Ace made members aware that there had been 7 SFI Waivers granted in the quarter, with more requests coming through. Councillor McGuigan queried the quantum of support being given by the Rutherglen Citizens Advice Bureau and Mrs Ace agreed to report back to him with further information.

Mrs Macer raised the issue of the Modular Aseptic unit and the possibility that a company could manipulate pricing, knowing that once their initial product was accepted future upgrades would need to be compatible. Mrs Ace explained the complex background to this procurement, providing assurance that this risk was not present in this instance. It was acknowledged however that the risk generally was one which our procedures and SFIs were set up to mitigate.

Mrs Ace advised the committee that the model SFIs produced by the national procurement transformation Board had been considered in detail when reviewing our own SFIS . However it had not been possible to adopt them wholesale because of differences in titles, structures, and NHS Lanarkshire's requirement for a higher level of scrutiny over SFI waivers

THE COMMITTEE:

1. Noted the report.

13.

RISK MANAGEMENT

- i) Risk Management Report

The Committee considered a Risk Management Report, including an updated Corporate Risk Register.

Mrs. McGhee explained that the Risk Management Report: provided a summary of risk business considered at the Corporate Management Team meetings over the last quarter, including a summary of changes to the Corporate Risk Register; confirmed the Corporate Risk Profile over an annual period and the Risk Tolerance status with a heat map on the Risk Profile in-month; and enabled the Audit Committee to oversee the Corporate risk that had the Audit Committee identified as the Assurance Source.

The increasing number and severity of risks was noted. Mr C Campbell advised that given the current healthcare environment and challenges, the profile accurately reflected the position for NHSL. Mr Steele stated that this was an indication that the risk management systems were working. Councillor McGuigan commended the honest reporting around the number of very high and high graded risks, highlighting that it is only by accurately recognising the risk profile, could the Organisation then focus on the mitigation.

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 existing risks, and 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 and the changing profile over the previous year.

ii) **Risk Management Process Compliance Report**

The Committee considered a Risk Management Process Compliance Report noting that it had been considered at the Corporate Management Team meeting of 19th February 2018.

Mrs McGhee outlined the position with compliance against the risk register, adverse event and corporate policies Key Performance Indicators (KPI's), confirming the overall management and oversight of Category 1 Adverse Event KPI's through the Corporate Management Team (CMT), Planning, Performance & Resource Committee (PPRC) and the Healthcare, Quality, Assurance & Improvement Committee (HQAIC).

She further outlined the overall number and grading of risks across NHSL by the strategic / operating area and informed the members on the detail where there had been any lapses in compliance with the KPI's and what actions were being taken.

Mrs Mahal again raised the issue of the inconsistency between the number of risks identified in each Health & Social Care Partnership (H&SCP), and in particular the high number within the North, whilst acknowledging that Mental Health/Learning Disability operating unit was hosted within North. Mrs McGhee advised that whilst some review had been undertaken using the NHSL Risk Register Self –Assessment Tool by the risk owners, further work

was required to ensure the contemporary position of the North locality / service risk registers. Mrs McGhee confirmed that she would be undertaking this work. Mrs McGhee also advised on the risk register improvement network programme she has set up for all designated risk management facilitators across NHSL with a view to sustaining an up-to-date position for the risk register systems and processes. It was noted that Mrs McGhee is attending a risk management workshop in the South on 7 March 2018.

Mrs Macer asked about the progress of a risk that was reported as being past the review date and was in relation to the implementation of Adult Protection Guidelines. Mrs McGhee advised on the reason for the risk being past the review date and the person-dependent nature of how this occurred, confirming that it had been escalated to the responsible Chief Officer for action to be taken. Mrs McGhee further advised she would respond to Mrs Macer direct regarding her query.

Mr Steele acknowledged the oversight function through HQAIC, but queried whether the Audit committee was receiving sufficient information to be able to form an overall opinion on the effective management and adequacy of the management of adverse events. It was agreed that Mr C Campbell, Mr Steele, Mrs McGhee and senior officers would discuss the issue outwith the meeting with a view to ensuring the optimum balance between the HQAIC and the Audit Committee roles.

THE COMMITTEE:

1. Noted the content of the risk management compliance report
2. Agreed to receive a report on the output of the review of the locality / service risk registers for the North H&SCP
3. Noted the escalation of the risk past the review date and asked that Mrs McGhee respond to Mrs Macer's query
4. Agreed to receive feedback on the output of the discussions regarding the management and oversight of adverse events and the balance between the HQAIC and the Audit Committee roles.

iii) **Risk Management Summary Report**

The Committee considered the Risk Management Summary Report, paying particular attention to those risks for which the Audit committee was the delegated committee of oversight.

THE COMMITTEE:

1. Noted and accepted the Risk Management Summary Report.

Mr Steele took the Training Needs item next before Mrs Mahal had to leave the meeting.

15. **DISCUSSION OF AUDIT COMMITTEE TRAINING NEEDS**

Mr Steele mentioned an event being organised through Scottish Government on 23 April 2018 and had previously sent the details to Audit Committee members encouraging them to attend. Mrs Mahal also mentioned that there is an Audit Committee Network. Mrs Mahal and Mr Steele agreed to have a further discussion outwith the Audit Committee meeting on how best to meet the training needs of new members.

At this point, Mrs Mahal left the meeting.

14. **REVIEW OF SFIs and SoD**

Mr Steele requested that since the documents had just been issued that members look over the documents and send any comments into Mr Smith. Mrs Holmes would also review them. Both the SFIs and the SoD would be submitted to the Board for final approval at the meeting on 28 March 2018.

Mr Smith talked through the changes within the documents, which were minor apart from the rewriting of section 10 – Non Pay. This involved harmonising our procurement thresholds with those suggested in the national procurement SFIs which had meant raising the threshold for regulated procurements for Works from £50k in the current SFIs to £250k. Mrs Ace indicated that locally we would still ensure the involvement of the procurement department in the £50k to £250k and this would include ensuring that the 3 suppliers selected for quotes were done on open market research or consideration of tested public sector frameworks.

Mrs Ace advised that there were links to be inserted into Section 10 which would update.

Mr Steele raised an issue on behalf of Dr Osborne around our approach to the risk against IR35 against other Boards. Mr Smith agreed to follow-up this with Dr Osborne.

THE COMMITTEE:

1. Were asked to review the revised SFIs and SoD and send any comments to Mr Smith.

15. **ANY OTHER COMPETENT BUSINESS**

No other items were raised.

16. **DATE OF NEXT MEETING**

Tuesday 5th June 2018 at 9am.

17.

FUTURE MEETINGS IN 2018

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

27 June 2018 at 8.30am, BR (Annual Accounts)

4 September 2018, CR

4 December, BR