

Lanarkshire NHS Board  
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**Meeting of the Audit Committee, Tuesday 2 March 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

**IN**

**ATTENDANCE:** Mrs N Mahal, Chair (from item 5.iii)  
 Ms H Knox, Chief Executive (from item 6)  
 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 P Cannon, Board Secretary

**APOLOGIES:** None

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed the committee members and attendees and invited any declaration of interests. No interests were declared.	
2.	MATTERS ARISING	ACTION
	It was agreed there were no matters arising not picked up elsewhere on the agenda.	
3.	APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 19 JANUARY 2021	ACTION
	It was noted that although the committee had been quorate a technical issue had prevented Dr Osborne and Mr Campbell from participating. Dr Osborne informed the committee that subsequent to the meeting she had received the draft minutes	

	and papers and had used the opportunity to follow up on any items of interest.	
	<b>THE COMMITTEE:</b> Approved the minutes of the meeting held on 19 January 2021.	
<b>4.</b>	<b>ACTION LOG</b>	
	Mr Moore noted that many of the outstanding actions were now complete. Mrs McGhee gave a further clarification on the committee's previous enquiry into the use of codes 3 and 4 in the SAER process and the quality departments desire to continue using them in this way given the link with Duty of Candour.	
	<b>The Committee:</b> Noted progress with the Action log and endorsed the continuation on the current SAER coding protocol.	
<b>5.</b>	<b>INTERNAL AUDIT</b>	
	<b>i) Progress Report 2020/21</b>	
	<p>Mr Gaskin highlighted that the audit of medical devices did raise a number of recommendations all of which were accepted by management, noting that where action relied on the manufacturers' responses, the pace was slower and outwith our control. He confirmed that, although a fair degree of work was required to take forward the actions, the report still gave adequate assurance. Dr Osborne asked about the timescales for action and Mr Gaskin agreed to circulate. Mr Moore asked which Governance Committee would review this report and it was agreed it should be the Acute Governance Committee and this should be passed to the committee secretary.</p> <p>It was confirmed that the e health audit report ought to go to HQAIC for review.</p> <p>Mr Moore reported that, at a Non Executive Director event to review the operation of the Audit Committee, the question of whether full rather than summary reports should be received had been discussed. He confirmed to members that if at any time they wanted to see the full text of a particular report they would be provided with it.</p>	TG MH
	<b>THE COMMITTEE:</b>	
	Noted the progress report, asking that the two reports discussed were passed to the relevant governance committee.	MH

	<b>ii) Follow-up Report</b>	
	Mr Gaskin highlighted that, given the impact of the Covid response, it was reasonable that the timetable for implementing a number of follow up actions was extended. The report incorporated the agreed extensions.	
	<b>THE COMMITTEE:</b> Noted the follow up report.	
	<b>iii) Draft 21/22 Plan</b>	
	<p>Mr Gaskin apologised for the plan not being ready for the committee, explaining that changing the plan away from the previous five year cycle to one based on the new risk environment during and post pandemic, had proved a larger task, than he had first anticipated.</p> <p>He explained the process for developing the plan, and seeking comment from both the Audit committee and CMT as well as linking with External Audit.</p> <p>He commented positively on NHS Lanarkshire mainstreaming the Covid risks in the register during 2020/21.</p> <p>Mrs Macer referred to the Audit Scotland 19/20 NHS overview report recommendation that Boards monitor efforts to address staff wellbeing and patient access to treatment and suggested this might be an areas suitable for inclusion in the plan. The Committee agreed this was a helpful suggestion.</p> <p>It was agreed that Mr Gaskin would circulate the plan to committee members who would feed any comments through the committee Chair, who would then link with the Director of Finance and Chief Internal Auditor. It was also noted the draft plan would go to the Corporate Management Team.</p> <p>Mr Gaskin indicated there may be a small number of 21/22 audits needing to start before the June committee and suggested these would be signed off by the Chair of the Committee.</p>	<p>TG</p> <p>TG/BM</p>
	<p><b>THE COMMITTEE:</b> Agreed to receive the draft plan and submit comments through the Chair.</p> <p>Approved the Chair authorising any early 21/22 audits needing to commence prior to the June committee.</p>	TG/Committee members

