

Lanarkshire NHS Board
 Kirklands
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**Meeting of the Audit Committee, Tuesday 3 September 2019
 at 9am in MR3, Kirklands HQ**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Cllr J McGuigan, Non Executive Director
 Mrs L Macer, Non Executive Director
 Mr P Campbell, 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
 Mrs M Holmes, Head of Internal Audit
 Mr T Gaskin, Chief Internal Auditor
 Mrs C McGhee, Corporate Risk Manager

APOLOGIES: Dr A Osborne, Non Executive Director

| 1. | WELCOME AND DECLARATION OF INTERESTS | ACTION |
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| | Mr Moore welcomed those present and, noting the Committee was quorate, with no conflicts of interest advised, commenced business. | |
| 2. | MATTERS ARISING Mr Moore referred to item 6 (i) of the minutes of the meeting of 4 June 2019 and asked if an updated report on the Review of Workforce Operational Planning was due. Mr Gaskin confirmed that wording had been amended in agreement with the Medical Director following the provisional reporting to the Audit Committee on the 4 th February and Mrs Holmes undertook to circulate the report following the meeting. | MH |

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| 3. | APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 4 AND 26 JUNE 2019 | |
| | The minutes of the meetings held on 4 and 26 of June were approved subject to an amendment to the minute of 26 June to reflect Mr M Fuller's attendance. | |
| | THE COMMITTEE: Approved the minutes of the meeting held on 4th June 2019 and 26th June 2019. | |
| 4. | ACTION LOG | |
| | <p>Risk Register Assurance Mapping Briefing</p> <p>Mrs McGhee talked through the development work so far. As well as literature review and planned meetings with Tayside, Fife and Dumfries and Galloway the review process had been revised for the high risks to engage in a critical enquiry with the lead Directors on how they would know the controls they had put in place were working. This had revealed that the risk register had at times a mixture of actions and mitigating controls and the new process was likely to be helpful in segregating these. Mrs McGhee explained they were looking for the best blend of the traditional Board assurance framework and the 3 lines of enquiry approach advocated in the Treasury guidance (which in turn was referenced by the Public Audit Committee Handbook), noting that the risk management system had to be able to accommodate it.</p> <p>Mrs Mahal informed the committee that the national group looking at the Blueprint for Corporate Governance had initiated work to look at a risk assurance framework which was expected to report by October 2019. Mrs McGhee and Mr Gaskin said they had been keeping in touch with this work and would make further contact now the reporting date had been brought forward.</p> <p>It was agreed a written proposal would be taken first to the Corporate Management Team and then to the December Audit Committee.</p> <p>Training for Audit Committee Members</p> <p>Mrs Ace reported that she had contacted the Finance Director at SGSCHD and their deputy had agreed to explore with CIPFA whether a Scottish course could be run. Mr Gaskin suggested that the specific requirements of the Scottish Public Finance Manual should be reflected in the design of the course rather than a generic approach. Mrs Mahal informed the committee that NES had now appointed a Board Development Officer to help support</p> | <p>CMcG</p> <p>LA</p> |

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| | <p>Board members and that a new framework with e learning was about to be published. She agreed to contact the NES Development Officer to see if Audit Committee training could be built in. Mrs Ace agreed to follow up with the SGHSCD finance department, reminding them of the NES post.</p> <p>Implementation of Circulars</p> <p>Mrs Ace updated the committee on the latest status report from the Board secretary who had almost completed the retrospective review and aimed to have the System working prospectively from September onwards. Mrs Holmes confirmed that, as this still sat as an incomplete action, internal audit would verify what was in place and report in December through the routine follow up report.</p> | NM |
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| | THE COMMITTEE: Accepted the Action Tracker update with the minuted follow on actions. | |
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| 5. | INTERNAL AUDIT | |
| | i) Progress Report 2019/20 | |
| | <p>Mr Gaskin highlighted that there were two completed audit reports, both giving substantial assurance but both containing a number minor findings that had featured in previous audits. He explained that action had been taken in response to the previous findings but that practice had since slipped back. He noted that the actions agreed this time to address the findings in the property transaction report differed from those agreed previously and Mrs Holmes confirmed that internal audit were engaging with the service in December to make sure everything was in place ahead of the year end.</p> <p>The committee discussed the level of risk relating to the unpaid WRVS rent. Mrs Holmes confirmed that the hold up had been negotiations round a break point in the lease agreement and these had been concluded in august 2019 with revised lease documentation now out to signature. It was understood that the WRVS had the unpaid rent set aside ready to be paid on conclusion of this. Mr Gaskin and Mr C Campbell reflected that the WRVS was a long standing and reputable NHS partners and so the level of discomfort over the rent arrears would be less than with a more remote private sector tenant.</p> | |

