

Lanarkshire NHS Board
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**Meeting of the Audit Committee, Tuesday 19 January 2021
 at 9am in the Board Room/Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Cllr J McGuigan, Non Executive Director
 Mrs L Macer, Non Executive Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
 Ms H Knox, Chief Executive
 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 M Docherty, Finance Trainee

APOLOGIES: Mrs N Mahal, Chair
 Mr P Campbell, Non Executive
 Dr A Osborne, Non Executive Director
 Mr P Cannon, Board Secretary

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Ms Docherty. He confirmed there were no conflicts of interests and commenced the meeting.	
2.	MATTERS ARISING	
	It was agreed there were no matters arising from previous meetings that were not already picked up on the agenda or action log.	
3.	APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 1 SEPTEMBER 2020	
	THE COMMITTEE: Approved the minutes of the meeting held on 1 September 2020.	

4.	ACTION LOG	
	Mr Moore ran through any of the outstanding actions on the log noting that a number of earlier actions such as the audit training could now be closed off as complete. Mrs Ace undertook to update the action log and circulate it after the meeting with any new additions or amendments.	LA
	The Committee agreed the actions had been appropriately covered.	
5.	INTERNAL AUDIT	
	i) Progress Report 2020/21	
	Mrs Holmes introduced the paper, confirming 6 reports had been completed, all of which gave substantial assurance and there was one further audit, on Medical Devices, which was being finalised. Mr Moore asked if there had been any progress on the Corporate Steering Group work on Terms of Reference for audit committees. Tony advised there had been no progress.	
	THE COMMITTEE: Noted the report.	
	ii) Follow-up Report	
	Mr Gaskin noted that NHS Lanarkshire previously had an exemplary response rate which had, understandably, tailed off during the Covid response as higher priorities emerged. He suggested that some of the previously agreed actions should be reviewed to see if in current circumstances a longer timescale would be appropriate. He suggested that review could happen in conjunction with the Director of Finance or Chief Executive. Despite this, he said that progress was still good. Mrs Holmes added that some of the outstanding actions were still being worked on and should be complete by the next committee.	TG/LA
	THE COMMITTEE: Noted the report.	
	iii) Draft Internal Control Evaluation	
	Mr Gaskin provided an overview saying that whilst some elements of the control environment had been stood down to allow the organisation to focus on the higher risks during the Covid – 19 pandemic, it had been done in an appropriate and thoughtful way and well communicated to the Board. He explained however, that the risk level in the external environment was higher and this was reflected in the rating of controls which were measured against the level of risk.	

	<p>He noted that the Board had recognised that the Achieving Excellence strategy would need revisiting post Covid and that it was important for strategies to adapt to changed circumstances.</p> <p>In order to get assurance at the year end he suggested that committees would have to work backwards from the map of core assurances needed and fill in any gaps. To assist this he flagged a series of assurance principles that had been developed in conjunction with the risk manager and recommended sharing these so these could help guide the year end.</p> <p>Cllr MgGuigan welcomed the positive report and the pragmatic approach that recognised the competing priorities.</p> <p>Mrs Macer noted the comment on the degree of engagement with the Board during remobilisation and asked if there were lessons that could be learned from the period of remobilisation after the first wave.</p> <p>She added that HQAIC had done some very good work, including work on Care Homes and there may be lessons that could be learned from it too.</p> <p>She also thanked Internal Audit for flagging some potential omissions from the original Staff Governance agenda with regards to wellbeing and said there was now work ongoing to give this a higher focus.</p> <p>Mr Moore noted that a simplistic comparison with the interim report last year appeared to show a downgrade in controls but accepted the context in which that assessment was made.</p> <p>Mrs Ace informed the Committee of the planned actions to address the recommendations in report. It had been proposed that the committee workplans should be reviewed to highlight anything that had been missed due to refocusing business on Covid priorities and look for alternative ways to derive that assurance.</p> <p>She referenced a paper by Mrs McGhee later in the agenda standing up the corporate policy renewal notification process from January 2021 plus the work being done by the Head of Procurement to review the ten passed their review date procedures.</p>	<p>PC</p> <p>TG</p>
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	<p>Contact was being made with the Caldicott Guardians office looking for a reasonable timescale for the action round reporting numbers. Originally this was going to be discussed at the January 2021 Committee but with that being stood down due to Covid, a longer timescale was now likely.</p> <p>In terms of performance management and active governance she noted that a series of Board development events were planned, starting with one on 3 Feb 2021 to look at what Board members should be seeing, the way it should be presented and the questioning that should take place.</p>	
	THE COMMITTEE: Noted the report and asked for a progress report on actions against the recommendation for the March 2021 Committee meeting.	PC/LA
6.	EXTERNAL AUDIT	
	<p>Mrs Lawton introduced the report, stating that the intention was to work to a 30 June 2021 deadline for finalising the annual accounts, rather than extending to the end of August 2021 as in 2019/20. Then she explained the report explaining this was the fifth year of a programme now extended to 6 years. She referenced the risk assessment that would direct audit focus. She drew the committee's attention to the audit fee which was a 2.9% increase on the previous year.</p> <p>Cllr McGuigan noted the EU withdrawal risk and asked, now a no deal scenario had been avoided, if that risk would change. Mrs Lawton explained risks could still materialise and it was a case of keeping that under review and ensuring appropriate responses were made.</p>	
	THE COMMITTEE: Noted the report	
7.	WORKPLAN	
	<p>i) 2020/21</p> <p>Mrs Ace explained that the annual self assessment exercise had been deferred to allow a more in depth consideration. Following a well received Audit Committee training event in October 2020, a session had been arranged with Non Executives on the 10th of February 2021 to reflect on learning. It was felt that it would be worthwhile to complete the self assessment on the back of that wider reflection. She noted that a few items had been pulled forwards including the Best Value Review, the External Audit plan and an Audit Scotland report. Other than that progress against the workplan was as expected.</p>	

