

Lanarkshire NHS Board

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**Minute of Meeting of the Audit Committee  
held on Tuesday 4th June 2019 at 9am  
in the Board Room, Kirklands, Bothwell**

**CHAIR:** Mr B Moore, Non-Executive Director

**PRESENT:** Dr A Osborne, Non-Executive Director  
Mrs L Macer, Non-Executive Director

**IN**

**ATTENDANCE:** Mrs N Mahal, NHS Board Chair  
Mrs L Ace, Director of Finance  
Mr C Campbell, Chief Executive  
Mrs M Holmes, Internal Audit Consortium  
Mrs C McGhee, Corporate Risk Manager  
Mr P Lindsay, Audit Scotland  
Mr P Campbell, Non-Executive Director  
Mr T Gaskin, Head of Internal Audit Consortium  
Mr M Kennedy, General Manager, Salus (for Item 5)

**APOLOGIES:** Councillor J McGuigan, Non-Executive Director  
Ms S Lawton, Audit Scotland  
Ms F Mitchell-Knight, Audit Scotland

**ACTION**

1. **WELCOME AND APOLOGIES FOR ABSENCE**  
Apologies were noted from Councillor McGuigan, Sarah Lawton and Fiona Mitchell-Knight

. **DECLARATIONS OF INTEREST**  
Mr Gaskin declared an interest at Item 16(i) Public Audit & Post Legislative Scrutiny Committee – Report in the 2016/17 and 2017/18 Audits of NHS Tayside.

2. **APPROVAL OF THE MINUTES OF THE MEETING HELD ON 5 MARCH 2019**  
The minutes were approved.

3. **ACTION LOG**  
The Audit Committee considered the action log, and Mrs Ace explained that the Primary Care Governance item was deferred until September 2019.

**LA**

In relation to Publications it was noted that the proposed new system was not yet in place and that this action remained open in the action log.

PC

**(i) Improvements for Integrated Risk Register**

It was noted that there was now a system in place for identification and recording of joint risks in a consistent manner.

**(ii) Assurance Mapping**

Mrs McGhee explained that there were 3 drivers for this or looking at our approach. The Public Sector Audit Handbook, the Blueprint for Governance and Internal Audit Findings.

A structured approach for questioning and documenting assurance on the controls in place to manage key risks was being introduced. Mr Gaskin explained internal audit had worked closely with the Risk manager and the resulting approach appeared workable and pragmatic and should supplement existing assurance mechanisms.

Mr Gaskin raised the issue of Risks beyond tolerance and raised the question of whether for some risks the appetite may be different depending on the environment. EU withdrawal was given as an example of where the Board may accept a higher risk tolerance out of necessity until greater clarity on risks and mitigating actions were known. The point was noted by Mr Campbell, though no immediate changes were proposed.

The Committee accepted the risk reports and proposed new approach to assurance mapping.

**4. MATTERS ARISING (NOT COVERED BY ACTION LOG)**

**5. Salus**

**(i) Salus Commercial Report 2018-19**

Mr Kennedy presented the annual report highlighting key points within the paper.

Discussion took place around Scottish Government involvement and Mr Kennedy advised that a meeting had taken place with them recently involving Mr C Campbell and himself. Mrs Holmes raised the question around being asked to provide service beyond the date of 2021.

The Committee recognised the report and Mr Kennedy left the meeting at this point.

**6. INTERNAL AUDIT**  
**(i) Progress Report 2018/19**

Mr Gaskin presented the report and paid tribute to Mrs Holmes and her team for all their efforts in producing the report whilst he had not been available.

It was noted that the audit into Financial management gave substantial assurance and contained no recommendations. **TG**

Mr Gaskin advised the workforce report was in draft at the moment but would be brought to the next Committee meeting.

Mr Gaskin informed the Committee that the Resilience audit gave adequate assurance but raised a number of issues to which there had been positive management responses. **PC**

There was a detailed discussion around the eESS system and it was noted that this was a national system that NHSL is required to work with. The report highlighted a number of areas where expected controls were not initially in place when the system was rolled out. This included the lack of transaction logs after 30 days and system default times for escalation set at too long a period. The processes programmed into the system involved additional steps which increased the risk of changes not being processed in time. It was noted that the workarounds and additional input meant the overall rating of adequate assurance.