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| | Under this item the committee also considered the action plan update submitted by Internal Audit in response to the external Quality assessment recommendations. Mr Moore noted action was being taken forwards on all areas. | |
| | THE COMMITTEE: Noted the report. | |
| | ii) Follow-up Report | |
| | Mr Gaskin introduced the report reflecting that 97% completion of actions due for follow up was good performance. It was noted one of the outstanding actions for follow up was the introduction of the system for confirmation of actions against circulars and, given the update from the Board secretary, this should hopefully be closed by the December Audit Committee. | |
| | THE COMMITTEE: Noted the report. | |
| | iii) Post Transaction Monitoring Report | |
| | Mrs Holmes explained that there was a requirement to present this in full to the Audit committee each year in advance of its submission to the Scottish Government. The report had already been discussed under the progress report at 6(i). | |
| | THE COMMITTEE: Noted the report | |
| 6. | EXTERNAL AUDIT | |
| | Mr Lindsay reported that planning for the 19/20 NHS Audit would commence in October. Mrs Ace advised that a national Audit Scotland publication into the GP workforce had been released the previous week, after the papers had been distributed and would be put on the agenda for the December Audit committee meeting. | |
| | THE COMMITTEE: Noted the update | |
| 7. | PRIMARY CARE GOVERNANCE | |
| | i) Payment Verification report and Patient Exemption Checking Annual Overview | |

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| | <p>Mrs Ace explained that the paper covered 3 related issues. Firstly it confirmed that the nationally agreed checking arrangements for primary care payments had been in place in NHS Lanarkshire throughout 2018/19 and post year end. These had been complied with and had not brought up any issues of significance. Secondly, in response to an earlier query from Mr P Campbell, the paper gave more detail on the checking arrangements for the new GMS contract introduced on 1/4/18. As a greater proportion of the remuneration now relied on practice list size the checks concentrated on measures to assure the integrity of the practice list. Finally the paper set out information of the results of the sample checking of patient exemptions form dental and ophthalmic charges during 2018/19 and the extrapolated level of fraud form the results of the checks. She noted the figures were in line with the previous year and the rest of Scotland and there was nothing of particular concern to NHS Lanarkshire. Mrs Holmes added that Counter Fraud services were currently collaborating with the Central Legal Office and a debt management firm in a pilot exercise to see if recovery rates could be raised and the need for debt write off reduced.</p> <p>Mr P Campbell asked for further information on the tables on patient exemption checks and for confirmation of what the average claim value written off or recovered was as it was not clear from the tables. Mrs Ace agreed to seek that information.</p> | LA |
| | THE COMMITTEE: Noted the report. | |
| 8. | WORKPLAN | |
| | i) 2019/20 | |
| | THE COMMITTEE: Noted the workplan update. | |
| 9. | FRAUD UPDATE | |
| | i) Fraud report (including progress report on NFI and CFS annual report) | |
| | <p>Mr Moore noted this was an extensive report with a lot of information in it and opened it up for questioning. Mrs Macer reflected that it felt as if there were more allegations of fraud being reported and, observing that not all the allegations were later found to have substance, a proportion were well founded and asked if this was to do with weaker controls or greater awareness. Mrs Ace gave her opinion it was most likely to be increased awareness that had raised the number of allegations. She explained that the audit programme was providing overall</p> | |

