

Lanarkshire NHS Board
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**Meeting of the Audit Committee, Tuesday 7 December 2021
 at 9am via Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Cllr J McGuigan, Non-Executive Director (until item 9)
 Mrs L Macer, Non-Executive Director (until item 10)
 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
 Mr G Smith (from Item 9)

APOLOGIES:

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore noted apologies from Mrs McGhee and that Cncllr McGuigan and Mrs Macer had advised of other commitments and would need to leave early. No conflicts of interest were advised.	
2.	MATTERS ARISING	
	There were no matters arising not covered by the agenda.	
3.	APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 7 SEPTEMBER 2021	
	THE COMMITTEE: Approved the minutes of the meeting held on 7 September 2021	

4.	ACTION LOG	
	All actions were confirmed as completed and the committee had no further questions. Mr Moore expanded that there had been further discussions on risk assurance including a meeting with Mr Tom Steele, Chair of NHS SAS.	
	The Committee: Noted the report	
5.	INTERNAL AUDIT	
	i) Progress Report 2020/21	
	<p>Mr Gaskin noted that 3 reports had been finalised in the previous quarter and were presented today, with 4 more in draft.</p> <p>He provided some additional context on the Adverse Management report, recognising that the issues including delays in SAER completion were reported to and discussed at HQAIC.</p> <p>Dr Osborne asked the timeline for the audit on the Equipment Loan store, as this was becoming an area of increasing importance in supporting discharges and increased risk given potential issues with equipment manufacturing. . Mr Gaskin confirmed his input was at an earlier stage on project planning and that council colleagues would carry out the main work but that he would find out the intended reporting timescale.</p> <p>Mr Moore picked up on the point raised in the financial process compliance about people exceeding working time directive hours due to covid and asked to what extent this was happening. Ms MacDonald asked if it was the general working time regulations that applied. Mrs Macer asked if hours on bank shifts and substantive contract work were being linked. Mrs Holmes confirmed that these were now linked so gave greater visibility and that it was the general working time regulations that applied. The issue referred to in the audit related to more process – it was recognised people were working more hours due to covid but the forms or processes required under the policy were not always being completed. Mrs Macer indicated this should be picked up by the staff governance committee. Mr Gaskin agreed to send out some more detailed information on this issue following the meeting.</p>	<p>TG</p> <p>TG/LM</p>

	THE COMMITTEE: Noted the report, subject to additional information requests being fulfilled.	
	ii) Follow-up Report	
	Mr Gaskin reminded that committee that given the pressures due to Covid, extended deadlines had been appropriately agreed for some of the actions. Of those due this quarter, completion by the agreed date was 100% which he noted as a remarkable achievement.	
	THE COMMITTEE: Noted the report	
	iii) Interim Internal Controls Evaluation	
	<p>Mr Gaskin explained the Internal Controls Evaluation process was designed for a stable environment and the fluid situation during the pandemic, with the Board appropriately responding to a rapidly changing risk profile, meant the controls evaluation required more work and greater nuance in the descriptions. The field work had been completed and there were a number of areas where internal audit could add constructive comment to build on the Boards. He noted there was nothing of significant concern and nothing identified to date that required to be remediated before the year end to allow the Chief Internal Auditor to sign off on the controls evaluation. He wanted to engage with Directors on any potential comments and ensure the language of the report was fully reflective of the underlying circumstances. He agreed to send the report out to Audit committee members as soon as it was finalised with the expectation subsections of it would also be considered by the relevant committee. The report would come back formally to the March Audit committee with an update on progress against points raised at the interim stage.</p> <p>Mr Moore confirmed the timescale for completion. Mr Gaskin would take it through officers and CMT then send it to the Audit Committee and this should be available to the committee in January. He offered to answer any questions in advance of the next Audit Committee</p>	TG
	The Committee: Noted they would receive the interim controls evaluation report in January	

