

Lanarkshire NHS Board  
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Meeting of the Audit Committee, Tuesday 1 June 2021  
at 9am via Teams

**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  
Dr A Osborne, Non Executive Director  
Ms L McDonald, Non Executive Director

**IN**

**ATTENDANCE:** Mrs N Mahal, Chair  
Ms H Knox, Chief Executive  
Mrs L Ace, Director of Finance  
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  
Mr G Smith, Deputy Director of Finance

**APOLOGIES:** None

1.	<b>WELCOME AND DECLARATION OF INTERESTS</b>	<b>ACTION</b>
	Mr Moore welcomed Mrs MacDonald to her first meeting as a formal member of the Committee.	
2.	<b>MATTERS ARISING</b> It was agreed there were no matters arising not picked up elsewhere on the agenda.	
3.	<b>APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 2 MARCH 2021</b>	
	<b>THE COMMITTEE:</b> Approved the minutes of the meeting held on 2 March 2021.	

<b>4.</b>	<b>ACTION LOG</b>	
	Mr Moore observed that actions had been completed , with nothing further to pick up at the meeting	
	<b>The Committee:</b> Noted the action log	
<b>5.</b>	<b>INTERNAL AUDIT</b>	
	<b>i) Progress Report 2020/21</b>	
	<p>Mr Gaskin confirmed that, apart from some work on remobilisation plan and an IJB audit, the plan was now substantially complete despite the challenge of working during the Covid-19 response. He thanked Mrs Holmes and her team for achieving this.</p> <p>Mr Moore noted that seven reports were covered in the report, each with substantial assurance</p> <p>Mrs MacDonald asked how reports were sequenced between the Audit Committee and other Governance Committees. Mr Gaskin stated that the Audit Committee would receive all finalised reports available by the committee date so it tended to have first sight. Mrs Holmes confirmed Internal Audit now had well established links with the other committees and after each Audit committee would ensure the reports were distributed for consideration at the next meeting of the relevant committee</p>	
	<b>THE COMMITTEE:</b> Noted the report	
	<b>ii) Follow-up Report</b>	
	Mr Gaskin commented that there remained good percentage compliance in implementing recommendations with only a small drop during the Covid-19 response.	
	<b>THE COMMITTEE:</b> Noted the report	
	<b>iii) Internal Audit Annual Report</b>	
	Mr Gaskin described how the level of risk during the pandemic had increased but overall his assessment was there were adequate and effective controls throughout the year despite extremely challenging circumstances. Mrs Mahal asked what would be required to take the assurance from adequate to substantial. Mr Gaskin explained as this year’s situation was unprecedented there was a far higher risk profile which no	

	<p>Health Board’s systems designed to cope with routinely and the assessment that NHS Lanarkshire’s control were adequate and effective was a strong statement in that context. Mrs Knox added she did not feel the rating reflected the extent to which systems adapted to the new conditions. Dr Osborne and Cncllr McGuigan indicated they held the same view and would have expected a higher rating. Mr Gaskin agreed the controls had worked very well but were assessed relative to the higher level of risk. He suggested rating might not be helpful and that a better approach might be to let conclusions be drawn from the narrative. Mrs Mahal asked him to reflect on the committee’s discussion when finalising the report.</p> <p>Mrs Macer asked if the recruitment difficulties that had reduced the audit days available had been resolved. Mr Gaskin confirmed they had and that earlier in the year and the overall impact was manageable though not using discretionary and contingency days.</p> <p>Mrs Macer asked if there could be further dialogue on how assurance was visibly provided by the Staff Governance Committee in terms of structuring the conclusions drawn from the material considered by the Committee. Mr Gaskin agreed to do so.</p>	TG/LM/Kay Sandilands
	<p><b>The Committee</b> noted the report but asked that Mr Gaskin reflected on the views expressed on the control ratings when issuing the final report.</p>	TG
	<p><b>iv) Draft 21/22 Plan</b></p>	
	<p>Mr Gaskin explained the plan had been discussed at CMT and had been drawn from the risk register at February. He noted that in current conditions risks were changing more quickly than would normally be the case so there may need to be adjustments to the plan throughout the year which he would bring back in December. He commented on positive developments in NHS Lanarkshire such as reviewing the strategic plan, the staff wellbeing group and the processes being enacted to respond to need for prioritisation to prevent harm in looking at the activity backlog. He explained there was a considerable number of days set aside for E Health and financial governance as they would be critical to delivery so</p> <p>Dr Osborne highlighted that the emergency care flow appeared to be a growing risk and queried whether that should be looked at. Mrs Knox explained developments such as the flow centre</p>	