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| | <p>adequate assurance on controls. It looked cyclically at the controls on our key systems, with actions taken as a result of any findings. However both the internal and external audit plan and reports stressed the testing was not designed to pick up every incidence of fraud. Particularly where the fraud involved 2 parties colluding, routine audits would not necessarily detect that. Mrs Ace confirmed that whenever a fraud investigation revealed a new way in which controls had been circumvented, appropriate action had been taken, and talked through what had been done in response to the suspicion that two people had colluded to sign of each other's hours on SSTS.</p> <p>Mrs Mahal asked if there was any further strengthening of controls required from that particular investigation. Mrs Ace agreed once the investigation concluded she would meet with Mrs Holmes and determine if there were any other obvious steps we could take. Mrs Mahal asked if the extended timescale on the operation Ariston Counter Fraud investigation had delayed us making improvements. Mrs Ace said it had not and that we had been made aware of key findings at an earlier stage and used them to strengthen compliance with good procurement practice across the organisation. She reminded the committee that the Procurement Update paper had been brought in following this fraud to increase audit committee scrutiny in this area. Mrs Holmes updated the committee that the case was now with the procurator fiscal.</p> <p>Mrs Macer asked if the audit committee should receive fraud updates that contained information about the outcome of disciplinary cases. Mrs Ace reminded the committee that all the fraud reports were anonymised and that letting the committee know of the action taken by the organisation was felt to be important in giving the committee assurance. She noted that any successful prosecutions brought by CFS were advertised widely as part of a deterrence strategy so the consequences of defrauding the NHS were widely known. It was agreed that Mrs Ace would check with the Boards information governance officer to ensure that the anonymised reporting did not breach any GDPR requirements.</p> <p>Mrs Macer asked if people who made allegations received feedback on the outcome of the investigation. Mrs Holmes said the majority of the allegations were anonymous and fed through Crimestoppers so we had no way of contacting any individual.</p> | <p>LA</p> |
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| | Mr Moore said it was good to see that there had been an education session on bank takeover fraud as the consequences to the organisation could be huge and periodic reminders were merited. | |
| | THE COMMITTEE: Noted the report. | |
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| 10. | ARRANGEMENTS TO SECURE EFFICIENCY | |
| | <p>Mrs Ace talked the committee through the paper. She confirmed that the arrangements which had been successfully used to deliver previous years' savings programmes remained in place, with minor modifications which she described. She indicated as part of their Audit programme internal audit would check the arrangements were operating as described. Mr Gaskin informed the committee that the control arrangements had in the past been found to be detailed and robust.</p> <p>Mrs Ace highlighted to the committee areas where, based on achievement to the end of July, the forecast year end savings looked unlikely to be achieved. In particular Acute Division savings targeting a reduction in temporary workforce costs had not demonstrated any achievement to date and the medical and nursing overspend was at a higher level than at the same point last year. She explained that Internal Audit were also planning work looking at these schemes, alongside the action plan from the 2017/18 Audit Scotland review , to see if any lessons on how to increase the success of these measures could be found. Mr Gaskin expanded on this and said he would also look at whether there was any best practice uncovered through work with his other clients that could be shared.</p> <p>Mr P Campbell asked about the extent of the delivery risk, given you would not expect 100% delivery from the initial list of savings schemes. Mrs Ace explained her approach to assigning a delivery risk to the scheme at the outset and abating initial expectations accordingly. She said that several times she had reviewed the initial risk abated predictions with actual outturn to test how realistic the initial assumption was and so far it had proved a reliable approach. Mr Gaskin confirmed this approach of recognising risk at the outset rather than assuming 100% delivery contributed to NHS Lanarkshire not having any unexpected under delivery against schemes.</p> <p>Mrs Ace informed the committee that although the gap in 2019/20 was small enough to have reasonable confidence that it would be closed, that was not the case for 2020/21 and as previously advised enhanced planning arrangements were being put in place. She</p> | |