Mrs Ace welcomed the report saying that by identifying some of the issues inherent in the way the system had been set up has allowed these to be raised nationally and remedial action agreed. A transaction log for audit was being implemented in June and system defaults changed from 1 year to 5 days. She confirmed that what the system gained in time from electronic transmission rather than paper forms sent through the internal mail, it more than lost in additional steps in processing. Additional Workforce support was in place to manually speed this up without any reduction in effort needed from Payroll. She noted Mr Smith was preparing an analysis of overpayments before the new system and currently to see if there was a noticeable impact.

Mrs Macer advised that the Staff Governance Committee had removed eESS from their risk register but may need to reinstate it again in the workplan along with JobTrain. **GS**

Mr P Campbell asked if a wider point could have been a major issue, why do we not go back and raise the issue nationally. Mr C Campbell said he would raise the issue of post project evaluation of the eESS System at a Chief executives' meeting. **CC**

Mr Gaskin explained that the Patient Safety program report gave adequate assurance but that the scope of the work was limited by a change in approach that had come with two changes in lead manager which meant there was a limited time period over which to evaluate it.

The Committee noted the progress report.

**(ii) Final External Quality Assessment of Internal Audit (EQA)**

Mr Gaskin noted it was a very positive report and again thanked Mrs Holmes and her team for all their work.

Mr Moore noted the positive assurance provided by the report and recommended that the actions suggested in it be tracked through the Audit Committee.

**TG**

The Committee noted the report.

**(iii) Follow-up Report**

Mr Gaskin presented the report, noting that it was very good with 98% implemented which was exceptional.

The Committee noted the report.

**(iv) Annual Report evaluating Effectiveness of Internal Controls**

Mr Gaskin presented the report. He confirmed that the report concluded that an adequate and effective system was in place, with issue for potential improvement highlighted for management action. In terms of the grading of specific areas, Mrs Mahal indicated it would be helpful to know more about what it would take to raise the score and Mr Gaskin agreed to be more explicit on this in future reports.

Mr Gaskin informed the committee that the Governance statement gave a comprehensive summary of the control mechanisms in place across the organisation.

Mr C Campbell asked that the date of Accountable Officer should be changed to read 1 January not 5 January.

It was agreed the report should be circulated to all Committee Chairs and Board members.

**PC**

The Committee noted the report.

**Audit Plan**

- (v)** Mr Gaskin presented the plan to the Committee, advising that it had already been discussed at CMT with comments reflected. He highlighted how the planning process had been refined to make more explicit linkages with the higher rated risks. He noted that in doing this

it could also be a helpful check on the wording of the risk as to whether it was specific enough on the precise aspect that might threaten the Board's objectives.

Dr Osborne asked for further explanation on how the IJBs fitted in to the corporate map of auditable areas. Mr Gaskin advised the IJB audit plans were under development but that it would be useful if the 3 plans could be coordinated so that each contained the relevant aspect of cross system issues e.g. delayed discharges. Mrs Ace confirmed this was a desire that had been expressed during the CMT discussion Mr Gaskin agreed to provide an update on any crossover between the plans at the September meeting.

The Committee:

- approved the 2019/20 Plan
- would revisit in September 2019, with an update on IJBs and NHS
- would revisit in December 2019 for 6 monthly review.

TG

**7. External Audit**  
**(i) Interim Audit Report**

Mr Lindsay presented the interim report to the Committee. This concluded that overall appropriate arrangements were in place for financial management, financial sustainability, governance and transparency and value for money although with some areas for improvement. He noted a small number of control weaknesses had been identified, on which management action had been agreed, and which would be further assessed by some additional audit checks. He advised that the financial statements audit was almost complete and the Clearance meeting was scheduled for 11 June 2019. He noted that Audit Scotland were satisfied with the management responses.

Mr Lindsay advised that, in line with previous years, Audit Scotland would be making recommendations about longer term financial planning both at the Board and Scottish Government level. He acknowledged the Board only had confirmation of the current year's allocation but recommended running various scenarios for the future years. Mrs Ace explained high level scenarios had been run for the next 2 years but there were still some areas outstanding for 2019/20 (the funding for the increase in superannuation being one) and at this stage, apart from highlighting there was inevitably going to be a financial gap which needed addresses, she would be reluctant at this stage to use the framework as a basis for decisions. She noted that once the Monklands timeline was clarified and business case developed the planning horizon would be extended to cover the period up to full operation of the new facility.

LA

The Committee:

- noted the report

8.