6.	EXTERNAL AUDIT	
	Mr Lindsay confirmed planning work had recently commenced, starting later than usual due to the knock on consequences of the later timetable for council and IJB audits. The plan was to aim for signing the NHS accounts by end of June	
7.	THE WORKPLAN	
	(i) 2021/22	
	Mrs Ace highlighted that a number of items originally planned for this committee would now be picked up by later committees but that there was no threat at this stage to the workplan being completed by the end of the 21/22 audit cycle. The review of the risk management strategy would be picked up in June 2022. The IJB 2020/21 audit reports would be available either in March or June and Ms Lawton confirmed the Auditor General's Overview report was expected in February 2021.	
	The Committee: Noted the re-profiled workplan	
8.	FRAUD UPDATE	
	(i) Fraud Report (including progress report on NFI)	
	<p>Mrs Holmes reported that the number of cases was stabilising, with more normal reporting through both the Fraud Liaison Officer (FLO) and CFS though the latter route was still experiencing lower contacts than pre-pandemic. CFS were planning to do more virtual awareness sessions to improve reporting rates.</p> <p>The local National Fraud Initiative (NFI) work for 2020/21 had been completed with all actions recorded on the system. The report for the whole of the NFI work should be published by June 2022.</p> <p>Mrs Holmes reminded the committee of the previous presentation by Gordon Young, Head of Counter Fraud Services, on the intention to adapt the English standards for Scotland. A review of the English standards by CFS, FLOs and others had led to the conclusion that there were areas requiring further work. The ambition is to have the standards in place by April 2022 with caveats around the areas where further work continues.</p> <p>Ms MacDonald asked for further information on the Statement of Employer referred to in one of the ongoing cases. Mrs Holmes explained it was where CFS approach another organisation where it is suspected an NHS employee might be working whilst contracted to work for the NHS and ask for them to provide details of the days and times that were worked. It</p>	

	<p>was not mandatory for the organisation to reply but in most cases they did.</p> <p>Dr Osborne asked about the prolonged timescale for some of the cases. Mrs Holmes replied that where the case was being taken through the legal route there can be extended timescales which the Board has no ability to influence other than make sure at the early stages all requested information is supplied promptly.</p> <p>Cncllr McGuigan, noting the involvement of family members in some cases, asked if there were any restrictions on related staff working in the same area. Mrs Holmes replied there were no such prohibitions and it was permitted provided appropriate controls were in place</p> <p>Mrs Mahal asked about the timeline for enhancing controls round vaccination. Mrs Holmes replied controls had been reviewed and actions put in place. Mrs Ace confirmed that as soon as Finance had been made aware of the reported instances there had been engagement with senior management and reporting to the Fraud Liaison Officer.</p> <p>In response to an observation from Dr Osborne on the increased proportion of frauds being reported in Primary Care, Mrs Holmes referred to the fraud alerts and confirmed it did appear that there was greater targeting towards that area, potentially because of perceived lower levels of controls in the smaller businesses. Mr Moore asked if we targeted communications at Primary Care. Mrs Holmes confirmed that every time there was a relevant report it was distributed through primary care services to contractors.</p>	MH
9.	ARRANGEMENT TO SECURE EFFICIENCY	
	<p>Mrs Ace updated the committee on progress to date. Both HSCPS had largely delivered the targeted prescribing savings for the year and were forecast to end the year within their overall budgets. The rest of Health had continued to deliver prescribing, infrastructure and procurement savings in the background with £4m being recorded to date. However the greater level of cost growth relative to income, especially in the area of high cost drugs, meant the initial target was higher and there was still a substantial gap. The strategy for dealing with that in 2021/22 was to identify any area in the financial plan where less would be spent than initially forecast and use that to narrow the gap to a level that SGHSCD was comfortable with providing additional covid funding to recognise that impact of the pandemic on the</p>	

