

Lanarkshire NHS Board

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**Minute of Meeting of the Audit Committee
 held on Tuesday 4th December 2018 at 9am
 in the Board Room, Kirklands, Bothwell**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Councillor J McGuigan, Non Executive Director (from item 4)
 Dr A Osborne, Non-Executive Director

IN

ATTENDANCE: Mrs M Mahal, NHS Board Chair
 Mrs L Ace, Director of Finance
 Mr C Campbell, Chief Executive
 Mrs M Holmes, Internal Audit Consortium
 Mr T Gaskin, Head of Internal Audit Consortium
 Mrs C McGhee, Corporate Risk Manager
 Mr P Lindsay, Audit Scotland
 Ms S Lawton, Audit Scotland
 Mrs H Knox (until item 10)

APOLOGIES: Mr P Campbell, Non Executive Director
 Mrs L Macer, Non Executive Director

		ACTION
1.	WELCOME AND APOLOGIES FOR ABSENCE	
	Apologies were noted from Mr P Campbell and Mrs L Macer. It was noted that Cncllr McGuigan had been delayed slightly and it was agreed to start the agenda, noting that any items considered before his arrival would have to be retrospectively ratified.	
2.	DECLARATIONS OF INTEREST	
	None noted.	
3.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 4 SEPTEMBER 2018	
	The minutes were approved by those present, with final approval to be achieved by circulating absent members.	
4.	ACTION LOG	
	The audit committee considered the action plan arising from Audit Scotland's review of temporary workforce. The committee asked that it	

	<p>was expanded and clarified to include:</p> <ul style="list-style-type: none"> - Dates for delivery; - Clarity on which recommendations were just being noted and which were generating a further action; - Greater detail on what would be done to take forward the action and where the results of that would be considered (eg if action 5 involved a strategy would the Staff Governance committee have a remit); - Consideration of how the outcomes of these actions would be measured. <p>The committee asked that the expanded plan be brought back to the March meeting. Mrs Ace agreed to link with Mr White who in turn would coordinate the action plan. It was noted that Audit Scotland would be doing follow up work on this in April 2019 and that would be reported back to the Audit Committee.</p> <p>Dr Osborne asked if there was any follow up required on the Salus commercial activity. Mr C Campbell confirmed that discussions were in progress about a potential extension to the PIP programme and we had been linking with the SG social security department. Mrs Ace expanded that two issues were under consideration. The initial contract was scheduled to end in summer 2019 but to allow transition to new arrangements a 2 year extension was being proposed and we were in the process of negotiating new rates that would adequately cover our staff costs. There had also been a proposal that we might take on some other parts of the country. The SG social security department had been contacted to ascertain whether this was in the greater interest of SG, but in the absence of positive confirmation and an underwriting agreement we would not want to expand our risk profile in this area.</p> <p>The committee noted the issue was still live.</p> <p>Dr Osborne asked about the residual risk level around fire safety in Monklands. Mr C Campbell explained that the design of Monklands meant the fire risk was real and would remain but through works and training we would seek to mitigate this. He noted national negotiations over a link between mandatory training and incremental progression may give increased ownership of training always being up to date.</p> <p>Mr Moore noted that the intention was to remove completed items from the next version presented to the Audit Committee so the focus could be on the outstanding actions.</p> <p>The audit committee noted the paper. As the meeting was inquorate the minute would be circulated to other members to establish that they were content with the coverage.</p>	<p>LA/JW</p> <p>LA</p>
5.	MATTERS ARISING (NOT COVERED BY ACTION LOG)	
	(i) Review of Temporary Workforce	

