

Lanarkshire NHS Board
 Kirklands
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**Meeting of the Audit Committee, Wednesday 29 June 2022
 at 8.30am with MS Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT:
 Mrs L Macer, Non-Executive Director
 Mrs S White, Non-Executive Director

IN

ATTENDANCE: Mrs H Knox, Chief Executive
 Mr M Hill, Chairman
 Mrs L Ace, Director of Finance
 Mr E Docherty, Executive Nurse Director
 Mr T Gaskin, Internal Audit
 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, Deputy Director of Finance (Corporate)
 Mr P Cannon, Board Secretary
 Mr Colin Lee, Non-Executive Director
 Mr A Boyle, Non-Executive Director
 Mr P Couser, Non-Executive Director
 Mr D Reid, Non-Executive Director
 Ms L McDonald, Non-Executive Director
 Mrs M Lees, Non-Executive Director
 Cllr E Logan, Non-Executive Director

1.	WELCOME	ACTION
	Mr Moore welcomed those present including the additional non executives who were in attendance for the special meeting to approve the accounts.	
2.	MATTERS ARISING	
	Mrs Ace explained for the benefit of the Board members attending the committee that previous meetings of the Audit Committee had considered a suite of evidence on the strength of the internal	

	controls and from that had agreed the wording of the Governance Statement was appropriate. The items presented today were not available at the time of that consideration and were brought to conclude the process.	
	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 and that the fund's accounts had received a clean audit report.	
	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 Officers of each IJB who were currently also acting as the Chief Finance. It was noted that as the IJB accounts deadline was September these assurances were in advance on the conclusion of the audit process. Mrs Ace provided additional information on the various accounting entries with the SG allocation initially received as income in the Board's accounts, the delegation of the budget reflected as expenditure, the return of budget to support the IJB's service direction reflected as income again and the final expenditure on services reflected as expenditure. Finally, half of any surplus or deficit in the IJB accounts were included in the Board accounts as in accounting terms it was seen as a joint venture with 50% ownership each between the Board and the local authority.	
	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) Internal Audit Annual Report - final	
	Mr Gaskin noted that there had been an in depth consideration at the Audit committee of the 7 th June 2022. Since then the management responses to the recommendation had been received and incorporated in the attached final report. Mr Moore	

	highlighted the recommendations. One was around the need to move rapidly to replace the retiring Risk Manager and the other was the need to return to the previous culture of ensuring value for money and affordability now that the Board was no longer operating under emergency measures.	
	THE COMMITTEE: Accepted the further evidence supporting the conclusion in the Governance statement	
3.	EXTERNAL AUDIT	
	i) ISA 260 Report	
	Ms Mitchell-Knight explained that this represented the formal audit opinion on the accounts and it gave an unmodified, or in lay terms, clean audit opinion. The accounts were judged as giving a true and fair view of the organisation’s finances and performance, and the working papers had been of good quality. There were no unadjusted audit differences although the accounts did have to be adjusted at a late stage to avoid misstatement due to late national information for example on the free provision of Lateral Flow devices from the UK Government. She informed members that there had been some assets disposed of in the previous year but not removed from the register till the current year. As the items were fully written down they had no impact on the figures but management had agreed to the recommendation of tightening procedures to keep track of these. Ms Mitchell-Knight added that further testing had not found any unrecorded disposals with residual value. The final significant finding related to an adjustment that had been required to reflect arrears of pay to the previous Chair. Ms Mitchell-Knight outlined that an increase in remuneration had been agreed between SG and the previous Chair without any involvement of the organisation and, in accordance with SG procedure, the letter advising this had been sent only to the Chair and not to the accountable officer. This had resulted in a time lag in processing the full revised pay and the first draft of the annual accounts had to be revised to reflect the arrears. She added that the Director of Finance had contacted SG advising them of the audit concerns over this process and they had agreed in any future instance to inform the accountable officer.	
	THE COMMITTEE: welcomed the unmodified ISA 260 report	
	ii) 2021/22 Annual Audit Report	
	Ms Mitchell-Knight talked the committee through the highlights of the broader report audit. All three financial targets had been met, which given the volatility and uncertainty during the pandemic had required very active financial management and represented a	

