

Lanarkshire NHS Board  
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**Meeting of the Audit Committee, Tuesday 3 March  
 2020 at 9am in the Board Room, Kirklands HQ**

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

**PRESENT:** Cllr J McGuigan, Non Executive Director  
 Mr P Campbell, Non Executive Director

**IN**

**ATTENDANCE:** 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 Lesley McDonald, Non Executive Director  
 Mr Michael Fuller, Non Executive Director  
 Mr Ally Boyle, Non Executive Director  
 Mr Gordon Smith, Deputy Director of Finance (Corporate)  
 Mr Paul Cannon, Board Secretary  
 Ms Gillian Airns, Quality Programme Manager, Adverse events (it attendance for Item 5 (i))

**APOLOGIES:**

Mrs L Macer, Non Executive Director  
 Dr A Osborne, Non Executive Director  
 Mrs L Ace, Director of Finance  
 Mr C Campbell, Chief Executive  
 Mrs H Knox, Acting Chief Executive

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed those present and with no conflicts of interest advised, commenced business. He welcomed Ms Lesley McDonald, Mr Ally Boyle and Mr Michael Fuller to the meeting.	

2.	<b>MATTERS ARISING</b> None.	
3.	<b>APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 3 DECEMBER 2019</b>	
	The minutes of the meetings held on 3 December 2019 were approved.	
	<b>THE COMMITTEE:</b> Approved the minutes of the meeting held on 3 December 2019.	
4.	<b>ACTION LOG</b>	
	<b>SSTS Fraud:</b> There was discussion on items from the action log, in particular the SSTS Fraud, which Mr Smith provided an update on. He advised that work had been done to identify areas where issues could arise and suitable actions taken to minimise any risk. Work has taken place with External Audit to provide additional assurance. From 13 March 2020 access will be removed with regard to lower banded members of staff being able to approve additional hours for higher banded members of staff on the same roster within SSTS. Mr Smith also advised that from October 2019 NHS Greater Glasgow & Clyde, who provide administration of the NHS Lanarkshire SSTS system, have not permitted new occurrences of this within the system and will not going forward. Mr Fuller questioned whether this impacted on service contracts. Mr Smith explained that it only related to authorisations of additional payments.	
	<b>Assurance Mapping update</b> – NES Board development programme approved by CMT and timeline agreed. The process entails collaborative with Internal Audit and other boards and alignment to national work. Currently at early stage of designing risk assurance framework, Mr Gaskin was grateful for Mrs McGhee’s support.	
5.	<b>INTERNAL AUDIT</b>	
	i) <b>Progress Report 2019/20</b>	
	Mr Gaskin noted staff member promoted internally and sickness within IA dept, only carrying out audits relied upon by external audit and/or audit committee. It is not expected that this will impact on workplan and audit committee will be kept updated on any capacity and resources issues within the IA team.	

	<p>Theatres – Mr Gaskin noted that many issues in audit report had been picked up by the team prior to the audit but report will support the existing improvement plan. Mrs Mahal said that more assurance was required that these audit reports are being communicated appropriately to the right committees and looked for the loop to be closed. Mrs Holmes informed that the reports were sent to the executive director responsible who in turn ensures the report goes to related committees. Internal Audit then check the minutes of these meetings to ensure they are being acted on. Mr Moore agreed to add this to the action log and an update to be provided at the next meeting. Mr Fuller asked if there was standard protocols relating to cancellation and productivity as these stood out in the report. Mr Gaskin responded that these should be benchmarked and questions need to be answered as there may be good reasons why this is the case. Cllr McGuigan queried whether the statistics could be falsely inflated due to administration errors and that the administration could be better.</p>	GS/TG
	<p><b>SAERs</b> – there was discussion around the issues highlighted in the report. Ms Airns gave a management overview and advised that these were administration and housekeeping as the risk facilitators were not using all aspects of the system. Ms Airns also discussed issues regarding causation codes. She reported that work is ongoing to make the system more intuitive and user friendly and that more training was also required for staff. These issues will be further discussed at the appropriate governance committee.</p>	
	<p><b>Endowments</b> – Mr Smith worked with Internal Audit over the past year to progress many of the recommendations and specifically highlighted issues regarding cash handling. The Audit report noted the results on improving the robustness of these controls with the Finance team however there were still areas of concern out with Finance around the communication of policies and procedures. Mr Smith noted that better communication and cascading will improve this going forward.</p> <p>At this point Ms Airns left the meeting.</p>	
	<p><b>THE COMMITTEE:</b></p> <p>Noted the report.</p>	
	<p>ii) <b>Follow-up Report</b></p>	

