

Lanarkshire NHS Board  
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Meeting of the Audit Committee, Wednesday 26 June 2019  
 at 8.30am in the Board Room, Kirklands HQ

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

**PRESENT:** Dr A Osborne, Non Executive Director  
 Cllr J McGuigan, Non Executive Director

**IN**

**ATTENDANCE:** Mrs L Ace, Director of Finance  
 Mr C Campbell, Chief Executive  
 Mrs N Mahal, Chair  
 Mr P Lindsay, Audit Scotland  
 Ms F Mitchell-Knight, Audit Scotland  
 Ms L Thomson, Non executive Director  
 Mrs I Barkby, Executive Director of NMAHPs  
 Dr J Burns, Medical Director  
 Mrs H Knox, Director of Acute Services  
 Mr G Docherty, Director of Public Health & Health Policy  
 Mrs M Holmes, Head of Internal Audit  
 Mr G Smith, Head of Finance Corporate  
 Mr P Cannon, Board Secretary

**APOLOGIES:** Mrs L Macer, Non executive Director  
 Mr P Campbell, Non Executive Director  
 Ms S Lawton, Audit Scotland  
 Mrs C McGhee, Corporate Risk Manager

<b>1.</b>	<b>WELCOME</b>	<b>ACTION</b>
	Mr Moore welcomed those present and, noting the Committee was quorate, commenced business.	
<b>2.</b>	<b>MINUTES</b>	
	The minutes of the meeting held on 4 <sup>th</sup> June 2019 would be issued to the Chair by 27/6/19 and then circulated to other committee members so they could be included in the August 2019 Board papers.	LA

	<b>THE COMMITTEE:</b> Agreed this approach.	
<b>3.</b>	<b>MATTERS ARISING</b>	
	<b>i) Endowments Assurance Letter</b>	
	<b>ii) IJBs Assurance Letters</b>	
	Mrs Ace explained these related party assurance had not been available at the time of the June 4 meeting but were now presented to the committee as part of the suite of evidence to support the governance statement. As anticipated, nether contained any issues that impacted on the consolidated accounts or control evaluation.	
	<b>THE COMMITTEE:</b> Noted the content of the assurance letters and confirmed the assessment that they did not introduce any issues of concern for the consolidated accounts or governance statement.	
<b>4.</b>	<b>EXTERNAL AUDIT</b>	
	<b>i) ISA 260 Report</b>	
	Ms Mitchell-Knight explained the purpose and content of the report, confirming it gave an unqualified audit opinion that the accounts gave a true and fair view of the Board's financial transactions and financial position. She noted the accounts and working papers had been of good quality, with minor issues being picked up and changed during the course of the audit.	
	<b>THE COMMITTEE:</b>  Noted the ISA 260 Report.	
	<b>ii) 2018/19 Annual Audit Report</b>	
	Ms Mitchell Knight presented the report to the committee. She highlighted the conclusion that there was appropriate and effective financial management in place. All financial targets had been met leaving a small residual underspend and the Board had achieved this without any brokerage or additional financial support from the Scottish Government. This compared favourably with the performance in a number of other Boards and put the Board in a good position going forwards. The challenges going forwards were, she noted considerable. In common with other Boards NHS Lanarkshire did not have a well developed longer term financial plan. She acknowledged the difficulties with the one year	

