

Lanarkshire NHS Board
 Kirklands
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**Meeting of the Audit Committee, Tuesday 3 December
 2019 at 9am in the Conference Room, Kirklands HQ**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Cllr J McGuigan, Non Executive Director
 Mrs L Macer, Non Executive Director
 Dr A Osborne, 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 S Lawton, Audit Scotland
 Mrs M Holmes, Head of Internal Audit
 Mr T Gaskin, Chief Internal Auditor
 Mrs C McGhee, Corporate Risk Manager
 Ms Sylvia Stewart, Unite representative

APOLOGIES: Mr P Campbell, Non Executive Director

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed those present and, noting the Committee was quorate, with no conflicts of interest advised, commenced business. Sylvia Stewart was introduced as shadowing Lilian Macer.	
2.	MATTERS ARISING	
3.	APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 3 SEPTEMBER 2019	
	The minutes of the meetings held on 3 September 2019 were approved.	
	THE COMMITTEE: Approved the minutes of the meeting held on 3 September 2019.	

4.	ACTION LOG	
	Risk Register Assurance Mapping Briefing: This item was picked up through a presentation from Mr Gaskin as part of the internal audit progress report.	
	Audit Committee Training: Ms Mahal updated the committee that 2 providers had been sourced for on site training for non executives and the intention was to develop the programme and select the provider to run training towards the end of February 2020 . Mr Gaskin informed the committee he had been asked to contribute to the national TURAS module that was being developed for non executives.	
5.	INTERNAL AUDIT	
	i) Progress Report 2019/20	
	<p>Mr Gaskin explained that the central risk management system was strong, as previous audits had highlighted, and so this audit had focussed on the departmental risk registers. Evidence was found that registers were being kept up to date but there were a number of administrative issues for departments to improve on. Mr Gaskin reported positively on progress harmonising the NHS Board and IJBs’ risk registers.</p> <p>Mr Gaskin highlighted that the most important finding from the Food Fluid and nutrition was that the Malnutrition Universal Screening Tool (MUST) forms were not always being completed and although no direct impact had been picked up during the audit the omission left the potential for cases to fall through a gap.</p> <p>Mrs Macer raised the issue of the environmental impact of food miles and food waste observing that, whilst not a specific issue for this committee, it ought to be part of the Board’s consideration. Mr Moore explained the Population Health Committee had picked up on this range of issues.</p> <p>Mr Moore acknowledged staffing movements in internal audit had reduced the number of available days and noted that an update would come to the March Committee. Mr Gaskin spoke of the general approach to ensuring the core programme was both in tune with any revised risk profile and also sufficient to provide the necessary assurance.</p>	

	<p>Risk Register Assurance Mapping Presentation: Mr Gaskin highlighted the core issue as the scale and complexity of the areas over which there was a need to have assurance on whether the controls over risks were adequate and functioning. He highlighted potential data overload and also the complex cross assurance environment introduced by the overlapping roles of IJBS and Boards as factors that made a clear assurance mapping process important. There needed to be reflection on how people knew controls were working</p> <p>Key starting questions, he suggested were “Do the controls match the risk and will the actions reduce the risk to target level?”.</p> <p>He said he envisaged it would be the end of 2020 before this process was pulled together with the national work and Boards own governance development work.</p> <p>Mr Gaskin said he expected the risk assurance mapping to result in a greater targeting of assurances sought from specific directors in the existing annual process of obtaining written assurances from each director. It was agreed Mrs Ace would work with Mr Gaskin and Mrs McGhee in advance of the year end to finalise this approach.</p> <p>Internal Control Evaluation Report: Mr Gaskin informed the committee this was out in draft and would go to management for sign off. Mrs Holmes said there were 3 recommendations, brought forward from the 18/19 annual report that needed closing action by the year end and a minor housekeeping issue. I Mr Gaskin said the report was positive and reflected good progress in a harsh financial environment. It was agreed to circulate the finalised report in advance of the next audit committee and then include it formally on the agenda.</p>	<p>LA/TG/CMcG</p> <p>LA</p>
	<p>THE COMMITTEE:</p> <p>Noted the report and presentation.</p>	
	<p>ii) Follow-up Report</p>	
	<p>Mr Gaskin highlighted the high number of completed actions and indicated there was nothing else he wanted to bring to the Audit Committee’s attention.</p>	
	<p>THE COMMITTEE: Noted the report.</p>	