	<p>Mr Gaskin highlighted the high number (89%) of completed actions was lower than usual for NHS Lanarkshire, this was still a very good result. The “Once for Scotland” approach regarding policies can cause issues when trying to reach agreement nationally and also when differing audit opinions across Boards. Ms McDonald highlighted that the percentages required to be corrected. Mr Gaskin would reissue the report with the correct percentages. This error did not materially impact on the report. There was nothing of concern that Mr Gaskin wished to bring to the Audit Committee’s attention.</p>	TG
	<b>THE COMMITTEE:</b> Noted the report.	
<b>5.</b>	<b>iii) Draft 20/21 Plan</b>	
	<p>Mr Gaskin advised that there had been strengthened links to the risk register, although it was in the same format as last year. There has been no significant changes to the risk profile and the Plan is as envisaged as last year. Mr Gaskin submitted the Plan to this Audit Committee for approval and will now go to CMT. If there are any recommended changes at CMT, it would come back to the June Audit Committee for final approval. Mr Gaskin advised that the Plan will be revisited in December 2020.</p> <p>Mrs Mahal advised that the assessment of the NHSL Performance Management Framework would be commencing in the summer with a new system coming into place and that this may impact on the Plan. Mr Gaskin agreed that this would be taken into consideration.</p> <p>Mr Gaskin suggested that it could be helpful if Internal Audit were involved with the link between performance and risk.</p> <p>There was discussion around assurance mapping work.</p> <p>Mrs Mahal advised that the Achieving Excellence was being refreshed from May 2020. There was a new North Lanarkshire Council HSCP Strategic Commissioning Plan out this year which would come to the March Board meeting for endorsement.</p> <p>Mr Moore noted there was an opportunity for non-execs to meet privately with internal audit after this meeting if they so wish.</p>	
	<b>THE COMMITTEE:</b> Noted the process for 20/21; Approved the Plan – subject to CMT discussion	

<b>6.</b>	<b>EXTERNAL AUDIT</b>	
	<b>i) 2019/20 Audit Annual Plan</b>	
	<p>Mr Lindsay noted this was 4<sup>th</sup> year of 5 and talked through the report explaining the content of the report along with the audit fee. Risk 5 mentioned the overtime payments previously discussed and substantive testing will be carried out here to provide assurance. Risk 6 highlights the EESS and the risk of staff being paid after termination which will be audited and positive conformation being received from line managers of staff lists. Mr Lindsay highlighted the audit timetable and materiality levels and the reliance on the work of internal audit in some areas.</p> <p>Mr Lindsay advised that the Plan would be reissued, due to a numbering issue.</p> <p>Final Audit Report will go to the end of June Audit Committee.</p> <p>Mr Campbell asked a general point regarding the Audit Scotland NHS Overview Report relating to the existing Health and Social Care performance and challenges and queried whether findings from overview reports were influencing discussion at central government regarding future structures.</p>	PL
	<b>THE COMMITTEE:</b> noted the report	
<b>7.</b>	<b>GOVERNANCE STATEMENT</b>	
	<b>i) Guidance</b>	
	<p>Mr Moore provided an overview of paper. Mr Gaskin highlighted that work was ongoing in relation to the senior managers' certificates of assurance but that a sensible and pragmatic approach should be made for 2019/20. Mrs Mahal asked that Mr Smith seek clarification on the publication of the annual accounts. This is due to the signing off of the accounts at the June Board meeting is a public meeting and therefore the accounts would be made public prior to the accounts being laid before Parliament in September/October.</p>	GS
	<b>THE COMMITTEE:</b> paper was approved.	
	<b>ii) Key Lines of Enquiry for Risk Management</b>	
	<p>Mrs McGhee introduced the background to this paper and referred to the completed assessment, based on Annexe F of the</p>	