	THE COMMITTEE: Noted the workplan update.	
8.	FRAUD UPDATE	
	i) Fraud report (including progress report on NFI)	
	<p>Mrs Holmes introduced the report, noting a drop in referrals despite the belief that during the Covid -19 pandemic the environment has a higher fraud risk. She said Counter Fraud Services (CFS) believe this issue to the new ways of working, with more remote or out of usual area working. She informed the committee there was no date yet for the Ariston Court case, with the Crown Office stepping down cases.</p> <p>Mr Moore picked up on the reference to CFS's Risk Assessment and asked if it would be shared. Mrs Holmes verified it was CFS's intention to share this and allow Boards to compare it with their own fraud risk registers.</p>	
	THE COMMITTEE: Noted the report.	
9.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace talked the Committee through how the original efficiency target had been derived by looking at the gap between projected cost growth and income growth. Prior to the start of that gap was assessed as being £29.828m, with plans for £10.30m of that still to be found. She explained that the gap could be closed in three ways – lower cost growth than forecast, higher income growth or delivering efficiencies. Despite moving to an emergency footing, earlier work to secure savings meant some efficiencies were still delivered as planned and better than expected property sales had helped make small inroads into the gap. However the financial sustainability programme had been stood down to focus on the Covid -19 response which limited progress.</p> <p>The Covid – 19 response also impacted on cost growth projections. The steep rise expected due to the introduction of new high cost medicines had not materialised, nor had the projected growth in specialised national services. This shallower than forecast cost growth reduced the in year gap and removed the need for the Board to apply for Scottish Government help in covering undelivered savings plans. Providing the additional expenditure incurred directly in responding to Covid was funded centrally (and there was increasing confidence that it would be) the Board would breakeven.</p>	

	<p>Mrs Ace explained a presentational difficulty whereby the SG return fixed the gap at its opening level and so to demonstrate it had been closed the shallower cost growth had to be shown as an efficiency even though it would not fit that definition.</p> <p>Mrs Knox expanded on this, setting out how this short term more optimistic financial position would very rapidly deteriorate as we moved in to 2021/22 with a huge backlog in activity. Mrs Ace commented further, adding that, with a heavy reliance on nonrecurring savings, we would start the year with an opening gap as well as an activity backlog. Mrs Macer highlighted the need for a broader activity and capacity discussion at the Board taking account of workforce constraints as well.</p> <p>Mrs Ace explained she was starting to pull together a revised 2021 plan, starting by identifying those additional measures brought in for Covid that were unlikely to end at the 31st of March 2021. She said, with so much uncertainty, the plan would have to set out different scenarios and assumptions and her view was it would be some time into 2021/22 before the most likely set of scenarios crystallised.</p>	
	THE COMMITTEE: Noted the report.	
10.	PROCUREMENT	
	<p>Mrs Ace summarised the report which covered the ten SFI waivers issued since the September Committee report. She observed that for some smaller value ones it may have been possible, if a wide and extensive trawl had taken place, that another supplier might have been found but given the value and the timeframe and competing priorities during the Covid – 19 response, this would not have been good use of time or delivered overall better value. However, if any of the applicants wanted to extend the offering at a later stage they would have to look wider rather than using the experience gained by the current supplier as a rationale. She observed that if a supply was likely to be something longer term it was better to put the effort in up front to select competitively based on potential future need.</p>	
	THE COMMITTEE: noted the report	
11.	RISK MANAGEMENT	
	<p>i) Quarterly Risk Management Summary Report</p> <p>Mrs McGhee outlined the key areas within the report, that being the summary of the risk business discussed at CMT from late August 2020 to the beginning of January 2021. This included</p>	