6.	EXTERNAL AUDIT	
	Mr Lindsay informed the Committee the audit plan should be available soon and the proposed 19/20 fee would be sent out for approval next week.	
7.	AUDIT SCOTLAND REPORTS	
	i) Fraud & Irregularity Update 2018/19	
	<p>Mr Moore provided the Committee with his observations on the Audit Scotland Report. "Fraud & Irregularity Update 2018/19". He noted the potential for supplier fraud and false invoicing, and observed that controls over stocks and supplies was an area that committee had not seen overt assurance on recently.</p> <p>Mrs Mahal observed that our own quarterly fraud report keep the Committee well sighted on issues and that not all of the national report content was transferrable</p> <p>Dr Osborne asked where the tie in was from the individual fraud cases reported to the committee to system controls. Mrs Ace explained there was always learning from each fraud case that would be systemised into improved controls if relevant and quoted the procurement fraud as a visible example of where that happened and resulted in enhanced reporting to the Audit committee. Internal Audit concurred that learning took place. Mrs Ace reflected that the timelag between the allegation of a fraud and the conclusion of the investigation and revision to controls could make these links less visible to the Audit committee. The Committee asked officers to consider whether a summary could be incorporated into an annual report.</p> <p>Mrs Macer noted that previously the number of frauds reported by CFS as picked up by Lanarkshire was lower than national expectations but that ensuing conversations had highlighted the strength of our internal work. Mrs Ace acknowledged the apparent lower money but reminded the committee of the annual meeting between the Head of Counter Fraud Services and Mrs Holmes and herself where they expressed high satisfaction at the degree of interaction with NHS Lanarkshire. She reminded the Committee that the Head of Counter Fraud Services had previously presented to the Audit Committee and would be willing to attend in future should the Committee wish to question them directly.</p>	
	THE COMMITTEE: Noted the verbal update.	

	ii) NHS in Scotland 2019	
	Mr Moore steered the committee towards the key findings of the “NHS in Scotland 2019”. Mr Lindsay informed the Committee that Audit Scotland were happy to send a member of the reports audit committee team to present the issue to the Board. Mrs Mahal agreed to arrange it.	PC
	iii) Non Executive Checklist	
	Mr Moore reflected that the Non Executive checklist overlapped considerably with the blueprint for governance checklist. Dr Osborne flagged the previous approach of convening a meeting to share views. Mrs Mahal suggested the first stage should be a cross mapping with the governance surveys already completed by Non Executives to determine if there were any new areas to pick up on.	PC
8.	WORKPLAN	
	i) 2019/20 It was noted that the Mid Year Review would be circulated in advance of the next Audit Committee and formally added to the March agenda.	LA
	THE COMMITTEE: Noted the workplan update.	
9.	FRAUD UPDATE	
	i) Fraud report (including progress report on NFI and CFS annual report)	
	<p>Mrs Holmes introduced the report and noting that there were a number of themes emerging, picked up on Dr Osborne’s point under section 6 and offered to provide a summary at year end. The Committee welcomed this offer.</p> <p>Dr Osborne asked if there was any progress in Operation Ariston. Mrs Homes confirmed it was still moving through the legal process and a similar but smaller fraud had taken 5 years to move through the court system.</p> <p>Mr Moore noted the proactive work and Mrs Holmes informed the Committee she was running a cyber crime training workshop at Law House that day.</p> <p>Mr Moore asked if the work done in 4 boards to introduce behavioural changes to exemption claims was being rolled out to other Boards. Mrs Holmes explained that once the approach was proved to work in other Boards the central Payment Verification</p>	MH

	team with NSS would be rolling these out across all Boards so we should start to see a reduction in wrongly claimed exemptions.	
	THE COMMITTEE: Noted the report.	
10.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace talked to the paper highlighting that the control arrangements for ensuring delivery of 19/20 savings remained in place and the forecast for the year was to achieve the relevant financial targets. She reminded the committee of the factors leading to a forecast of an increased gap in 20/21 and outlined the enhanced measures that were in place to support work to close this gap. She noted that the areas being looked at were listed in appendix 3.</p> <p>Dr Osborne asked if these were sufficient to close the gap, if the schemes were deliverable and if they would have a negative service impact. Mrs Ace replied the current list was insufficient to close the gap. She gave the opinion that one of the challenges around delivery would be releasing real cash savings. She gave theatre productivity as an example where, in itself, increasing the number of cases in a theatre session would increase costs as there would be more implant or surgical sundries costs for the extra cases. The savings would only be released if we could then avoid additional waiting list sessions or independent sector referrals. As these were currently funded by non recurrent Scottish government money however there was no guarantee that the Board would receive the funding so would be unable to benefit from the productivity gain. Mrs Ace further noted that the savings schemes put forward in appendix 3 should not have a negative service impact and would range from neutral to positive. She reminded the committee that the standard templates used to assess projects going forwards had a well developed risk assessment process built in to them and had been developed further this year.</p> <p>Mr Gaskin confirmed that during previous internal audits they had found the risk assessment was being completed and commended the process of adjusting anticipated savings for service delivery risk which he felt gave the Board a more realistic year end financial forecast.</p> <p>Mrs Mahal welcomed the revised templates which incorporated the additional elements the Board had wanted to see. She asked how the Board would be kept apprised of savings delivery in 20/21. Mrs Ace described the process of input to cress templates</p>	