		Covered under Item 4.	
6.		INTERNAL AUDIT	
	(i)	Progress Report 2018/19	
		<p>Mr Gaskin talked to the paper. He noted that his report on MRRP was imminent. Dr Osborne asked how it would be presented. Mr Gaskin indicated he would include it in the normal Audit progress report but that a copy may be circulated separately.</p> <p>Cncllr McGuigan joined the meeting and the meeting become quorate.</p> <p>Mr Gaskin highlighted there was good compliance with keeping policy and procedures up to date but that audit had identified a number of improvement points including the need to ensure any previous versions could not emerge through a search. He suggested EDIA guidance could be clearer for those preparing the assessments. He also noted that while circulars and legislation were circulated, the process needed to incorporate feedback to the Chief Executive, that appropriate action was being taken.</p> <p>He flagged the recommendations arising from the Workforce strategy review, which given the high risk presented by workforce issues, were important to progress.</p> <p>He noted the review of Waiting Times recording produced substantial assurance.</p> <p>Mr Moore noted the work in progress and asked if there were any risks around completing the programme. Mr Gaskin confirmed they had no concerns at present and were meeting with Audit Scotland to ensure the internal audits needed to feed into their work were delivered on time.</p> <p>The Committee noted the report.</p>	
	(ii)	Follow-up Report	
		<p>Mr Gaskin reported that there was a continued high rate of management completion of actions with a few minor issues still in progress.</p> <p>Mr Moore asked for further information on the footnote on the decisions about when to migrate asset registers. Mrs Ace explained there had been a national desire to migrate to the asset module linked to the ledger software. NHS Lanarkshire used a different system, as did a number of other boards. Those boards who used the alternative system did not regard the national system as offering enhanced functionality and so the priority to migrate was of a lower order. At present NHS L is focussing its limited staff resources on ensuring the medical physics database is up to date and looking at a business case for electronic tracking of equipment. After this has been progressed the</p>	

		<p>decision will be taken on migration. She noted there was a small additional cost through remaining with the existing asset register software .</p> <p>The Committee noted the report</p>	
	(iii)	<p>Audit Charter</p> <p>Mr Gaskin explained the Charter set out the relationship between the Board and Internal Audit and that in this revision he had used the most up to date template with an increased emphasis on risk.</p> <p>Mr Moore asked if there was any need for the Board to change standing orders as a result of this. Mr Gaskin confirmed the standing orders were already congruent with the Charter.</p> <p>Dr Osborne highlighted a number of typographical issues and asked if the circumstances in which the Chief Internal Auditor would seek a private meeting with the Audit Committee could be clarified. It was agreed to add in that this would be exceptional. Mrs Ace reminded the Committee that the workplan built in a preplanned private meeting with internal and external audit and that the Chief Internal Auditor was able to access the Chair of the Audit Committee directly should he feel the need.</p> <p>Subject to a final edit, the Audit Committee, accepted the revised Charter.</p>	TG
	(iv)	<p>Mid Year Review</p> <p>Mr Gaskin explained that they planned to carry out their first overview of the overall governance and control arrangements slightly later. This would them to reduce the amount of work still to be done in the final quarter which was often time pressured, whilst still giving management an early warning of an issues that needed acted on. The plan was to issue the report to management in January and bring it to the Audit Committee in March 2019.</p> <p>The committee noted the revised timing.</p>	
7.		<p>External Audit</p>	
	(i)	<p>Draft 2018/19 Annual Audit Plan</p> <p>Mr Lindsay explained that the Audit Plan was being expanded to take in some of the issues identified in the NHS Overview report and that it would be available in January 2019 when a meeting would be convened with the Chair of the Audit Committee and Director of Finance to discuss it in advance of the next Audit Committee meeting.</p> <p>The committee noted the timing of the Audit Plan.</p>	