	significant achievement by the Finance staff and wider management team. The Board generally had strong governance in place and had been proactive in recruiting new members with the skills and experience needed. The progress with the Monklands replacement programme was noted. The Audit report set out the impact on performance and waiting lists of the prolonged period of operating in emergency response mode and highlighted both the scale of the recovery and financial sustainability challenge and the need to maintain previous improvements on delayed discharges.	
	THE COMMITTEE: Noted the report	
	iii) Letter of Representation	
	Ms Mitchell-Knight explained the purpose of the letter in providing a further layer of assurance on aspects of the accounts. Mrs Ace confirmed there was nothing she was aware of that would prevent the Accountable Office from giving the specific assurances sought.	
	THE COMMITTEE: Approved the letter for signing by the Chief Executive on behalf of the Board	
	iv) Patients Private Funds Statement	
	Mr Smith talked the committee through the figures on the statement.	
	THE COMMITTEE: Noted the Income and Expenditure in year and the year end balances	
	v) Patients Funds Management Letter	
	Mr Smith highlighted that the Funds auditors, Azets had concluded that the abstract of receipts and payments fairly represented the funds receipts and payments for the year. Their management letter contained one finding from their audit where a property register in one of the units visited had not been updated since 2019 and Mr Smith confirmed that the staff in the unit had now taken action to remedy this. He added that in previous years there had been a higher number of findings.	
	THE COMMITTEE: Noted the Patients Fund Management Letter and endorsed the statement in 3 (1v) for signing	
4.	(i) ANNUAL ACCOUNTS: YEAR ENDED 31 MARCH 2022	
	Mr Smith steered the committee through the key information in the covering paper. He flagged the Performance report as a comprehensive narrative that combined the full year's financial, activity, workforce, asset, risk and performance measures in one	

	<p>overview. Mr Moore commended it as a useful document to give that integrated perspective. Mr Smith reiterated that the Board had met its financial targets and pointed the committee to the way the IJB figures were incorporated in the accounts. He noted that core income had increased by some £74m to £1.76bn which was a combination of the 1.5% allocation uplift, funding for the one year pay deal, covid funding and other ringfenced allocations. He flagged the rise in the expenditure on hospital drugs and the 4.5% increase in the pay bill to £705.4m with a 320 increase in whole time equivalent staffing. He noted that this continued a trend of increasing staff numbers from earlier years. He confirmed that the asset value of £572.3m included the purchase of land at Wester Moffat for the new Monklands hospital.</p> <p>Ms White asked if the SOCNE could be amended in future years to include a narrative as to the nature of the IJB surplus entry. Mrs Ace reflected that the excel template for the annual accounts was tightly regulated nationally with cells write protected but that Mr Smith sat on the national Technical Accounting Group and could feed this in as well as exploring any additional latitude when converting the accounts to word format. Mr Smith agreed the accounting entries were hard for the lay person to follow and pointed the committee to the cover paper for the further explanation. Mrs White asked if there were any impending changes to accounting or financial reporting standards that the Board needed to prepare for. Ms Mitchell-Knight replied the most significant change was IFRS 16 which the Board had incorporated and was generally well sighted on future changes. Mrs Ace drew the committee's attention to the graph section in the performance report on delayed discharges and that a deeper analysis showed that the drop in numbers in April 2020 was proportionate to the drop in overall discharges at that time, with the percentage of discharges delayed over that period still at 8%. She noted that as the total numbers in hospital rose following the April 2020 the delayed discharge numbers also rose but that performance from January 2021 showed a reduction to 4 % of total discharges being subject to a delay. It was that period up to December 2021 which should be studied to see what was successful. From January 2022, the advent of the omicron variant had caused the performance to drop.</p>	
	<p>THE COMMITTEE: Noted the report and endorsed the Annual Accounts for presentation to the Board for signing.</p>	

	(ii) SFR 18 losses	
	Mrs Ace explained that as well as the audited accounts the Board submitted a set of Scottish Financial returns to SG one of which related to losses and special payments. The Boards delegated levels for approving these was set low reflecting the seriousness of ensuring public money was spent appropriately. SG authority was commonly needed for any larger negligence payments but at times smaller losses had to be referred. Once such loss had been the contents of a pharmacy fridge at Wishaw where the fridge had failed and the alarm message had gone to an email account which had not been transferred across on the office 365 migration. The audit committee had covered this in depth at a previous meeting and had asked for a report after 6 months to ensure agreed controls were operating. The report alongside the SG letter of delegation to write off the loss were attached.	
	THE COMMITTEE: Noted the SFR 18	
5.	NOTIFICATION LETTER - final	
	Mrs Ace explained this was a letter to be sent each year and that we normally included a copy of the governance statement and the audit committee annual report.	
	THE COMMITTEE: Approved the letter for submission following the Board signing the Accounts.	
6.	ANY OTHER COMPETENT BUSINESS	
	Mr Moore noted that this was Audit Scotland's final committee and thanked the team for their valuable work and the useful contribution they had made to the audit committee over their extended tenure. Ms Mitchell-Knight told the committee the new appointees would be another Audit Scotland team and they would work closely with them to ensure a smooth transition.	
7.	DATE OF NEXT MEETING	
	Tuesday 6 th September 2021 at 9am	
8.	FUTURE MEETING IN 2021	
	Tuesday 6 th December 2021 at 9am	