	<p>continuous change to the corporate risk profile reflecting the higher risk environment that Boards are now working within. The report also referred to elements of the risk management work plan that were suspended but have now resumed.</p> <p>Mrs McGhee also referred to risk ID 594 – Prevention & 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, referring to the Fraud report and the NHSL Fraud risk register in this context.</p> <p>Mr Moore referred to a new risk ID 1974 - NHSL Properties with Reinforced Autoclaved Aerated Concrete (RAAC) and Impact from HFS Survey and asked if there was any quantification of the expected impact. Mrs Ace undertook to discuss further with Mr Lauder and report back at the next meeting.</p> <p>Mr Moore also noted that there was a significant number of the corporate risks that had either the Planning Performance & Resource Committee (PPRC) or the Population Health and Primary Care & Community Services Governance Committee (PHPCCSGC) as the designated Assurance Committees, and that these Committees has been stood down. Whilst Mr Moore could recall the issues around these risks being covered in the monthly Board business, or in the Non-Executive briefings, he felt it would be worthwhile evidencing this formally.</p>	<p>L Ace</p> <p>C McGhee</p>
	<p>The Committee: Noted the report</p>	
	<p>(ii) Quarterly Risk Management Process Compliance</p>	
	<p>Mrs McGhee echoed for members the position of suspension for quarterly risk management process compliance reporting from April 2020 whilst advising that this was the first report since monitoring and reporting had been reactivated.</p> <p>She referred to the performance of the risk register and risk reporting KPI's and the QPI's for Adverse Events: Monitoring of Significant Adverse Event Reviews (SAER).</p> <p>She further reported on the position for the Corporate Policy KPI reporting, informing members of the CMT support to extend review dates for policies due for review to the end of December 2020 and suspension of the monitoring. It was noted that in the interim there was communication with designated Executive Leads and Authors of Policies to update their respective policies if</p>	

	<p>required to do so due to Covid-19 and work continued on some improvements around database development and review of the KPI's with subsequent reporting frequency and format. Mrs McGhee confirmed the notification for review process has recommenced from January 2021,</p> <p>It was further noted that the responsibility for the management of Corporate Policies has now changed from the risk management function to the quality department: knowledge and library function. The KPI reporting will be retained within the process compliance report prepared for the Audit Committee until further notice.</p> <p>Mr Moore asked about the reporting of the SAER causation codes (3&4) and the value of reporting on them jointly as they were distinctive enough to be reported on individually. Mrs McGhee undertook to discuss with Mrs Cormack and report back to the next meeting.</p>	C McGhee
	THE COMMITTEE: Noted the report.	
	(iii) Risk Management Strategy	
	<p>Mrs McGhee informed members of the review of the Risk Management Strategy by the Corporate Management Team, highlighting the delay from the expected review date of May 2020 to the revised date of December 2020 due to reprioritisation of work due to the Covid-19 pandemic. She outlined the minor changes, noting that there was no material change to the Strategy for this review period, however, set out the intention to review risk appetite and tolerance in line with the assurance mapping work that is scheduled for completion by December 2021, aligning with the next review date for the Strategy.</p>	
	THE COMMITTEE: Noted the review outcomes and the improvements going forward to align with the next review date of December 2021	
	(iv) Risk Appetite & Risk Register Benchmarking	
	<p>Mrs McGhee set out the background to this report explaining the origins of a request through a discussion at the NHS Board in September 2020.</p> <p>A short informal desktop exercise was undertaken to benchmark risk appetite reporting to other Boards. The corporate risk manager review 9 territorial Boards public reports and noted differences in frequency of risk reporting and level of detail, noting</p>	

	<p>that it was difficult to compare like with like for these reasons. However, it was recognised that it would be a good exercise to undertake formally and link to the national blueprint for governance.</p> <p>Mrs Macer referred to the potential improvement measures mentioned and the value to NHS Lanarkshire of undertaking / contributing to a more formal benchmarking exercise. Mrs McGhee believed that from the initial comparisons there was affirmation of our approach to risk register and risk appetite reporting at this point in time, but still felt dialogue through the risk management network could help identify areas for continuous improvement of the risk management strategy, framework and reporting function.</p>	C McGhee
	<p>The Committee: noted the work and supported a more formal approach to benchmarking risk appetite and risk registers</p>	
	<p>(v) Covid 19: Guide for Audit & Risk Committees, Audit Scotland, August 2020</p>	
	<p>Mrs McGhee set out the background to this Audit Scotland Guide and the approach that NHSL had taken as commissioned through the Audit Committee.</p> <p>It was acknowledged that Mrs Holmes had translated the criteria within the guide into a checklist from where an assessment was undertaken and reported on in draft form noting that there are still some gaps. It is the intention to take this to the Corporate Management Team to try and capture any new work or agree any action needed if a gap remains and the approach was supported as good practice.</p> <p>The key area highlighted from the assessment was the issue of future sustainability noting that this will emerge as a longer term challenge for subsequent years, requiring significant transformational change for the future sustainability of the Board.</p>	L Ace / C McGhee / M Holmes
	<p>The Committee: noted the assessment, supported the approach and will receive an updated report at a future meeting.</p>	