	were at a fairly early stage and there was already review and governance around these so it may be too early for internal audit involvement.	
	<b>THE COMMITTEE:</b> Accepted the Internal Audit plan noting it may require in year revision if the risk profile changed.	
	<b>(iv) Internal Audit Charter</b>	
	Mr Gaskin explained the Charter was periodically reviewed to ensure it remained current.  Mr Moore said he found this a useful document and thanked the Internal Audit team for all their work during the year.	
	<b>The Committee</b> accepted the updated Internal Audit Charter.	
<b>6.</b>	<b>EXTERNAL AUDIT</b>	
	<b>(i) 2020/21 Management Report</b>	
	Mr Lindsay updated the Audit Committee on the progress with the Audit of the annual accounts. He noted some information was still outstanding but generally the Audit was proceeding well and he didn't anticipate any difficulties.  He talked the committee through the Management report, noting that where internal control weakness had been found they had done further work reviewing mitigating controls so would be able to draw an overall conclusion that the risk was controlled,  Mr Moore noted the report and thanked External Audit for all their support and work over the year.	
	<b>THE COMMITTEE:</b> Noted the report.	
<b>7.</b>	<b>PRIMARY CARE GOVERNANCE</b>	
	<b>(i) Payment verification Update 2020/21 and Patient Exemption Checking Annual Overview</b>	
	Mrs Ace presented the paper noting that for all Primary Care payment streams there had been some form of income stabilisation payment to compensate for the disruption during the pandemic. This was the main reason the normal payment verification processes carried out by Practitioner Services Division regime did not take place, although there had also been the need to divert the staff on to contact tracing. The one exception where there had been substantial checking work	

	<p>locally was in verifying the payments to GPS to cover additional costs incurred in responding to Covid-19.</p> <p>Mrs Macer asked for information on a parallel process for the Social Care Sustainability Payments. Mrs Ace explained the purpose of the payments had been set out by Scottish Government and the payment process was administered by the local authorities who would check individual claims. Periodically the Local Authority would invoice the NHS Board for the funding, with the IJB Chief Finance Officer confirming it was appropriate to make the payment on behalf of the IJB. Mrs Macer indicated she would ask any further questions through the IJB.</p>	
	<b>The Committee:</b> Noted the report.	
<b>8.</b>	<b>GOVERNANCE STATEMENT</b>	
	<b>i) Draft Statement and cover paper</b>	
	<p>Mrs Ace explained the draft was incomplete, pending a small number of assurances that would be delivered after the Committee date but that she wasn't expecting any new information that would change the report's conclusion. She informed the committee that the draft had been reviewed by the Chief Executive, Chair of the Audit Committee, external and internal audit. With Governance arrangements adapting throughout the year it had been hard to judge how much detail was required on each change and that she was particularly grateful to the advice from the Chief Internal Auditor on the appropriate balance.</p> <p>She reminded the Committee that in the previous year's report the Board had disclosed its difficulties in meeting the Treatment Time Guarantee for Inpatients and Daycases and the 4 Hour A &amp; E target. The pandemic had a profound impact on the entire NHS leaving all Boards with a significant backlog. As this was unrelated to the Board's internal controls it had not felt relevant to disclose.</p> <p>Mrs Macdonald indicated she had meant to question the change in disclosure but was satisfied with the rationale. She observed that as a new member she found the document a comprehensive and accessible overview of the arrangements. Dr Osborne concurred with the usefulness of the document. She asked if the statement should reference the reason for non disclosure of something that had been disclosed previously. Mrs Ace acknowledged she had spent much time thinking on the best way to approach and had hoped there would be additional</p>	