<p>allocation notification and uncertainties on the impact of new Scottish financial powers and EU withdrawal, but urged the Board to move towards a longer horizon. She noted adequate staffing was key to sustainability and reminded the committee of the work Audit Scotland had done in looking at the temporary workforce and the work plan that had been developed from this. Some success was evident but this should be an area of continued focus for the Board. Overall she concluded the Board had effective governance, performance management and financial management in place.</p> <p>Mr Lindsay then talked the Audit Committee through the schedule of accounting points contained in the report. He explained a number of Boards, including Lanarkshire, had not correctly included the difference between RPI and the discount rate in calculating their CNORIS provisions which gave both a local impact but also a knock on impact from the wider alteration to the risk pool figures. He confirmed it was not material and had no impact on the bottom line and was accepted as an unadjusted audit difference. He explained that the finding on deferred R &amp; D income was also in common with a number of other Boards. Audit work indicated that some of the income held for future commitments should have been recognised in 2018/19 as the performance obligation to earn that income had been delivered. He noted management were going to review all contracts in 2019/20 and ensure practice was aligned with technical requirements. This too was accepted as an unadjusted audit difference on materiality grounds. He informed the committee that the Board was required to reach an agreed position with the IJB on how the set aside would be managed and had done so.</p> <p>Mr Fuller queried the figure used in the report for inflation for every month of delay in the Monklands replacement. At £1.5m to £3.0m it was higher than the figure previously communicated. MS Mitchell Knight confirmed the figure and the workings came from the Lanarkshire project team. Mrs Ace explained the difference was based on what you assumed building inflation several years in the future would be. Mr C Campbell added that to avoid any accusations of scaremongering the lower end estimate had been used in communications.</p> <p>Mr Fuller asked if there was anything Audit Scotland could do to accelerate the production of set aside figures from ISD. Mrs Ace explained the delay was in the time it took to attribute the cost book data which was typically finalised late November to individual patient activity records. This had been taking until the summer of the following year. She said she was expecting the 17/18 data shortly from ISD and would raise the time lag again.</p>	
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	<p>Ms Thomson asked whether the treatment on CNORIS had changed this year or had this been an error in previous accounts. Noting the end impact was not material, Ms Mitchel Knight confirmed the same error would have existed in the previous years accounts but central work in Audit Scotland had picked this up and it had been tested in individual Board audits.</p> <p>Ms Mitchell Knight thanked the staff for the support received during the Audit. Mrs Ace informed the committee that the auditors approach, with weekly matters arising meetings had been helpful and that points made during the interim audit and in their good practice review of the performance report had helped the Board improve on what had been there before.</p>	
	<p><b>THE COMMITTEE:</b> Noted the Audit Scotland Annual Report.</p>	
	<p><b>iii) Letter of Representation</b></p>	
	<p>MS Mitchell Knight explained this was a standard letter that the Board was required to sign to confirm that all relevant information had been properly given to the external auditors.</p>	
	<p><b>THE COMMITTEE:</b></p> <p>Noted that the Chief Executive would be signing the letter of representation on behalf of the Board</p>	
	<p><b>iv) Patients Private Funds Statement</b></p>	
	<p>It was noted that the funds received a separate audit and that this had produced a clean audit opinion.</p>	
	<p><b>THE COMMITTEE:</b></p> <p>Noted the Patients Private Funds Statement and the unqualified audit opinion.</p>	
	<p><b>v) Patients Funds Management Letter</b></p>	
	<p>Mr Smith talked briefly to the report.</p> <p>Referring to the audit point on the unit cash limit being exceeded Cncllr McGuigan asked what the limit was. Mr Smith replied that it sat at £50, that this limit had not been changed for some time and the amount by which units exceeded it was not large. It was agreed that with inflation this limit may need to be revised.</p>	

	<p>Ms Thomson asked if it was a different sample of units selected each year and if so how the points were addressed or shared. Mr Smith confirmed that the individual units were contacted about any points found when they were visited to ensure action was taken but the general findings were shared across all units</p>	
	<p><b>THE COMMITTEE:</b></p> <p>Noted the report.</p>	
<b>5.</b>	<b>ANNUAL ACCOUNTS: YEAR ENDED 31 MARCH 2019</b>	
	<p>Mrs Ace talked through the cover paper highlighting the key figures.</p> <p>Mr Fuller asked if the asset value of the PFI hospitals was based on the value of the lease or the cost if we owned them. Mrs Ace confirmed it was the depreciated replacement cost.</p> <p>Mr Fuller asked why the Provision for negligence was lower. Mrs Ace explained that the provision was reassessed every year based on the latest information from the legal office. It could change as new cases appeared, old cases become more likely or changed settlement value or cases were settled. At points, such as 2016/17, changes in the discount rate could also have a significant impact on the amount provided. The difference between 2017/18 and 2018/19 was the cumulative impact of all estimate changes and was well within the range of normal fluctuation. Ms Barkby reminded the committee the larger value cases were typically obstetric cases and they may take 21 years to come to court. Ms Thomson asked if the Board would know if there was a dramatic change in the figures as a result of new high cost cases and MRs Ace confirmed this would be the type of movement she would highlight in narrative.</p>	
	<p><b>THE COMMITTEE:</b></p> <p>Noted the report and endorsed the Annual Accounts for presentation to the Board for signing.</p>	
<b>6.</b>	<b>REVISED NOTIFICATION LETTER</b>	
	<p><b>THE COMMITTEE:</b></p> <p>Approved the letter for submission following the Board signing the Accounts.</p>	

<b>7.</b>	<b>ANY OTHER COMPETENT BUSINESS</b>	
<b>8.</b>	<b>DATE OF NEXT MEETING</b>	
	Tuesday 3 <sup>rd</sup> September 2019 at 9am in MR3, Kirklands.	
<b>9.</b>	<b>FUTURE MEETING IN 2019</b>	
	Tuesday 3 <sup>rd</sup> December at 9am	