	<p>ability to look for efficiencies. She gave examples of areas where spend might be less, such as the planned extension of the elective programme at GJNH.</p> <p>She highlighted SGHSCD's expectation that Board's would need to stand back up efficiency programmes for 2022/23 and drew the committee's attention to the recent questionnaire establishing readiness. This envisaged Boards setting up Programme Management Offices and a supporting infrastructure. Mrs Ace said that with services still reacting to a fast changing emergency situation it was difficult to envisage they would have any significant capacity to engage with this. She informed the committee that the initial intention was to focus on areas such as prescribing or procurement where work could happen without the same call on frontline services. A session on future financial strategy was planned for January 2022 once the outcome of the budget was known.</p> <p>Ms MacDonald asked if the lower charge envisaged from GJNH in 2021/22 would mean higher charges in future years. Mrs Ace replied that overall there was a very significant backlog of elective care and catching up would involve considerable additional expense over several years. Ms Knox added that the GJNH had been used differently during the pandemic citing the robotic training and cancer surgery and that there were now discussions on whether the beds within the GJNH could be used for step down. Mrs Mahal later added that the hotel may also be considered as a potential resource.</p> <p>Ms Macer raised the danger to staff wellbeing and resilience of immediately switching the spotlight to efficiency and savings after two years of intense emergency working and that staff would need time to recover. Mr Moore noted that the impact on staffing had very much been at the forefront of the Board's acceptance to date that the financial sustainability programme had been paused. Mrs Ace agreed that this was an important factor and the Board would face a difficult decision on the timing of introducing a full efficiency programme. A small number of Boards had reported that they had continued their programmes throughout the pandemic and this was influencing SGHSCDs view that it was possible to stand up.</p> <p>Mrs Mahal suggested the fact Lanarkshire had maintained financial balance so far meant there was less low hanging fruit and we should represent our more difficult situation. Mr Gaskin gave his opinion that the Board did have a very strong record of achieving recurring breakeven and that given the scale of the</p>	
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	<p>emerging gap, further squeezing round the edges is unlikely to be effective and only hard choices and strategic change would produce enough.</p> <p>Dr Osborne asked if the budget was likely to confirm earmarked funding for continued covid expenditure or whether it might be mainstreamed. Mrs Ace replied that funding confirmation to September 2022 had been given for contact tracing and £3m on top of the current primary care transformation funding had been notified for the vaccination programme which was forecast to cost over £19m this financial year. However, there were many other areas, such as enhanced cleaning and PPE, which were likely to continue and on which there was not yet certainty.</p>	
	<p>The Committee: Noted the report, acknowledging the scale of the response required and the difficult balance between taking this forwards and staff wellbeing</p>	
10.	PROCUREMENT	
	<p>Mrs Ace highlighted the key aspects of the paper, which reported 5 single tender approvals and 6 SFI waivers from competitive procurement during the quarter and gave an update on progress to the Laboratory Managed Services retender.</p> <p>Ms MacDonald noted the terms of the short term contract extension and asking if the KPI of 90% availability on older equipment would create service problems. Mrs Ace replied that where equipment had been judged to be too old to reliably continue it had been replaced with 4 items being replaced this extension and slightly more in the previous one and that the service were content with the 90% on the other less risky equipment.</p> <p>Mr Moore noted that the target of March 2023 was tight and asked what contingency there was. Mrs Ace replied at best this would be a few months roll over but with the equipment ageing risk this would have to be minimal.</p> <p>Dr Osborne confirmed the Acute Governance Committee was looking at the operational arrangements and was monitoring the same risk.</p>	
	<p>The Committee: Noted the report</p>	

11.	RISK MANAGEMENT	
	i) Quarterly Risk Management Summary Report	
	<p>Mr Moore talked through the key points in the paper which set out the risk management business considered by CMT, the constantly changing risk profile, covered the work undertaken during COP 26 and presented the corporate risk register. The paper also asked the Audit committee to review its own assigned risks. Risk 594 related to the prevention and detection of fraud, corruption and bribery. Mr Moore noted there had already been a full discussion on this and the mitigating controls set out in the register were in operation.</p> <p>Mr Gaskin reminded the committee of his previous comments that the Board did have a good perspective on risk and the register responded quickly to changes in circumstances.</p> <p>Mr Moore queried whether there was a degree of overlap in some of the risks and agreed to explore this further with Mrs McGhee. As examples he quoted ;</p> <p>1894 – stepping down non urgent services. High</p> <p>2004 – disruption to every day services. V High</p> <p>Mrs Mahal suggested some of the risks relating to Primary Care may not have been fully explored at Board level and either need to be taken through the governance committees or brought to the board.</p>	<p>BM</p> <p>PC</p>
	The Committee: noted the paper and confirmed the recommendations had been covered during the meeting.	
	(i) Quarterly Risk Management Process Compliance Report	
	Mr Moore noted the paper gave information on the number and profile of risks, KPIs on the review and consideration of risks and information on performance with Serious Adverse Event reviews.	
	The Committee: noted the report	
	(iii) Policy Assurance Report	
	The Committee received a standard policy assurance form used in instances where a policy has a fast track review. Mr Moore observed he had found the policy and its supporting documents to be highly informative. It was noted that the next review date was September 2023	

