

Lanarkshire NHS Board
 Kirklands
 Fallside Road
 Bothwell
 Telephone: 01698 855500
www.nhslanarkshire.org.uk



Item 10a

**Meeting of the Audit Committee, Tuesday 7 June 2022
 at 9am via Teams**

CHAIR: Mr B Moore, Non-Executive Director

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

IN

ATTENDANCE:
 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

APOLOGIES: None

| 1. | WELCOME AND DECLARATION OF INTERESTS | ACTION |
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| | <p>Mr Moore explained that the remaining two members of the audit committee would be the council representatives who had not yet been confirmed following the local elections. He acknowledged the strong contribution made by Councillor McGuigan over his tenure and welcomed Mrs White as a new member.</p> <p>No conflicts of interest were advised.</p> | |
| 2. | MATTERS ARISING | |
| | There were no matters arising not covered by the agenda. | |
| 3. | APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 1 MARCH 2022 | |
| | THE COMMITTEE: Approved the minutes of the meeting held on 1 March 2022. | |
| | Policy on Policies | |

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| | <p>Ms Minns explained the document set out the standards and governance over policies developed within NHS Lanarkshire and that it itself had been through the expected assurance process and Equalities impact assessment. She noted that where HR or other policies were prepared on a Once for Scotland basis, the process would be different.</p> <p>Mrs White asked how the distinction between policy and guidance was made and the differences in approach between the two. Ms Minns confirmed policies were mandatory for anyone engaging in the activity they covered whereas guidance gave more scope for judgement in its application. She confirmed there were definitions set out to decide what category the document should fall in to and that she and her team spent some time talking with relevant parties to determine the most appropriate classification, especially since the requirements round policy development were more onerous. Ms Macer asked if there was scope for the Once for Scotland document to be adapted to fit our own format. Ms Minns replied she had asked but was told they were controlled documents. She had said they were applying aspects of our own governance rules to them. For example if they had not been reviewed during a three year timeframe she would contact SG to find out when an update was planned. She noted there had been a pause on Once for Scotland policy review during Covid. Mrs Macer asked if policies were subject to a Fairer Scotland duty assessment. Ms Minns said that was not a current requirement but she would follow up further with our equalities advisor. Mr Gaskin commented that for the next review of the policy a useful development might be to consider how each policy contributed to managing the corporate risks facing the organisation. Ms Minns agreed to initiate further discussion on how that might be built in. Mr Moore asked what happened where joint working was taking place. Ms Minns said the standards only applied to NHS Lanarkshire employees. Mr Gaskin highlighted the complexities of joint working and that there would be benefits in consulting joint managers when policies were being developed so they could input relevant information about practical operation. Mrs Ace confirmed if the policy applied to NHS employees, their production would be governed by this policy. She highlighted the SFIS where it was permitted to delegate authority to commit expenditure to a council employee but when that happened the line manager had to confirm the employee would adhere to the relevant NHS policies and failure to do so would be picked up by them.</p> | |
| | <p>The Committee: endorsed the policy</p> | |

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| 4. | ACTION LOG | |
| | Mr Moore noted the previously agreed actions were on track. Mrs Ace added that the fridge failure follow up report would be presented at the end of June along with the Losses summary. Mrs McGhee added that the Board assurance session now looked as if it would be by July rather than June. | |
| | The Committee: Accepted the action log update | |
| 5. | INTERNAL AUDIT | |
| | i) Progress Report 2022/23 | |
| | <p>Mr Gaskin reported there had been good progress with plan and its original ambitions would be substantially achieved. He noted that although the planned work on the development of NHS Lanarkshire’s strategic plan “Our Health Together” had been deferred until 2022/23 when it would be more advanced, internal audit had still contributed to the process by providing examples of good practice from elsewhere.</p> <p>He ran through the key findings of each of the audits completed in the quarter as follows.</p> <p>The Risk Management Strategy, Standards and Operations arrangements were strong. The audit had followed these through in to their application in an operational department, PSSD in this case, and found areas for improvement at that level. Overall though the audit provided substantial assurance.</p> <p>The report on the resilience audit highlighted that the improvement plan, which had been in draft pre-pandemic had not been refreshed as intended due to intervening events and needed tidied up and monitored to make sure it was still on track. It was also noted that some of the risk assessments tended towards caution and should be reviewed.</p> <p>Given the many potential risks relating to IT and the essential contribution E Health would make to the transformation agenda and delivering “Our Health Together, “Mr Gaskin observed that the e health strategy would not stand till its formal review date in 2025. A more operational recommendation related to potential improvements in e health project updates to make them clearer and more comprehensive including tracking project costs against budget.</p> <p>Ms White asked how each report was flagged to the relevant committee and who was responsible for ensuring it was</p> | |

