

Lanarkshire NHS Board
 Kirklands
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**Meeting of the Audit Committee, Wednesday 30 June 2021
 at 8.30am with MS Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Dr A Osborne, Non Executive Director
 Cllr J McGuigan, Non Executive Director
 Ms L McDonald, Non Executive Director
 Mrs L Macer, Non Executive Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
 Mrs N Mahal, Chair
 Dr L Thomson, Non Executive Director
 Mr A Boyle, Non Executive Director
 Mrs M Lees, Non Executive Director
 Miss M Morris, Non Executive Director
 Mr P Lindsay, Audit Scotland
 Ms F Mitchell-Knight, Audit Scotland
 Ms S Lawton, Audit Scotland
 Mrs M Holmes, Head of Internal Audit
 Mr G Smith, Head of Finance Corporate
 Mr P Cannon, Board Secretary
 Dr J Burns, Medical Director
 Mr E Docherty, Director of NMAHPs

APOLOGIES: Mrs C McGhee, Corporate Risk Manager
 Mr P Campbell, Non Executive Director
 Mrs H Knox, Chief Executive

1.	WELCOME	ACTION
	<p>Mr Moore welcomed those present including the additional non executives who were in attendance for the special meeting to approve the accounts. He informed the committee that Audit Scotland had indicated they had no need for the prescheduled opportunity to hold a private meeting with the committee at the end of the meeting. He asked that members notify him if they formed a view during the meeting that they wanted to take up that opportunity. He noted no conflicts of interest.</p>	

2.	MATTERS ARISING	
	i) Endowments Assurance Letter	
	Mrs Ace explained that as the endowment accounts were consolidated with the NHS Boards annual accounts there was the potential (although unlikely, due to the materiality level) for an issue with internal control in the endowment fund to impact on the NHS Board's accounts. An assurance letter was therefore required from the Chair of the Endowment fund to the NHS Board Accountable Officer to inform their opinion in the Governance Statement. It was noted there were no issues highlighted in the letter.	
	ii) IJBs Assurance Letters	
	Mrs Ace explained that as the Board delegated a substantial range of functions to the IJBs, any weakness in the IJBs systems of control could have an impact on the Board's ability to achieve its objectives. As a result assurances were required from the IJBs that there were no significant weaknesses. Letters providing these assurances had been received from the Chief Finance Officer of each IJB. Mrs Ace added that, as the IJB directed the NHS Board to provide services, the NHS Board was also required to give assurance on internal control systems to the IJBs and this had been done.	
	THE COMMITTEE: Accepted that the assurance letters contained no issues that would require an amendment to the governance statement included in the draft NHS Board accounts.	
	iii) Service Auditors report	
	Mrs Ace explained that at the time of the last audit committee further information was awaited from NHS NSS to allow Board's to assess any local impact of the qualification in the NSS Service Auditors report on primary care payments made by the Practitioner Service Division. This information had been received. The assessment made was that, although there were still issues, it was an improved position on 2019/20 and that concerns had not been expressed in reviewing the payments reflected in our ledger. There had been additional work on Covid-19 related payments plus a proportion of the others related more to income protection so the gaps in evidence round authorised signature were less relevant. It was therefore judged as a matter to be referenced by not disclosed as a weakness having a material impact on our annual accounts.	
	THE COMMITTEE: Accepted the rationale and proposed treatment in the Governance statement.	

	(iv) Internal Audit Annual Report - Final	
	<p>Mr Gaskin informed the committee that following discussion at the Audit Committee on 1 June 2021 on the relevance of the grades in the draft report the decision had been taken to remove the grades leaving the narrative and the rating of the significance of any recommendations. He advised that this approach was now being adopted with all his other clients.</p> <p>Dr Thomson asked for further information on the observation on the time and resources given to Information Governance. She set out that HQAIC had prioritised this during the year, it was discussed at every meeting and the chair of the Information Governance committee attended HQAIC and asked why this would be viewed as insufficient. Mr Gaskin replied that internal audit assessment was informed by the scale and importance of this IG agenda combined with the IG Committee's annual report not being scheduled on time despite this being a finding for several years had led to the remark. Mr Gaskin offered to have a further conversation with Dr Thomson at a later point. Mr Moore encouraged this to take place and summarised that HQAICs approach to incorporating Information governance had been reviewed and enhanced but it would be helpful to explore if there was anything more that could be done.</p> <p>Mrs MacDonald queried the committee date on page 17. Mrs Holmes confirmed that was the date originally in the workplan for the committee to consider the Information Governance annual report but as it fell after the date for signing the annual accounts, internal audit had alerted management who accelerated its production.</p>	
	THE COMMITTEE: Accepted the final report	
3.	EXTERNAL AUDIT	
	i) ISA 260 Report	
	Mrs Mitchell-Knight explained the ISA 260 report confirms audit work is complete and includes, in appendix A, the audit opinion to be incorporated in the signed accounts. That audit opinion was unmodified which mean they had concluded the accounts complied with accounting policies and gave a true and fair view of transactions and balances in the year.	
	THE COMMITTEE: Noted the ISA 260 Report.	