	<p>Audit and Assurance Committee Handbook (2018), for the purpose of enabling the Audit Committee members to consider and make an evaluated opinion on the organisation's governance, risk management and internal control framework.</p> <p>She further summarised the principal content of each part; the input from both the Corporate Risk Manager and the Director of Finance and informed the members of the approval of the assessment by CMT at their meeting on 17th February 2020.</p>	
	<p><b>THE COMMITTEE:</b> Considered and approved the content of the Key Line of Enquiry, Appendix 1, noting the evidence outlined to support an evaluated opinion on the organisation's governance, risk management and internal control framework</p>	
	<p><b>iii) Accountable Officer's Duties</b></p>	
	<p>Mr Smith advised of the purpose behind the paper and the further assurance given in relation to the Governance Statement. Clarification was given that Mr Calum Campbell is still the Accountable Officer for NHS Lanarkshire.</p>	
	<p><b>THE COMMITTEE:</b> Noted the report</p>	
	<p><b>iv) Draft Annual Report for the Audit Committee 2019-20</b></p>	
	<p>Mr Moore explained the paper provided assurances on the work carried out by the Audit Committee over the year, which again provided further assurance in relation to the Governance Statement. Mrs Mahal said she will be reviewing the Terms of Reference for non-executive membership for all the Committees and this may impact on the Terms of Reference for the Audit Committee. Mr Campbell would like the attendance shown updated.</p>	
	<p><b>THE COMMITTEE:</b> Noted and approved the report</p>	
	<p><b>v) Internal Control Evaluation Report</b></p> <p>Mr Gaskin noted the contents of the report and highlighted the positive assurance therein which is not always the case in other organisations. He emphasised the difficulties faced next year. Mr Moore asked for clarification regarding how deep within the organisation Internal Audit go when looking at sub-committees within organisation. Mr Gaskin responded that this was linked to assurance mapping, and clarity over who provides the assurance. Mrs Mahal and Mr Cannon had a couple of areas for clarity to</p>	NM

	discuss offline. Mr Fuller asked if Internal Audit were satisfied with the management responses, to which Mr Gaskin replied that it would highlight if Internal Audit were not satisfied.	
	<b>THE COMMITTEE:</b> noted the report	
<b>8.</b>	<b>WORKPLAN</b>	
	<b>i) 2019/20</b>  The Committee noted the revised workplan .	
	<b>THE COMMITTEE:</b> Noted the workplan update.	
	<b>ii) Draft 2020/21</b>	
	The Committee noted the draft report for the coming year.	
	<b>THE COMMITTEE:</b> Noted the draft report.	
<b>9.</b>	<b>FRAUD UPDATE</b>	
	<b>i) Fraud report (including progress report on NFI and CFS annual report)</b>	
	<p>Mrs Holmes highlighted the work undertaken in this quarter and the fact that these were all closed with the exception of operation Ariston. It was noted that an Awareness Workshop had taken place this week along with a further one arranged for April 2020.</p> <p>Mrs Holmes advised that the Annual Review with Counter Fraud Services had taken place in January 2020, along with Mrs Ace. Mrs Holmes suggested that the Head of Counter Fraud Services had offered to attend the September 2020 meeting, to report on new initiatives and answer any questions on CFS's relations with Lanarkshire.</p> <p>Mr Moore referred to the intelligence alerts from CFS and Mrs Holmes advised that they were sent out to the appropriate areas of the organisation when received.</p> <p>Mr Moore noted that the previous week had been Cyber Awareness with daily emails being sent out to all in NHS Lanarkshire and this was beneficial to staff.</p>	
	<b>THE COMMITTEE:</b> Noted the report.	
<b>10.</b>	<b>ARRANGEMENTS TO SECURE EFFICIENCY</b>	

	<p>Mr Smith talked through the paper highlighting the process to collate and assess the savings noting that risk assessment do take place throughout the process. The enhanced arrangements and issues impacting on the gap were noted. The 20/21 gap remains significant.</p> <p>Mr Fuller asked if the impact on the service of savings was looked at not only on an annual basis but over a longer period of time. Mr Smith responded that although the risks were evaluated annually, it is carried out on a cumulative basis, taking into account the overall impact on service.</p> <p>Mr Gaskin asked if senior managers' objectives should be linked to individual savings schemes they propose relating to their area, particularly in relation to Invest to Save schemes. Mrs Mahal noted that objectives for senior managers related more to achieving financial balance rather than being linked to any particular scheme.</p>	
	<b>THE COMMITTEE:</b> Noted the report	
	<b>Draft Review Management of Savings – Internal Audit report</b>	
	<p>Mr Gaskin talked through the audit report and findings, noting that there were lessons to be learned. He highlighted that additional scrutiny could be applied in order to improve the outcomes. He praised the good work of the Director of Finance, who risk assesses all savings schemes and adjusts accordingly using her experience. He noted that this work should be carried out by the responsible managers' throughout the organisation, prior to being submitted to the Director of Finance to provide further assurance that the schemes can be achieved. Mrs Mahal asked if this had been to the recent Acute Governance Committee meeting. Mr Gaskin responded that due to timing and the report only recently being finalised that it would not have went. He added that it should be submitted to the next meeting.</p>	
	<b>THE COMMITTEE:</b> Noted the report	