12.	APPROACH TO ASSURANCE MAPPING	
	<p>Mrs McGhee informed the committee that it was the intention for herself, the Board Secretary, Director of Finance, and Chief Internal Auditor to meet to consider some overarching principles and to think through how they could assist in year end assurance gathering and reporting.</p> <p>She highlighted work being commence to review the risk register module on the datix system to make clear links with the source of assurance and also the actions being taken, distinguishing what is in place and what is being developed. She had also obtained access to Milan to ensure assurance sources can have a greater link to our performance reporting.</p>	
	THE COMMITTEE: noted the report and would receive an update on progress at a future meeting.	
13.	AUDIT COMMITTEE SELF ASSESSMENT EXERCISE	
	Mr Moore referenced the previous conversation on the workplan and holding over the self assessment until the non executives had reflected on the audit committee training event and any improvements they would see as helpful.	
	THE COMMITTEE: Noted the report and per the workplan would receive an update	
14.	IJB ANNUAL AUDIT REPORTS	
	Mr Moore observed that our accounts had been laid before Parliament In December 2020 and that in finalising them we had obtained assurance on governance within the IJBs. The IJB audit reports were presented to the Audit committee for noting.	
	The Committee: Noted the reports	
15.	AUDIT SCOTLAND REPORTS: Going Concern in the Public Sector	
	Mr Lindsay explained this was a guide to auditors and they would make reference to it as part of the annual audit plan. He said there was nothing in particular to highlight.	
	The Committee: Noted the Report	

16.	Best Value	
	<p>Ms Docherty introduced the paper explaining that Best Value was a wide concept, going far beyond notions of competitive procurement. It is about making the best decisions and use of all resources in the long term. It is about understanding the organisations purpose, the needs of it's stakeholders, having a clear vision and a well communicated plan about how to deliver that. It is about being transparent in decision making and measuring and reporting progress against that plan. It's about making best use of all resources – assets, staff, information, money, partnership networks and doing everything in a way that is fair and is sustainable.</p> <p>She explained that she had looked for evidence against the different elements of the revised best value guidance and recorded it in the attached assessment. She highlighted it was a review of the underlying strategies and policies , not a specific review of 2019/20 and that some underlying arrangements may have been paused or modified during the Covid-19 pandemic. She suggested that if any arrangements were to be materially changed the new arrangements should be tested against these best value principles.</p> <p>Mrs Knox commented that it was an extensive review and it was good to see the various themes pulled together and it would have relevance to a number of committees.</p> <p>Mr Lindsay informed the committee that NHS Lanarkshire, in undertaking this structured review was demonstrating good practice which they had commended to other NHS auditors.</p> <p>Mr Moore added that the assessment referenced multiple sources of evidence, not all of which he had seen before. It had sighted him on the procurement annual report which he would welcome coming in full to the Audit Committee in future.</p> <p>Mrs Macer observed that it was a useful piece of work and good to have fresh eyes looking at the Board's arrangements. She said she had been particularly interested in the sections that focussed on workforce issues and asked Ms Docherty if there had been anything that stood out to her when undertaking the review. Ms Docherty said she had been impressed overall with how accessible much of the evidence had been either through the intranet or the external website though there were occasional documents where putting them on the external website or signposting them better would have been better for the public.</p>	

	<p>It was agreed communication would be important moving forward and Mr Moore noted the shift to using social media effectively during the pandemic.</p> <p>Mr Moore flagged that the Board's action plan against the Blueprint for Governance could have featured in the assessment.</p> <p>Mr Moore said he would pick up a conversation with Mrs Mahal about how to share this review more widely with Board members.</p>	BM
	<p>The Committee: Noted that there was a need to update current Board paperwork to reflect the changes made to the Statutory Guidance in relation to the 7 themes of the review.</p> <p>Noted that during remobilisation the Board may choose to adopt new ways of working and agreed that, although the next formal review of Best Value will not be until 2024, any material changes should be assessed against Best Value principle.</p> <p>Agreed that a discussion should take place about sharing this more widely.</p>	PC
17.	AOCB	
	There were no further items for discussion.	
18.	DATE OF NEXT MEETING	
	Tuesday 2 March 2021 at 9am	