(i) **Primary Care Governance  
Payment Verification Update 2018/19 and Patient Exemption  
Checking Annual Overview**

Mrs Ace advised that a paper will follow on this item. The routine report was not available yet. Mrs Ace would circulate when available

The item was deferred to the next meeting.

9.

**Governance Statement**

(i) **Draft Statement**

Mrs Ace presented the draft Governance Statement to the Committee. She advised that The Endowment fund and IJB assurance letters were outstanding but neither were expected to present any issues requiring disclosure and should be available soon. She added that after the Audit Committee had approved the Governance Statement wording , it would be sent to the IJBs as part of the cross assurance with those bodies.

(ii) **Service Auditors' Reports**

Mrs Ace advised the Committee that there were three service auditors reports covering services run on the Boards behalf by external bodies which had been summarised in the paper presented to the Committee. The full reports had been shared with the relevant Head of Service and Internal Audit. There were no issues of significance that could impact on the NHS Board's Governance statement.

The Committee noted the report.

(iii) **Annual Reports**

Mr Moore highlighted to the committee the various issues that had been raised as concerns in each of the committee annual reports concluding that the Board had been sighted on the issues during the year and that none represented an area of weakness of such significance that it required disclosure in the Governance statement

(iv) **Summary of External Inspections during the year  
Key Lines of Enquiry for Risk Management**

Mrs Ace presented the report, explaining that although individual reports would have been considered by the relevant committee as they arrived, their findings were summarised here for ease of reference. All reports identified areas for improvement as well as areas of positive practice but none of the issues raised were of a level of significance to merit disclosure on the governance statement.

Dr Osborne asked if the mental welfare commission reports as a block could be considered by the appropriate governance committee so

common themes could be followed up. Mr Campbell advised that the Population Health Committee would be the appropriate committee to receive these reports for overview.

PC

The Committee noted the report

**(v) Directors' Assurance Letters**

Mrs Ace explained that as part of the assurance processes Directors were asked to provide assurance on the controls within their area to the accountable officer and to highlight any issues where there had been a weakness. A number of directors had flagged issues in their letters and each had been individually assessed for any inclusion in the Governance statement. She noted that the inappropriate use of data from the RIS system had been described under the risk section of the governance statement with the learning and improvements also described. She noted that the inability to reach the TTG target was proposed for disclosure again this year.

The Committee noted the report

**(vi) Related Party Assurances: Endowment Fund**

Mrs Ace explained that, although no issues of any materiality were known of, she had been waiting until the endowment fund auditors had submitted their findings before asking the Chair of the Endowment Committee to prepare an assurance letter. The endowment fund clearance meeting was scheduled for the 19<sup>th</sup> and she would ask the Chair to prepare the latter as soon as feasible.

**(vii) Best Value**

Mrs Ace reminded the Committee that a best value stocktake had taken place last year, and nothing major to report for this year. This would be reviewed in depth every 3 years or on the occasion of a significant change.

Having considered the suite of evidence the committee approved the wording of the governance statement subject to the Monklands Independent Review Team publication date of 31 May 2019 being revised.

**10. Workplan**

**(i) 2019/20**

The committee noted the workplan progressing as intended, with the deferred item of Primary Care Governance moving to September 2019.

**11. Fraud Update**

**(i) Fraud report (including progress report on NFI)**

Mrs Holmes introduced the paper, highlighting all the activity from the last report.

The Committee noted the report.

**12. Procurement**

Mrs Ace provided the routine update on the SFI waivers. She highlighted that there had also been a breach where a manager had signed off an order without having obtained and evaluated 3 quotes but given the low value and lack of intent to avoid controls, it was not significant. A procurement remedial notice had been issued to the manager. Discussion took place around the SFI waivers and the process around this. Mrs Ace advised that one of the waivers, Media Burst Florence, had now recommended by the cabinet secretary for national adoption, which meant waivers for any extension could be an ongoing issues. Mrs Macer asked, given the number of SFI waivers form e health, if this was a cause for concern and whether learning form any previous breaches had been applied. Mrs Ace confirmed that eHealth were engaging well with procurement and that she herself always sought an opinion from the head of procurement on whether there could be other suppliers. The need for waivers arose because for many systems only the original supplier could maintain or develop their system. The intention for new systems would be to evaluate both the initial purchase and the support and maintenance costs across the lifecycle of the product, choosing the best composite offering and so obviating the need for future waivers.