<b>11.</b>	<b>PROCUREMENT</b>	
	<p>Mr Smith talked through the various reasons waivers had been granted, and mentioned there were 2 urgent waivers that had been approved. He noted that these related to urgent specialist work that was not available through the suppliers on the related framework.</p> <p>Ms McDonald queried if the 2 urgent waivers were for the same event. Mr Smith agreed to clarify this.</p> <p>Ms McDonald also queried the Virgin Media waiver and Mr Smith would follow up on this.</p>	<p>GS</p> <p>GS</p>
	<b>THE COMMITTEE:</b> Noted the report.	
<b>12.</b>	<b>RISK MANAGEMENT</b>	
	<b>i) Quarterly Risk Management Process Compliance Report</b>	
	Mrs McGhee outlined the purpose of the report, the number and severity of risks across NHSL and highlighted the performance against a set of risk management key performance indicators (KPI's), and in particular, the change to the measures for oversight of the management of SAER's.	
	<b>THE COMMITTEE:</b> Noted and approved the report	
	<b>ii) Risk Management Summary Report</b>	
	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, including the current corporate risk profile with heat-map and the risk (ID 594) that has the Audit Committee identified as the Assurance Committee.	
	<b>THE COMMITTEE:</b> Noted and approved the report.	

<b>13.</b>	<b>REVIEW OF SFIs &amp; SoD</b>	
	<p>Mr Smith presented the papers and advised that these are reviewed on an annual basis.</p> <p>Mr Smith highlighted the changes and previous substantial work that had taken place in these documents, resulting in the requirement for only minor amendments. Mr Smith noted that this was to go to the Board in March 2020 for final approval.</p> <p>Cllr McGuigan asked if P60 will only be provided on electronic format as these were often required for personal finance matters. Mr Smith replied that these were available electronically and could be printed from the system for these purposes.</p>	
	<b>THE COMMITTEE:</b> Noted and endorsed the Policy for submission to the Board.	
<b>14.</b>	<b>AUDIT SCOTLAND REPORTS</b>	
	<p><b>i) Privately Financed Infrastructure Investment: The Non-Profit Distributing (NPD) and Hub Models</b></p> <p>Mr Moore commented on the report, noting the high level of detail provided within. Mr Smith talked through the paper, highlighting the PFI and Hub schemes that NHS Lanarkshire have. He also noted the high level recommendations contained within the report and the new future MIM scheme that is available from 2021. He highlighted that Appendix 4 of the report provided a useful comparison between the schemes over the years.</p>	
	<b>THE COMMITTEE:</b> Noted the report.	
	<b>ii) Workforce Planning – Part 2</b>	
	<p>Mr Moore advised the Committee that the report been through various committees and also the IJB structures. The report discussed lack of national data and disjointed workforce planning at national level. The report also set out existing and future workforce and demand pressures and obstacles to emerging redesign and MDT based models. The report also provides positive case studies. Since the report was published the Scottish Government has published the Integrated Health and Social Care Workforce Plan for Scotland which sets out the ambitions and workforce plans for future years. Some of the themes and issues discussed in the Audit Scotland Workforce Planning document will be discussed this afternoon at Population Health &amp; Community Services Governance Committee meeting.</p>	

	<b>THE COMMITTEE:</b> Noted the report.	
<b>14.</b>	<b>AOCB</b>	
	None.	
<b>15.</b>	<b>UPDATE ON AUDIT COMMITTEE TRAINING NEEDS</b>	
	<p>Mrs Mahal updated the Committee on progress around this area. Training had been arranged with an external company On-Board Training, for 31 March 2020. The location and timings to be confirmed. The invite has been extended to other Board members that are not members of the Audit Committee along with a place for SAS as well.</p> <p>Mrs Mahal asked everyone to confirm so that places could be allocated to others if not required.</p> <p>Mrs Mahal also updated that NES are developing Finance &amp; Audit modules for non-executive directors, which are due to be launched shortly and members will be given the opportunity to test the modules.</p>	
	<b>THE COMMITTEE:</b> noted the update and the action could now be marked as complete.	
<b>15.</b>	<b>DATE OF NEXT MEETING</b>	
	Tuesday 2 June 2020 at 9am in the Board Room, Kirklands.	
<b>16.</b>	<b>FUTURE MEETING IN 2020</b>	
	<p>Wednesday 24 June at 8.30am (Annual Accounts)</p> <p>Tuesday 1 September at 9am</p> <p>Tuesday 1 December at 9am</p>	