	<p>national guidance as the impact on waiting list sizes, per her latest review, was universal. Given this was a common impact across all boards from unprecedented external factors disclosing it as a weakness in a single Board only could create a false impression. She indicated she had tried to set out the situation in the wording so it was clear to the reader. Mr Gaskin concurred that the narrative did set out the position and that he agreed with the not including a specific disclosure. He noted the Lanarkshire statement was more detailed than others he had seen.</p> <p>Mrs Mahal reminded the committee she had raised the question of national guidance with the Director of Finance of The Scottish Government Health and Social Care Department and asked if further follow up would be worthwhile. Mrs Ace explained that the guidance had been issued unchanged after both Mrs Mahal and our own Corporate Deputy Director of Finance raising this, so with Boards well through the process there was nothing to be gained at this stage. She asked Mr Lindsay about the experience in other Board areas and he agreed to follow up. He noted Audit Scotland had supplied some additional guidance on the Performance Report.</p> <p>Mr Moore concluded that the statement was a useful overview and could have a place in the induction process for new Non executives.</p>	PL
	<p><b>The Committee:</b> Accepted the Draft Governance Statement as a fair reflection of the Boards control environment, noting further assurances were needed to conclude.</p>	
	<p><b>ii) Service Auditors Report</b></p>	
	<p>Mrs Ace informed the committee only one report had been available at the time of issuing papers and it gave assurance on the controls in the Shared Financial Services. The Service auditors reports on the Atos IT systems and on Practitioner Services Division had been issued on Friday and were to be subject of a national meeting this week as the latter had received a qualified audit opinion from the Service Auditor. She agreed to circulate an updated report after that meeting.</p>	LA
	<p><b>iii) Annual Reports</b></p>	
	<p>Mr Moore noted these had been considered by the NHS Board and raised no issues that were not already reflected in the Governance Statement.</p>	

	<b>iv) Summary of External Inspections During the Year</b>	
	Mrs Ace explained external inspection activity had been curtailed during the pandemic but from the limited number that had taken place, there was nothing raised that would impact on the governance statement.	
	<b>The Committee:</b> Noted the report.	
	<b>(v) Directors Assurance Letters</b>	
	Mrs Ace highlighted that only one director had flagged an issue which was a limited assurance audit that featured later on the agenda and did not merit disclosure in the governance statement.	
	<b>(vi) Related Party Assurance: Endowment Fund and IJBs</b>	
	Mrs Ace explained these would arrive between the Audit committee and the next meeting to consider the accounts and she was not expecting any issues to arise.	
	<b>(vii) Best Value</b>	
	Mrs Ace reminded the committee of the best value review considered in January 2021.	
<b>9.</b>	<b>WORKPLAN</b>	
	<b>i) Draft 2021/22</b> Mrs Ace explained that the Salus annual report had been deferred until September. She also updated the committee that an item would be added to the workplan based on a suggestion from Mr Moore that alongside the Procurement Strategy, the Committee look at a list of any contracts above the Boards delegated level that were likely to be awarded in the forthcoming year.	LA/AD
	The Committee: Noted the Workplan was on track.	
<b>10.</b>	<b>FRAUD UPDATE</b>	
	<b>i) Fraud report</b>	
	Mrs Holmes reported that there had been an increase in numbers of fraud investigations in the quarter. She explained that the annual report previously requested by the committee would be prepared once CFS's annual report was published as it gave useful comparative information.	MH
	<b>THE COMMITTEE:</b> Noted the report.	

	<b>ii) E Health Proactive Audit</b>	
	<p>Mrs Holmes explained that Counter Fraud had issued an alert based on experience at other Boards where devices deployed during the pandemic had gone missing. On receiving this alert the Director of e-Health had commissioned a review by internal audit and this was being reported in full to the committee as the speed with which devices were deployed want only limited assurance could be provided that the right equipment was in securely in the right place. An action plan has been developed for this, with the first follow up scheduled for June 2021.</p> <p>Mr Moore reflected that the exposure was understandable given Intense level of activity at fast pace and that it was good that a review had taken place and action was being taken to learn and improve and looked forward to receiving an update.</p>	
	<b>The Committee:</b> Noted the report and asked for updates to be come back on progress against the action plan.	MH
<b>11.</b>	<b>PROCUREMENT</b>	
	<p>Mrs Ace explained this was the standard quarterly procurement report. One of its functions was to ensure the Audit Committee maintained an overview of the balance between encouraging competitive procurement but not placing an unnecessary bureaucratic burden at times of emergency or where it could be established there were not alternative suppliers to meet the Boards need. She also updated the committee on the Laboratory contract and confirmed since the paper had been prepared the Board have considered the issue in private and confirmed a competitive procurement route would be pursued.</p> <p>Dr Osborne asked if the Governance Committee oversight of the contract had been confirmed. It was agreed that the Acute Governance committee would oversee the operational risks and that the Audit Committee would keep oversight of any procurement risks. Mrs Mahal reminded the Committee that the Board had considered that the PPRC could play a role in pulling together all the risks and this would be confirmed.</p>	
	<b>The Committee:</b> Noted the paper and asked for the governance committee responsibilities for the Laboratory MSC to be confirmed.	NM