<b>6.</b>	<b>EXTERNAL AUDIT</b>	
	Mrs Lawton informed the committee that interim audit work was underway.	
<b>7.</b>	<b>GOVERNANCE STATEMENT</b>	
	<b>i) Guidance</b>	
	<p>Mrs Ace talked to the paper explaining that the guidance contained in the recently released Annual accounts manual was unchanged from 2019/20 and that she had attached the covering letter that came with that release as further context. She explained that in arriving at a view on the adequacy and effectiveness of the control environment the audit committee would consider a suite of evidence, key items of which were listed in the paper. Mrs Mahal indicated she was part of a national corporate governance steering group which was considering issuing further guidance on reflecting the impact of Covid on governance arrangements. Mr Lindsay confirmed the Technical Accounting Group in February had also discussed the potential for further guidance. Mrs Ace explained she had assumed that, even without further guidance, this would need to feature in our 202/21 governance statement. She added that the area she would most welcome further guidance on was in reporting performance in the Annual Accounts Performance Overview given the impact Covid had on the traditional suite of Annual Operational Plan Indicators. Mrs Mahal asked Mrs Ace to provide some further information on this for the meeting of the national group e report.</p>	LA
	<b>ii) Key Lines of Enquiry for Risk Management</b>	
	<p>Mrs McGhee introduced the background to this paper with reference to Annexe F of the Audit and Assurance Committee Handbook (2018).</p> <p>She outlined the guiding principles for adopting the use of Annexe F as an assessment tool completed on an annual basis by CMT for consideration by the Audit Committee.</p> <p>In building on the current strengths of the risk management systems, Mrs McGhee informed the members that in response to being placed on emergency footing to manage the Covid-19 pandemic the assessment referred to changes and improvements that demonstrated a maturity in the Organisation risk response and the continuous risk-based decision making through Strategic Command, Corporate Management Team Operational Units and the Board of NHS Lanarkshire.</p>	

	<p>Additionally, she referred to the Governance Review undertaken by the Board and the maintenance of oversight of the corporate risk register as part of the revised arrangements.</p> <p>Mr Gaskin praised the structured approach to assessing and presenting evidence on the effectiveness of the risk management process. He highlighted that the risk appetite may need reviewed given the change in environment.</p> <p>Mrs Knox expanded on the risk appetite saying there would be a need to recalibrate as we moved out of the emergency response where at times, the need for rapid action and higher environmental uncertainty meant we would tolerate a higher level of risk than during business as usual. Mr Campbell added that our historic practices may need reviewed and changed as we looked at the post covid environment.</p>	
	<p><b>iii) Accountable Officer's Duties</b></p>	
	<p>Mrs Ace explained this was a standard checklist exploring whether the awareness and support mechanisms were in place for the Accountable Officer to discharge their duties. It was agreed this assessment demonstrated they were.</p>	
	<p><b>iv) Draft annual report for the Audit Committee 2020-21</b></p>	
	<p>Mrs Ace invited comments on the draft annual report which once finalised would be presented to the May 2021 Board. No comments were provided during the meeting and Mr Moore offered members the opportunity to submit any further thought electronically.</p> <p>Mrs Ace reminded the Committee that the Audit Committee had held all scheduled meetings and completed its workplan. Mr Cannon acknowledged that the Audit Committee workplan review each committee provided clear assurance and provided an update on the checklist he and Mrs McGhee had put in place for committees who may not have been able to cover their workplan due to the impact of the Covid pandemic. This would steer them to review the workplan and to note, for any essential assurance items, any mitigation or alternative consideration that had been put in place to ensure there were no gaps.</p>	<p>Committee members</p>
	<p><b>The Committee:</b> Noted the Governance Statement Guidance as it stood, noted the potential for further guidance and accepted the evidence submitted to date.</p>	