	The Committee: accepted the policy assurance report	
12.	LOSS: PHARMACY FRIDGE FAILURE	
	<p>Mrs Ace reminded the committee of the report in June setting out the financial loss from a concurrent fridge and fridge alarm failure at University Hospital Monklands in November 2020. In that case the fridge alarm temperature presets had defaulted to factory setting on changing the battery, a feature which was not known to the pharmacists changing the battery. A review had been undertaken and a series of actions implemented. The loss was reported to SGHSCD, as is required for losses over the Board's delegated authority, and SGHSCD's response was attached to the papers, confirming the write off but setting out expectations on controls.</p> <p>Unfortunately In August 2021 a further £89 124 of pharmacy stock was lost when a fridge at University Hospital Wishaw operated outside its safe temperature range. The alarm system functioned as intended but the on call email account to which the alarm was sent had been superseded by the switch to Microsoft office 365 and the on call pharmacist did not receive the alarm message.</p> <p>A short life working group with wider membership was set up to review this and the previous loss to establish all viable controls were identified and implemented. The report from that group was presented to the committee.</p> <p>Actions included reviewing the age profile of all fridges and replacing those beyond their economic life, establishing a structured process for reviewing fridge replacement in future. Mrs Ace added that the walk in fridge at Monklands had a maintenance contract in place but this was not viable for the smaller standalone fridges where temperature monitoring was the risk mitigation. She also added that e health had looked wider about the risks on transferring to O365 and where the email account was a system one had introduced a series of further questions. She concluded by advising the latest loss would require to be reported to SGHSCD after appropriate Audit committee consideration.</p> <p>The committee members asked a range of questions. Dr Osborne asked if there was any direct service or patient impact from these events and whether we had appropriate maintenance arrangements and controls in University Hospital Hairmyres. On the latter point Mrs Ace confirmed it was a walk</p>	

	<p>in fridge, covered by the PFI building and equipment provision and she would seek further information on the terms of the arrangement. Re patient impact, Mrs Ace had not been informed of any but agreed to follow this up and report back.</p> <p>Mrs Mahal asked if any work had been done to benchmark with other Boards and evaluate their fridge resilience protocols. Mr Moore also asked if there were any national standards. The committee agreed this would be worthwhile information and asked that the Director of Pharmacy took this action and reported back.</p> <p>He asked the length of contract with the fridge alarm company and whether it automatically renewed or further action was needed. It was agreed to follow this up Dr Osborne noted other risks associated with ageing fridges, such as fire risk , and asked if our maintenance and replacement cycles were now sufficient. Mrs Ace replied that, as result of a number of fridge replacements following this incident, the current stock were all within acceptable ranges but that she would find out more detail on the replacement programme.</p> <p>Ms McDonald noted that in November 2021 there had been a loss of communication with the fridge alarm, though no stock loss and asked if this was due to the learning from the earlier incidents.</p> <p>Mr Moore indicated the committee would want to make sure the implementation and continued operation of the agreed actions was monitored. It was agreed a follow up report would be brought to the June 2022 committee confirming the agreed actions remained in place.</p>	
	<p>The Committee: Noted the report and asked to receive further information on the detailed questions following the meeting and a monitoring report on the implementation of actions in 6 months.</p>	
13.	IJB ANNUAL AUDIT REPORTS	
	<p>Audit Scotland confirmed the Audit report for South Lanarkshire IJB had been published and the report for North Lanarkshire IJB would be available in the new year.</p>	
	<p>The Committee: Noted this item would be picked up at a future Audit committee</p>	

14.	AUDIT SCOTLAND REPORT Covid 19 Vaccination Programme	
	Mr Moore talked through some of the highlights of the report including the excellent progress made by the programme, its scale with over 14000 temporary staff nationally which and brought considerable workforce implications	
	The Committee: Noted the report	
15.	AOCB	
	Mr Moore noted that this was Mrs Mahal's final audit committee, observing that she must have attended over 40 audit committees during her tenure, amassing considerable experience and thanked her for her support to him as chair and to the other committee members. He also noted this would be Dr Osborne's final Audit committee and thanked her, as another long standing member, for her valuable contribution over the years.	
16.	DATE OF NEXT MEETING	
	Tuesday 1 March 2022, MS Teams	