<b>12.</b>	<b>ARRANGEMENTS TO SECURE EFFICIENCY</b>	
	Mrs Ace presented the final position for 2021/22, explaining its contents were in line with previous reports to the committee and the NHS Board.	
	<b>THE COMMITTEE:</b> Noted the report.	
<b>13.</b>	<b>RISK MANAGEMENT</b>	
	<b>i) Annual Report</b>	
	<p>Mrs McGhee outlined the purpose of the report with reference to the work overseen through CMT for the year 2020/2021, endorsing the assurance statement ‘from the work undertaken during the year, the agreed evaluation through the Key Lines of Enquiry and the Internal Control Evaluation 2020/2021 report, the CMT can confirm that there were adequate and effective risk management arrangements in place throughout 2020/2021.</p> <p>The body of the report provided the detail of the risk management work overseen in a year of being placed on emergency footing (including what areas of work were suspended and when re-enacted), noting the nature of the risks faced by NHS Lanarkshire in this unprecedented year. Mrs McGhee also highlighted the challenges and risks for the forthcoming year as determined by the continuing wide ranging impact of the Covid-19 pandemic and recovery of services aligning to strategic planning.</p>	
	<b>THE COMMITTEE:</b> Noted and approved the annual report	
	<p><b>(ii) Quarterly Risk Management Process Compliance</b></p> <p>Mrs McGhee highlighted for members the suite of KPI’s for risk register, QPI’s for Adverse Events: Monitoring of Significant Adverse Event Reviews (SAER) and the position with the monitoring and reporting of the KPI’s for Corporate Policies.</p> <p>Members noted the improvement in the KPI performance for risk register, in particular KPI Number 2, and for the monitoring of SAER’s. Mrs McGhee outlined the progress in monitoring and reporting of the corporate policy KPI whilst noting that that percentage compliance reporting will not be notable until September 2021 due to the lag period for the 6 month notification process which was re-enacted on 1<sup>st</sup> January 2021.</p>	

	<b>The Committee:</b> Noted the improvements and detail within the report.	
	<p><b>(iii) Quarterly Risk Management Summary Report</b></p> <p>Mrs McGhee outlined the key areas covered within the report in relation to the risk business discussed at CMT since the last reporting period. This included continuous change to the corporate risk profile noting a slight downward change in the current number and severity of the risks whilst recognising Boards continue to work within a changing environment and remain on emergency footing.</p> <p>Mrs McGhee also referred to risk ID 594 – Prevention &amp; Detection of Fraud, Bribery or Corruption as the risk that has the Audit Committee designated as the Assurance Committee. It was noted that the assessed level of risk remains high during this period of potential increased opportunity for fraud in the current environment. With reference to the Fraud report, members considered the assessed level of risk to be accurate and were assured the mitigating controls were operating as intended.</p>	
	<b>The Committee:</b> Noted the report.	
	<b>THE COMMITTEE:</b>	
<b>15.</b>	<b>Update of Audit Committee Training Needs</b>	
	Mr Moore noted that no discussion was required at this meeting and the training needs would be reviewed annually.	
	<b>THE COMMITTEE:</b> Accepted the position	
<b>16.</b>	<b>NOTIFICATION FROM SPONSORED BODY AUDIT COMMITTEE</b>	
	It was noted that the notification letter had been received and a draft reply was approved.	
<b>17.</b>	<b>AOCB</b>	
	There were no items.	
<b>18.</b>	<b>DATE OF NEXT MEETING</b>	
	Tuesday 30 June 2021 at 8.30am	
<b>19.</b>	<b>PRIVATE MEETING WITH INTERNAL AUDIT</b>	