<b>8.</b>	<b>WORKPLAN</b>	
	<b>i) 2020/21</b>	
	<b>THE COMMITTEE:</b> Noted the workplan was on track for completion.	
	<b>ii) Draft 2021/22</b>  Mrs Ace invited any suggested revisions to the 21/22 workplan. Through the Chat function, Mr Gaskin asked for a review of the 21/22 Internal Audit plan to be added in December 2021 to make sure it remained responsive to any changed risk profile. No other changes were put forward at the committee though it was noted that the committee reviewed this at each meeting so could pick up any changed circumstances at a later date.	LA
	The Committee: Accepted the initial workplan.	
<b>9.</b>	<b>FRAUD UPDATE</b>	
	<b>i) Fraud report</b>	
	<p>Mrs Holmes introduced the paper noting that during the pandemic there had been a greater incidence of misappropriated NHS goods appearing for sale on platforms such as eBay. She updated the committee on the recent annual review with Counter Fraud Services and the proactive work that was being taken forwards jointly.</p> <p>Mr Moore noted the various briefings provided by Counter Fraud Services demonstrating the extent and increasing sophistication of fraud opportunity and threats/He welcomed the awareness raising and proactive work but noted the overall drop in referrals to CFS.</p> <p>Dr Osborne observed that the number of referrals raised by NSH Lanarkshire was lower than its population share would suggest and asked if this was a matter of concern. Mrs Ace assured the committee that that this was a question asked of CFS at each annual review and CFS had expressed no concerns about NHS Lanarkshire's level of engagement. CFS had confirmed that Mrs Holmes would often contact them at an early stage on particular cases or issues which could lead to these being resolved at an earlier stage without needing a formal referral and this was likely to be part of the explanation. It was noted that the Head of Counter Fraud Services had been invited to attend the September meeting which would allow committee members to explore this further.</p>	

	<b>THE COMMITTEE:</b> Noted the report.	
<b>10.</b>	<b>ARRANGEMENTS TO SECURE EFFICIENCY</b>	
	<p>Mrs Ace explained the 2020/21 position was being reported each month to the Board and there had been little change since the update given to the Audit Committee in January 2021.</p> <p>She informed the committee that a first draft of the financial plan for 2021/22 had been submitted on the Scottish Government templates on Friday. With the financial sustainability programme suspended in March 2020 to allow staff to focus on the Covid response, there was not the usual list of efficiency schemes. Some had been identified, mostly round cost effective prescribing and one larger scheme on energy efficiency. She noted there was a significant gap in the financial plan.</p> <p>Mrs Macer observed that after dealing with the increased demand from Covid staff would need time to recover.</p> <p>Mr Gaskin questioned the extent to which traditional savings schemes will plug gap and whether it would be looking at a more strategic plan linked to refresh of Achieving Excellence which might rely on prioritisation to ensure financial sustainability.</p> <p>Mr Moore referred to board briefing in February where the financial challenges had been laid out in preparation for the financial plan being presented to the Board in March 2021.</p>	
	<b>THE COMMITTEE:</b> Noted the verbal update.	
<b>11.</b>	<b>PROCUREMENT</b>	
	<p>Mrs Ace reported that the waivers issued in the quarter had been standard but drew the committees attention to the eventual signing of the extension to the Laboratory Managed Services Contract. She reminded the committee that the Board in May 2020 had approved an extension in May 2020 after considering the difficulties presented by aiming for the original deadline of February 2021 during a pandemic. Even the relatively simple extension had taken some time to enact, and given it would expire in March 2022 the Board would have to adequately resource a project structure to ensure this timeline could be met. She added that there had been an initial discussion at CMT and project arrangements were being agreed.</p>	

	<p>The Committee noted the likely need for additional resource to complete this work and asked to be updated at its next meeting.</p> <p>Cllr McGuigan picked up on the waiver for independent forensic advice on the cause of fire at Hairmyres and asked why independent advice was required. Mrs Ace agree to provide this outside the meeting.</p>	<p>LA</p> <p>LA</p>
	<p><b>THE COMMITTEE:</b> noted the report and sked to receive an update on progress with the Laboratory Managed Service Contract.</p>	
<b>12.</b>	<b>RISK MANAGEMENT</b>	
	<p><b>i) 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 reflecting the higher risk environment that Boards are now working within and included the Covid-19 risk profile.</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 and the NHSL Fraud risk register, members considered the mitigating controls and were assured they were operating as intended.</p>	
	<p><b>The Committee:</b> Noted the report and the areas highlighted.</p>	
	<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>Mr Moore enquired about the performance for KPI No 2 regarding risks being within review date at the January 2021 reporting period, with a noteworthy fall below the 95% tolerance. Mrs McGhee informed the group of the significant whole system pressure NHSL was experiencing in responding to a third wave of Covid-19 exacerbated by an acute annual leave period, and the subsequent impact on the review of the risk</p>	