8.		Workplan	
	(i)	2018/19	
		The Committee noted that the workplan was on track.	
9.		Fraud Update	
	(i)	Fraud report (including progress report on NFI)	
		<p>Mrs Holmes introduced the paper. She informed the Committee that there may soon be further progress to report on Operation Ariston as CFS should soon be meeting with the Procurator Fiscal.</p> <p>Mr Moore asked about Operation Antero as some of the potential concerns appeared serious. Mrs Holmes explained that at this point no Lanarkshire practice had been implicated but the case had been kept live in case the HMRC or police investigations uncovered any new evidence.</p> <p>Mr Moore noted the findings of the NFI initiative.</p> <p>Mr C Campbell added that he only other issue he was aware of was the national case of the bogus psychiatrist and informed the Committee that no record had been found of them having been engaged by NHS Lanarkshire at any point. Cllr McGuigan asked if we had checked our procedures to ensure they were strong enough to prevent this happening. Mr C Campbell replied that he had asked the Medical Director to review this.</p> <p>Mrs Ace informed the Committee that in her role as Counter Fraud Champion she had joined Mrs Holmes, our Fraud Liaison Officer, at the recent CFS conference where one of the items under discussion was revised guidance to Scotland on Gifts and Hospitality and conflicts of interest.</p> <p>The Committee noted the report.</p>	
10.		Arrangements to Secure Efficiency	
		<p>Mrs Ace confirmed that the arrangements put in place to secure efficiency were still operating and noting that, as reported to the Board, the gap in the initial savings plan had now been closed for 2018/19. She talked the Committee through the findings from her own retrospective evaluation of how the risk assessment at the time of preparing the financial plan related to the actual achievement at month 7. She noted that where the saving plan involved a service redesign that had not yet progressed to the stage of having agreement and a project plan, delivery in year was negligible.</p> <p>Mrs Mahal asked if there was anything we should learn from that observation. Mrs Ace suggested that in such instances the scrutiny panel should still push the director for a timetable and plan, but where past experience indicated that this was likely to be overly optimistic the</p>	

	<p>financial plan should not rely on achievement till more definite plans were in place.</p> <p>Mr Gaskin highlighted that as housekeeping savings would become increasingly scarce, service redesign had to be the main source of efficiency and NHS Lanarkshire's developing strategy should recognise this. Mrs Ace observed that with the impact of demographic growth, workforce challenges and new standards or technologies, a number of the service redesign strands may bring better ability to safely cope with demand but may not release any cash savings. She referred to the Trauma and orthopaedic redesign as an example of where greater sustainability and improved care might be achieved but at a cost of £600k to £850k (with some potential to offset costs through less use of private sector).</p> <p>Dr Osborne asked what might be regarded as an appropriate balance between non recurring and recurring savings. Mrs Ace replied that it was always preferable to have recurring savings and that non recurring savings should be seen as a bridge to buy time to put more sustainable plans in place. She expanded that the pattern over recent years was for the Board to make progress in closing the historic gap identified, but as successive financial settlements brought new challenges, a new gap emerged meaning our efforts were enough to prevent deterioration but we were still using non recurring savings to catch up.</p> <p>The committee noted the report.</p>	
11.	Procurement	
	<p>Mrs Ace talked through the key aspects of the report, noting the outcome of the market competition for Laundry equipment and the small SFI breach.</p> <p>Dr Osborne asked if the breach, which had happened in one of the HSCPs indicated that there was a higher risk there and further training was needed. Mrs Ace replied that both HSCPs had already held a procurement education session with their management team and that this breach occurred in a distinct department which perhaps had not been covered by that. She suggested that this could be raised at the North and South Scrutiny panels to check that guidance had been cascaded or whether there was a further need. It was noted the breach was of very low value.</p> <p>Mr Moore asked how much we were able to draw conclusions from patterns and develop action plans to address areas of risks. Mrs Ace explained that in terms of waiver requests a common theme was the use of a proprietary system where only the supplier could provide the maintenance. The solution to these would lie in future procurement strategy whereby we should look not just at the initial purchase but also the lifetime costs associated with maintenance to ensure we chose the best value overall package at the outset.</p>	