	<p>ii) 2020/21 Annual Audit Report</p>	
	<p>Mrs Mitchell talked through the key aspects of the report. The challenges of responding and adapting to the Covid-19 pandemic were acknowledged and in that context this should be seen as a very positive report in terms on how the Board coped. The unmodified annual opinion, the adherence to the normal annual accounts timetable instead of seeking a delay, the fact that NHS Lanarkshire had not needed Scottish Government support to cover efficiency savings which could not be advanced due to the pandemic all pointed to strong financial management and were a credit to the financial team.</p> <p>She highlighted the significant level of late funding allocations, most of which related to IJBs who are holding them in reserves. In terms of financial planning the Board had reacted appropriately to SG requirements during the year but the medium term will be challenging with gaps in financial plans and a shortfall of identified recurring savings.</p> <p>Mrs Mitchell-Knight noted that governance arrangements had been revised to respond to the new circumstances and operated effectively. This had been appropriately disclosed in the accounts</p> <p>Waiting times had been impacted, but she noted remobilisation plans are being developed. The positive work and reduction in delayed discharges was noted.</p> <p>Mr Lindsay talked the committee through Exhibit 2 which gave significant findings, some of which such as the description of the IJB and endowment figures and accounts were for information only. He explained to the committee that SG had only agreed the revised accounting treatment for PPE and testing kits provided to Health Boards free of charge in June so a revision had to be made to the NHS Board's draft accounts which had been submitted for audit mid May. He confirmed they were satisfied by the late changes the Board made to reflect this.</p> <p>He drew the committee's attention to the finding on R & D contract income. This point was first raised in 2018/19 and since then the finance team had been working to close completed contracts and remove any deferred income. Covid-19 had impacted on progress, so £365k still to be removed. If it had been adjusted the Board would have reflected £365k less expenditure. As in previous years the Board chose not to adjust as this was not material and did not impact on meeting financial targets.</p>	

	<p>Mr Lindsay thanked Gordon Smith and the finance team for support during what had been a full year of both sides working remotely.</p> <p>Dr Osborne welcomed the report and observed that the comment on the level of non recurring savings being relied on was one that had featured in previous years. She asked for a view on whether this was a similar challenge in all Boards and what more we should be considering. Mrs Mitchell Knight replied it was about making sure operating models are as efficient as possible and also how the longer term budgets are developed. She had hoped that introducing a 3 year national planning horizon would help develop this approach. She acknowledged all Boards were facing similar challenges, and that Lanarkshire was in a comparatively strong position.</p> <p>Mr Gaskin added he felt there were few obvious opportunities left for taking efficiencies from budgets and there would be a need to adapt the whole service strategy. There may ultimately be a need to prioritise what could be provided within NHS resources.</p> <p>Mr Moore concluded that this was a positive report and noted the action plan would be progressed. He thanked Audit Scotland for the overview and for their contribution to the work of the Audit committee throughout the year.</p>	
	<p>THE COMMITTEE: Noted the Audit Scotland Annual Report.</p>	
	<p>iii) Letter of Representation</p>	
	<p>Mrs Mitchell-Knight explained this would be signed by the accountable office at the end of the audit process to provide final assurance to external audit on a number of matters.</p>	
	<p>THE COMMITTEE:</p> <p>Approved the letter for signing by the Chief Executive on behalf of the Board</p>	
	<p>iv) Patients Private Funds Statement</p>	
	<p>Mr Smith explained that the monies held by the Board on behalf of patients received a separate audit each year and although not part of the statutory accounts, were part of the year end sign off process.</p>	
	<p>THE COMMITTEE:</p>	