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| | <p>talked the Audit Committee through these. It was agreed that this would be presented for discussion to the PPRC in September so Board members could have further understand and input to the proposed approach.</p> <p>Mr P Campbell asked how much of our 2020/21 problem related to us not receiving our NRAC share. Mrs Ace said she had not seen the latest NRAC figures but the year before NHS Lanarkshire and 7 other boards were 0.8% below parity which her estimate was equated to £9-£10m. Even if we were to be moved overnight to parity there would still be a substantial gap in 2020/21 between income growth and cost growth.</p> | |
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| | THE COMMITTEE: Noted the report and asked that the 20/21 programme arrangements be put on the September PPRC agenda. | LA |
| 11. | PROCUREMENT | |
| | <p>Mrs Ace talked to the paper. She informed the committee that although a further years waiver had been signed for the datix system maintenance, we were working collaboratively with some other Boards to look at a specification for a procurement exercise Mr C Campbell indicated timing would be important and that at a period of high risk you would not want to weaken control by switching systems. Mrs McGhee confirmed the implementation effort for a new system could be significant. Mrs Mahal asked if there was no move to look at a national system. Mrs Ace said it did not appear to be on the national plans.</p> | |
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| | THE COMMITTEE: Noted the report. | |
| 12. | RISK MANAGEMENT | |
| | i) Quarterly Risk Management Process Compliance Report | |
| | <p>Mrs McGhee highlighted that the overall number of risks had increased as the separate Monklands business continuity risk register had been merged with the corporate risk register. She also said this transitional issue was likely to be behind the recent fall in compliance with KPI 2 – the number of risks reviewed by their set review date –but this would be monitored to ensure it returned to previous levels. She described the change to SAER reporting. Mrs Mahal informed the committee that a new national review was due to be published shortly and we would need to review our arrangements in the light of its recommendations.</p> | C McG |

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| | ii) Risk Management Summary Report | |
| | <p>Mr Moore commented that the report gave detailed but accessible information that gave the committee a good overview and opening into the areas for questioning. Mr Gaskin seconded this view saying it conveyed information well, in a usable format. Mr Moore noted that the Cyber security risk tolerance had been lowered in response to the range of work undertaken and that in unscheduled care, the risk posed by our target being held at 95% when our own assessment of achievable performance was lower, was noted. Mrs Macer informed the committee that the Staff Governance Committee had sought more information on the mitigation for the potential industrial action. Mrs McGhee confirmed she would work with Colin Lauder on this.</p> <p>Mrs McGhee noted that she would gradually change the risk register to report more clearly on key mitigating actions. Mr Moore agreed this would be beneficial and cited the 20 actions against the unscheduled care risk as an example of where highlighting the current key controls/actions would be helpful in terms of gaining assurance that we were following through on these.</p> <p>Mrs Mahal referenced risk 1800 re effective engagement with external stakeholders and asked that the wording could be looked at to give a better reflection of what we could do internally, notwithstanding the absence of national guidance. It was noted that the Boards own engagement and communication strategy was not likely to be signed off by the Board until January 2020.</p> | C McG |
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| | THE COMMITTEE: Noted the report. | |
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| 13. | REVIEW OF TERMS OF REFERENCE | |
| | <p>Mrs Ace explained that the committee reviewed its terms of reference annually and that this year Mr Gaskin had reviewed them to ensure they made appropriate reference to the Public Audit Handbook. A small number of revisions had been made as a result, highlighted in yellow for the committee.</p> <p>Mrs Macer asked if the Terms of Reference of other Committees needed to be revised because of the handbook. Mr Gaskin said he did not think so.</p> | |
| | THE COMMITTEE: Endorsed the revised terms of reference for submission to the Board for approval. | |
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| 14. | AOCB | |
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| 15. | DATE OF NEXT MEETING | |
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| | Tuesday 3 December 2019 at 9am in the Conference Room, Kirklands. | |
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| 16. | FUTURE MEETING IN 2020 | |
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| | Tuesday 3 March at 9am Tuesday 2 June at 9am Wednesday 24 June at 8.30am (Annual Accounts) Tuesday 1 September at 9am Tuesday 1 December at 9am | |