		<p>She also noted that some areas, have a higher inherent risk both due to the industry sector practices in terms of generating business and the specialist nature of the product which might mean there is a lot of reliance on one expert opinion. She explained these areas had been targeted for additional training and a number of other mitigating controls put in place to dilute the impact of any individual. She also noted that procurement were proactive in identifying potentially unusual spending patterns and had engaged with internal audit on a number of occasions for a more in depth investigation. Mrs Holmes confirmed there had been a welcome increase in issues being raised.</p> <p>The Committee noted the report.</p>	
12.		Risk Management	
	(i)	Quarterly Risk Management Process Compliance Report	
		<p>The Committee considered a report in which Mrs McGhee outlined the purpose of the report, the number and severity of risks across NHSL and highlighted the performance against a revised and improved set of risk management key performance indicators (KPI's). Mrs Mahal noted that the number of risks for North and South H&SCP had a wide variance. Mrs McGhee informed the members of the recent work carried out in reviewing all north risks. Mrs Mahal suggested that some narrative around the reasons for the variation should be included in future reports. The members noted there was 8 very high graded risks across NHS Lanarkshire and should be described separately in future reports.</p> <p>THE COMMITTEE:</p> <ul style="list-style-type: none"> • Noted and accepted the report • Agreed the actions to be included in future reports 	
	(ii)	Risk Management Summary Report including Corporate Risk Register	
		<p>The Committee considered the risk management summary report which gives an overview of risk management business considered through CMT over the last quarter, including the current corporate risk profile with heatmap and the risk that has the Audit Committee identified as the Assurance Committee.</p> <p>THE COMMITTEE:</p> <ul style="list-style-type: none"> • Noted and accepted the Risk Management Summary Report. 	
13.		Audit Committee Self Assessment	
		<p>Mr Moore introduced the self assessment and asked the Audit Committee to reflect on the answers and the comments given to ensure it did represent their view of how the Audit Committee was</p>	

		<p>performing.</p> <p>Mrs Ace confirmed this template had been extracted from the latest version of the public audit committee handbook. She observed that, under the model workplan in that handbook, it suggested the Audit committee should be looking at the finance reports. She reflected that this was a generic plan and that in Lanarkshire the full Board or PPRC considered the finance reports each month and there appeared little additional gain from the Audit committee reconsidering them a week later once a quarter. She felt that Audit committee's focus added value was on its focus on the reliability of the financial systems and processes and the risks. The Committee discussed and concurred with this view.</p> <p>Dr Osborne noted that the answer to the question as to whether the Committee had a standard template for papers was "No" and asked whether the committee should introduce this. Mrs Ace explained that papers came from multiple sources, with the external Audit reports in particular being in their own format. She expressed her view that the template requirement would end up being fulfilled by writing additional cover papers to items on the agenda which would not add value and rather than concentrate on format it was better to ensure the principle that each paper was clear on its purpose and what the Audit committee was being asked to do. She indicated that it was her experience that if the Audit committee ever felt a standing paper did not provide the information they needed, they would ask for future versions to be amended. The Committee accepted this position.</p> <p>Mrs Ace flagged that previously there had been an induction folder for new members but this had not been supplied to the two most recent members. She committed to work with Mr Moore to remedy this.</p> <p>The Committee felt that the answer to the question should be "Yes" as it was important always to be looking for ways in which effectiveness could be improved.</p> <p>It was noted that the terms of reference and workplan required the self assessment exercise to be repeated annually.</p> <p>The Committee asked that following the agreed changes to the self assessment answers, the template be recirculated to all members for final approval.</p>	
14.		Audit Scotland Reports	
	(i)	NHS in Scotland 2018	
		<p>Mr Moore summarised his reading of the key issues raised by the report and the strength of the message about financial unsustainability was noted.</p> <p>Dr Osborne asked how the recommendation for the Scottish</p>	

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	<p>Government that they should establish a longer term plan for capital investment would be taken forward and how the need for a replacement for Monklands hospital would be funded. Mrs Ace said it was her belief that the National Infrastructure Board which had been established should perform this task. Mr C Campbell observed that the annual “ State of the Estate “ report highlighted future NHS capital commitments but that this tended to be after the business case approval was complete and so did not reflect the longer term pipeline.</p> <p>Mr Lindsay informed the Committee that previously the report Authors had attended the Audit Committee and that offer remained for 18/19.</p> <p>Discussion moved on to the non executive checklist.</p>	
(ii)	<p>Non-Executive Checklist</p> <p>Mr Moore reflected that having considered the questions from his experience so far the main area for additional focus appeared to be the need for a longer term financial plan. He noted a Board seminar was planned for 18 December 2018. Dr Osborne noted the announcements on a new 3 year funding regime for Boards and asked how that might impact on the Board.</p> <p>Mrs Ace informed the committee that the SG had published a medium term financial framework and that she would work through this for presenting to the Board. She noted that the pay deal was for 3 years and the next 2 years costs were being modelled along with forecasts in other areas such as drug growth. She explained that there would be a stocktake of progress with the various strands of service model redesign in Achieving Excellence and the IJB strategic commissioning plans to consider any emerging financial implications. Her major caveat however over the validity of the plan was that it was still expected that Boards would only receive a one year funding allocation. With that uncertainty remaining she felt it could be difficult to be confident in a 3 year plan. She acknowledged that the artificial cut off of the 31st of March had always been unhelpful in planning for services and projects which were continuous but was unsure given the expected financial challenges and uncertainties, how realistic it would be that a Board could preplan an in year surplus or deficit. It was hoped that the budget on the 12th December would give some further clarity.</p> <p>Mr Moore asked how the checklist would be used. Mrs Mahal indicated it was her intention to circulate this to Non Executives alongside an anticipated questionnaire on Governance so the two could be considered together.</p> <p>The Committee noted the Audit Scotland report and the further actions underway.</p>	NM
(iii)	<p>Integration</p>	