	<p>and monthly consolidation for reporting to Board members, supplemented by quarterly reporting to the audit committee on the adequacy of arrangements and risks. Mrs Mahal asked that this monitoring process was explained in a covering note to the paper which it had been previously agreed should be circulated to all Board members.</p> <p>Cncllr McGuigan asked if, under the promoting attendance workstream the potential different implications of mental health and physical health issues were considered. Mrs Ace confirmed the differing reasons were reported separately. Cncllr McGuigan further noted the under delivery in 2019/20 on savings on temporary workforce. Mrs Ace reminded the committee that an action plan had previously been developed in response to an Audit Scotland best value review in this area and that there had been a suggestion for internal audit follow up. This would establish whether the Board was taking all reasonable steps but workforce gaps and service pressures were still pushing up the need for temporary staffing or whether there were still actions that could be implemented. Mr Gaskin agreed this was an area internal audit could add value and would see if in reviewing the potentially reduced audit days available this could still be accommodated. Mr Gaskin noted that internal Audit had recently issued in draft a report on theatre productivity and it had indicated areas where improvements could be made.</p> <p>Mr Moore asked if there was a timescale for agreeing what work would be taken forwards from the review of the atlas of variation. Mrs Ace agreed to follow up on that.</p>	LA
	THE COMMITTEE: Noted the report	
11.	PROCUREMENT	
	<p>Mrs Ace talked through the various reasons waivers had been granted .</p> <p>Cncllr McGuigan informed the committee that South Lanarkshire Council had arrangements with hospice providers for Christmas trees and the Board may find that a better option. Mrs Ace agreed to pass on that information to the general manager for procurement.</p>	LA
	THE COMMITTEE: Noted the report.	

12.	RISK MANAGEMENT	
	i) Quarterly Risk Management Process Compliance Report	
	<p>Mrs McGhee updated the committee on the purpose of the report, noting the performance against the agreed KPI's for the risk register, corporate policy and adverse event systems.</p> <p>Mr Moore asked about the higher number of risks within the North H&SCP and noted there was a relevant number of risks identified for hosted services within North.</p>	
	ii) Risk Management Summary Report	
	<p>Mrs McGhee highlighted the key issues within the paper advising on the summary of risk business discussed at CMT for the last quarter, including the corporate risk register as in appendix 1 and review of the NHSL policy for developing policies with the assurance of due process as set out in appendix 2.</p> <p>Mr Moore noted that a number of risks now had actions as well as controls which is in line with how we want to develop the system. He noted that some of the November discussions still needed translated into the controls in the risk register but this was underway.</p> <p>Mrs Macer raised discussions at the Staff Governance Committee as to how the committee might add value to risks in the register that, although not directly assigned to them, had a strong staffing element. Mrs McGhee updated the committee that the staffing risk would now be assigned to the Staff Governance Committee and that there were some other risks that have been redefined and would transfer to the committee's overview. It was agreed in future that Mrs McGhee and Mrs Macer would pick up a conversation if in future it appeared there were risks on the register that should be reviewed by the Staff Governance Committee.</p> <p>Mr Gaskin suggested the Audit Scotland workforce report would also be relevant to the Staff Governance Committee and that the report should be sent to the Committee for an agenda decision.</p> <p>Mr Moore noted that the Fraud risk sat with the Audit Committee and that there had been a full discussion at the days meeting.</p>	LA/LM
	THE COMMITTEE: Noted the report.	

13.	AUDIT COMMITTEE SELF ASSESSMENT	
	Mr Moore asked if Committee members could review the self assessment checklist and provide comments to Mrs Ace within the next fortnight for collating and feeding back.	
	THE COMMITTEE: to report back to Mrs Ace with any comments.	
14.	IJB ANNUAL AUDIT REPORTS	
	Mr Moore noted IJB members had already seen these reports and that they provided more detailed background on the cross assurances already provided to the committee by the IJB CFO.	
	THE COMMITTEE: Noted the reports.	
14.	AOCB	
	There were no items for discussion.	
15.	DATE OF NEXT MEETING	
	Tuesday 3 March 2020 at 9am in the Board Room, Kirklands.	
16.	FUTURE MEETING IN 2020	
	Tuesday 2 June at 9am Wednesday 24 June at 8.30am (Annual Accounts) Tuesday 1 September at 9am Tuesday 1 December at 9am	