The Committee noted:

- the SFI waivers granted
- the SFI breach
- the remedial action taken.

**13. Risk Management**

**(i) Quarterly Risk Management Process Compliance Report**

The Committee considered a report in which Mrs McGhee outlined the risk management KPI's for risk register, corporate policies and adverse events, highlighting the performance against the risk management KPIs and the absence of Category 1 adverse event data for this period due to the current review of category of incidents.

Mr P Campbell commented that it was an excellent well laid out report.

THE COMMITTEE:

- Noted the detail within the report
- Approved the report



**(ii) Annual Report**

Mrs McGhee presented the report.

The Committee considered the Annual Report which had already been considered by CMT, and approved by the Board of NHS Lanarkshire. Mrs McGhee summarised the content of the report, in particular, the confirmation from CMT through self-evaluation that 'there were adequate and effective risk management arrangements in place throughout 2018-2019.'

Mr Moore referred to the summary on the continuous strengthening of the risk management culture throughout the organisation demonstrated at senior and middle management level.

Mr Gaskin referred the members to section 3.3.5 Corporate Risk Profile, noting the changing environment within which NHSL is conducting its business, the ambition to work within a 'medium' risk appetite and supported the review of the risk appetite proposed for year 2019/2020.

The Committee:

- considered the assurance statement
- endorsed the annual report

**(iii) Risk Management Summary Report including Corporate Risk Register**

The Committee considered the risk management summary report which provides an overview of risk management business considered through CMT over the last quarter, including the current corporate risk profile with heat-map and the risk (ID 594) that has the Audit Committee identified as the Assurance Committee.

THE COMMITTEE:

- Noted and accepted the report.

**(iv) Risk Management Strategy**

Mrs McGhee presented the Strategy informing members that it had been subject to annual review and highlighted the changes that related specifically to the work around the improved risk register process in partnership with the North and South Health & Social Care Partnerships.

Mrs Mahal commended the overall delivery of the risk management framework for the year 2019/2020 as demonstrated through the range of reports received and thanked Mrs McGhee for her role in this success.

**THE COMMITTEE:**

- Endorsed the risk management strategy 2019/2010

**14. Notification from Sponsored Body Audit Committee**

Mrs Ace presented the draft letter to the Committee, noting TTG was highlighted again within the reply letter.

The Committee:

- Approved the letter to be issued at the end of the month, along with the governance statement and annual report.

**15. Discussion of Audit Committee Training Needs**

Mrs Mahal informed the Committee that various options were being explored with external companies who had NHS expertise. An update would be brought to the next meeting.

NM

**16. AOCB**

**(i) Public Audit & Post-legislative Scrutiny Committee – Report on the 2016/17 and 2017/18 audits of NHS Tayside**

It was noted that the report had been circulated to all Board members and endowment trustees. It had been added as a late item to the agenda, in order to ensure the audit committee members attention was drawn to the report and its findings.

The main focus of the report was NHS Tayside's use of endowment funding and eHealth monies being held on behalf of other boards to reduce the level of deficit requiring brokerage.

Discussion followed around why the use of e health monies had not been detected at first. It was noted that the fact that underspends against specific funding to offset a general overspend had been highlighted to the Board but that neither the allocation letters issuing the funding to the Board nor the reports by the Director of Finance had highlighted that the funding was not intended for NHS Tayside.

Mrs Ace confirmed that NHS Lanarkshire had not held any money on behalf of other Boards. There was slippage on ringfenced funding but, as this almost entirely in areas delegated to IJBs who had the ability to carry it forward through reserves, it was not making the bottom line appear better than it was.

ITEM 30 i)

Mrs Ace noted that a significant percentage of funding (c 0%) was held back by SGHSCD at the start of the year and, as set out in the Board reports, NHS Boards received many new allocations or adjustments to previous allocations each month. Already there was an issue of the late timing of these allocations impacting on the Boards ability to plan and put in place the desired services. If the PAPLS committees recommendation of ministerial sign off for every single allocation adjustment were enacted this could introduce further delay and uncertainty into the system.

The committee noted the report

**18. DATE OF NEXT MEEITNG**  
Tuesday 3 September 2019 at 9am, in MR3.

**19. Private Meeting with Internal Audit**  
A private meeting with Internal Audit and the non-executive members of the Committee then took place. All other attendees left the meeting.