	<p>Mrs Ace explained that the report had only recently been issued and so there had not yet been an opportunity to link with the Chief Officer of the IJBs to discuss how the recommendations would be taken forward on an integrated basis.</p> <p>Mrs Mahal reminded the Committee that there was a national review group including the Scottish Government and COSLA looking at integration and that the output from that group would be important in considering what next.</p> <p>Mr Moore observed the comparisons in the report were of interest, and he had not been aware previously of the extent to which integration schemes differed. Mrs Ace noted that the availability of the report could provide background information for the review currently underway of the North IJB integration scheme.</p> <p>Mrs Mahal asked that both this report and the NHS overview be circulated to all Board members.</p> <p>The Committee noted the report and that there would be further consideration of how it might influence local thinking going forward.</p>	<p>LA</p> <p>LA</p>
15.	<p>Audit Committee Handbook</p> <p>Mr Gaskin introduced the paper which highlighted the main changes. He noted it was a generic public sector guide flowing from the Scottish Public Finance Manual, covering a range of diverse organisations. It offered guidance, though non compliance, unless justified by a sound rationale, would be flagged. It had already been proposed that the Committee would undertake a further review of its Terms of Reference in March 2019. Mrs Ace reminded the committee that they had recently reviewed the TOR (September 2018) but as the new handbook had not been publicised at that point, a second review was now needed though her own view was there would not be much that needed changed. Mr Gaskin highlighted that the main change, was in how the Board set out how it would gain assurance. He noted there were already many functioning assurance mechanisms in NHS Lanarkshire but the guidance in the Handbook, and the link to Treasury guidance, envisaged a more explicit mapping and a consideration of the strength of the evidence source. The advantages of this would be a clearer view of where there were gaps and duplication. He acknowledged that this must be proportionate and practical and indicated that officers early thinking, that the initial focus should be on the very high risks, could represent a practical way forward.</p> <p>Mrs Mahal supported the view that it needed to be focussed on very high risks to avoid an overwhelming level of detail that detracted from focussing on taking actions on the key risks.</p> <p>Mrs Ace said the plan was for a small group to be convened in the new year, perhaps chaired by Mr Moore, involving the risk manager,</p>	<p>LA</p>

		<p>internal audit and the Board Secretary, to agree on the way forward for 19/20.</p> <p>The Committee noted the report and accepted the proposed approach.</p>	
16.		<p>IJB Annual Internal Audit Reports</p> <p>Mrs Ace explained that the delegation of funding and decision making for the in scope services to the IJB, followed by their direction back to the NHS board for service delivery, required a cross assurance process. This had taken place in advance of the NHS Board completing its governance statement in June. With the IJB however having a later deadline for its own annual accounts (September) not all the formal documentation envisaged by the IRAG guidance was available at the time and so this was now being presented to the Audit Committee.</p> <p>Dr Osborne commended the work done by the Chief Finance Officer of the IJB.</p> <p>The committee noted the reports.</p>	
17.		<p>AOCB</p> <p>There was no other business.</p>	
18.		<p>DATE OF NEXT MEEITNG</p> <p>Tuesday5 March 2019 at 9am, in MR3.</p>	