	registers at operational level. Members noted and were content with the response.	
	<b>The Committee:</b> Noted the report.	
	<b>(iii) Covid 19: Guide for Audit &amp; Risk Committees, Audit Scotland, August 2020</b>	
	<p>Mrs McGhee set out the background to the follow-up of this assessment undertaken against the criteria set out in the Audit Scotland Guide.</p> <p>She highlighted the changes to the continuous updating of the assessment, the review and approval by CMT and the change in the RAG ratings over the assessment periods. It was noted that this was a point in time assessment and that the outcome provided a level of assurance for Audit Committee members.</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>	
	<b>The Committee:</b> Noted and considered the outcomes from the final assessment, in particular the one (1) RED rating for the sustainability plan 2020/21 and the impact going forward into 2021/22.	
<b>13.</b>	<b>REVIEW OF SFIs &amp; SoD</b>	
	Mrs Ace explained these key documents were reviewed annually. The review this year had been light touch, proportionate to the observed adequacy of the existing documents. She reported the main changes as being in terminology in the procurement sections now that the UK had left the EU. She explained comments had been sought from a small group of Stakeholders who use the documents more frequently. A comment had been received from Mr Gaskin about any change of duties with respect to Care homes but it had been agreed these fell under the emergency powers and would feature in the Scheme of Delegation only if they became a permanent transfer.	
	<b>The Committee:</b> Endorsed the documents for presentation to the NHS Board.	PC/LA

<b>14.</b>	<b>AUDIT SCOTLAND REPORT</b>	
	<b>(i) NHS in Scotland 2020</b>	
	<p>Mr Lindsay explained this report was prepared by a central team although the local audit team worked with the Board to collect a minimum data set which was provided to the central team.</p> <p>Mr Moore noted the value of the report in setting out the scale of the covid response and giving a full overview of the impact on finances, workforce and performance. He noted the high turnover it reported in senior management positions and picked up on the references, highlighted earlier in the agenda to staff wellbeing and patient access.</p> <p>Mrs Macer drew the committee's attention to the far greater impact Covid had had on deprived areas and the long lasting Health inequalities issues which the Board and IJBs would need to address. Mrs Mahal accepted these were all valid points and that discussions were taking place in multiple fora such as the Community Planning Partnership. She noted the recent non executive recruitment exercise was seeking someone with lived experience of inequalities in order to broaden Board thinking. Mrs Knox added that an event planned for earlier in the year was to be rescheduled, possibly for April, for the Board to look at how to engage with.</p>	
	<b>THE COMMITTEE:</b> Noted the report	
<b>15.</b>	<b>AUDIT COMMITTEE SELF ASSESSMENT EXERCISE</b>	
	<p>Mr Moore sought any comments on the content of the self assessment exercise. The Committee accepted it as a fair reflection.</p> <p>Mrs Ace added that this year the Committee had the additional benefit of external training followed by a Non Executive session to reflect on the audit committee effectiveness and any potential improvements.</p>	
	<b>THE COMMITTEE:</b> Accepted the Self assessment as accurate.	
<b>16.</b>	<b>Update of Audit Committee Training Needs</b>	
	<p>Mr Moore referenced the training event in October saying it had reinforced his awareness of his responsibilities and the openness to continually look for ways to enhance effectiveness. Mrs Macer confirmed she too had found it valuable though in</p>	

	<p>future would like a reflective session closer to the event. Mrs Mahal indicated this training could be run periodically, particularly where there was a change in membership. Given the non executive changes likely in 2021/22 this should be.</p> <p>Mr Moore indicated that even without a training event making time each year for a reflective review was worthwhile. Mrs Ace suggested this should be synchronised with the committee self assessment.</p>	
	<b>THE COMMITTEE:</b> Agreed to revisit this in 2021/22.	
<b>17.</b>	<b>AOCB</b>	
	There were no items.	
<b>18.</b>	<b>DATE OF NEXT MEETING</b>	
	Tuesday 1 June 2021 at 9am	
<b>19.</b>	<b>PRIVATE MEETING WITH INTERNAL AUDIT</b>	
	The attendees left the meeting and the members reconvened for the private meeting with Audit.	