	Noted the unqualified audit opinion and endorsed the Patients Private Funds Statement.	
	v) Patients Funds Management Letter	
	Mr Smith introduced the letter explaining it was a standard part of the audit output from Azets, the external auditor. He noted these figures were not included in the NHS Boards annual accounts. He external auditors had given a clean audit opinion but had given a caveat that due to Covid-19 the auditors had not been able to undertake the usual site visits and had to inspect records remotely. He also highlighted a finding on the level of cash balances being kept on one site and confirmed these would be reviewed and reduced in 2021/22.	
	THE COMMITTEE: Noted the report.	
4.	ANNUAL ACCOUNTS: YEAR ENDED 31 MARCH 2021	
	<p>Mr Smith explained the accounts were being presented to the Audit Committee for endorsement so that signing could be recommended to the NHS Board. He talked to the covering paper, noting the unmodified audit opinion, the breakeven position and the fact that the Board also lived within its capital and cash limits. He highlighted the significant increase in expenditure, from £1.573bn to £1.717bn this year largely flowing from the Covid-19 response and the AFC pay deal. He linked these factors to the 6.6% increase in staff numbers and 12.82% increase in staff costs. He drew the committee's attention to the late allocations relating to IJBs with express permission from SG to use these funds in next financial year and the significant increase in IJB reserves.</p> <p>He noted there was little change in asset values. The decrease in the provision for future compensation claims was mainly due to one case where the periodic payments had ended. In addition he advised the committee there was a contingent liability of £42m for claims judged not likely to succeed.</p> <p>Mrs Mahal said she felt the governance statement and performance report gave a full and accurate description of the year and covering paper gave a comprehensive overview of change in key figures. Mr Moore concurred, observing the governance statement reflected how our arrangements had adapted during the year to respond to the Covid-19 pandemic.</p>	
	THE COMMITTEE:	

	Noted the report and endorsed the Annual Accounts for presentation to the Board for signing.	
	(ii) SFR 18 losses	
	<p>Mrs Ace explained that the SFR 18 was a supplementary financial return made to SG but which did not form part of the audited annual accounts. It covered a diverse range of losses to the public purse ranging from theft, through flood damage and legal claims to contracts that did not give us value. She reminded the committee that there was a sub form called the SFR 18.2 which covered any frauds which Mrs Holmes prepared as the fraud liaison officer and which was reported routinely to the committee. The Board had delegated authority of varying levels for each type of loss. Having to seek SG authority for settling legal claims happened several times a year. Much less frequent was a loss in another heading over the Board's delegated level though there was one during 2020/21. A double failure where a pharmacy fridge became too warm and the alarm that should have alerted staff to did not function as expected resulted in the loss of high value chemotherapy drugs. An investigation had been carried out and lessons learned and additional controls built in. SG authority for the write off is pending, awaiting audit committee consideration.</p> <p>Mrs Ace reminded the committee that the internal audit plan had included a review of the system of reporting and dealing with losses and this had been reported to the previous audit committee as given substantial assurance that the system was operating effectively. She confirmed this specific loss had formed part of the sample the Internal audit team had looked at in coming to that conclusion.</p> <p>Dr Osborne asked about the value of cash losses in the SFR 18. Mrs Ace confirmed they were £40 under one heading and £8,940 under another heading but that subsequent to the year end civil action had resulted in recovery of the larger loss.</p>	
	THE COMMITTEE: Noted the SFR 18	
5.	NOTIFICATION LETTER	
	Mr Moore explained this was a standard requirement each year for the Chair of the audit committee to confirm there were no significant issues to report.	
	THE COMMITTEE: Approved the letter for submission following the Board signing the Accounts.	

6.	ANY OTHER COMPETENT BUSINESS	
	Mr Moore reiterated the Committee's thanks for the work that had been done by Mr Smith and the finance team to absorb the additional work and get the accounts ready for the earlier June deadline. Ms MacDonald concurred and said the covering paper had been very useful. Mrs Ace acknowledged the constructive approach taken by the external audit team and in particular the early escalation of any issues identified so where possible they could be resolved.	
7.	DATE OF NEXT MEETING	
	Tuesday 7 th September 2021 at 9am in the Board Room/Teams	
8.	FUTURE MEETING IN 2021	
	Tuesday 7 th December 2021 at 9am	

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