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| | <p>considered. Ms Holmes explained that she sends a copy of the full report to the relevant committee chair and secretary of the committee after each audit committee. The responsibility to ensure it is considered is with the lead director but actions are followed up by internal audit.</p> <p>Ms Homes added that the e health director had requested internal audit input next year to assess our arrangements prior to the external audit scheduled on NIS.</p> <p>Mr Gaskin expanded that the assurance mapping processes was being rolled out through committees to make sure they had a structured focus on their risks and sources of assurance.</p> <p>Mr Moore noted that the Audit Committee was the designated committee for receiving assurance on the risk management process.</p> | |
| | <p>THE COMMITTEE: Noted the report</p> | |
| | <p>ii) Follow-up Report</p> | |
| | <p>Mr Gaskin described the 100% achievement of follow up recommendations as remarkable and reflective of the commitment of Board officers and diligence of Mrs Holmes in following up outstanding actions</p> | |
| | <p>THE COMMITTEE: Noted the report</p> | |
| | <p>iii) Annual Report</p> | |
| | <p>Mr Moore noted the committee had previously received and reviewed the Internal Controls Evaluation (ICE) report and invited Mr Gaskin to summarise the key issues in the Annual report.</p> <p>Mr Gaskin explained ICE was a comprehensive assessment of internal controls giving early warning if anything was not as it should be. The annual report aimed to give a holistic overview of the control environment bringing in longer term consideration. He confirmed his conclusion was that the Board had adequate and effective controls in place, had delivered the audit plan in line with public sector audit standards that they had no issues of concern on the draft governance statement in terms of content, format or disclosures. He was comforted by the fact the Board was refreshing its strategic plan but highlighting the scale of the challenge ahead; demand has increased, capacity decreased, workforce availability decreased and there was a growing recognition of the impact of health inequalities.</p> | |

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| | <p>He emphasised the strong contribution to the effective risk management arrangements in place made by the risk manager and the importance of succession planning for that post.</p> <p>He commented that NHS Lanarkshire had previously had a strong financial culture of financial control which had enabled it to live within its resources for longer than other Boards. However 2 years of extreme operational pressure where the priority had been the immediate actions needed to respond and central funding readily available had changed the focus. The Board now needed to make a shift back towards the previous culture, with affordability and the opportunity costs of any plans considered at every layer.</p> <p>Mr Moore acknowledged the importance of that point on culture of financial management.</p> <p>Mrs White commented the report gave an overview on the scale of that the Board was facing, presenting the bug issues which complemented the follow up and progress reports which gave assurance on day to day controls.</p> <p>Mrs White asked about the impact of remote auditing and whether it picked up on the nuances of culture and what was happening on the ground. Mr Gaskin said that where relationships had been built up over time it, the dialogue could continue but was more difficult with new contacts. Mrs Lawton confirmed stating that, saying years 5 and 6 of this audit cycle had been remote but without the understanding and relationships built up in the previous 4 years it would have been more challenging. Moving in to the new audit cycle the teams would want to be on site more. Mr Lindsay added the daily dialogue with the finance team previously had added a richness to understanding. Mrs Holmes observed she had found electronic follow up was less effective than speaking directly and generally replies might take longer.</p> | |
| | <p>v) Annual plan</p> | |
| | <p>Mr Gaskin presented the plan saying this year there was a greater reliance on professional judgement than arithmetical risk scoring in selecting areas for inclusion due to the greater uncertainty and more dynamic nature of the environment. He commended the plan to the committee saying he felt it presented good coverage of the risks facing the organisation at present and an appropriate mixture of strategic and operational issues.</p> | |

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| | <p>Mrs White said she could see the thread running from issues seen as high priority at Board level to the coverage in the plan and she was happy with the content.</p> <p>Ms Macer commented she felt a far wider review of workforce planning, linked to the educational establishments was needed at a pan Scotland level and asked Mr Gaskin if he was aware of anything external happening.</p> | |
| | The Committee: Approved the Audit plan for 2022/21 | |
| 6. | EXTERNAL AUDIT | |
| | <p>2021/22 Management Report</p> <p>Mrs Lawton commented that the report contained the summary of findings from the interim stage of the audit and that it was a positive report reflecting the Board's responsiveness to audit findings generally and the drive for continuous improvement. There were no issues arising from this that would impact on the annual accounts.</p> <p>Mr Lindsay asked when the outstanding summary results from the IJB accounts might be available to incorporate in the Board's accounts and Mrs Ace agreed to follow this up.</p> | LA |
| | The Committee: Noted the report. | |
| 7. | PRIMARY CARE GOVERNANCE | |
| | i) Payment Verification Update 2021/22 and Patient Exemption Checking Annual Overview | |
| | Mrs Ace explained that the usual checking regimes had been suspended by Practitioner Services division during the pandemic so there was nothing to report under this item. | |
| 8. | Governance Statement | |
| | i) Draft Statement and cover paper | |
| | Mrs White commented the report was very long and suggested breaking into sections might improve readability. Mr Gaskin explained the national guidance drives the format and the scale and complexity of the NHS made for a lengthy document. He confirmed the information in it was all useful and accurate. Mrs Lawton confirmed the report mirrored the guidance. Mrs Ace agreed to review to see if sub headings would make it easier to identify specific sections. | LA |
| | ii) Service Auditors Report | |

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| | <p>Mrs Ace provided the context that these covered 3 functions, Practitioner Service payments, National IT systems and the Financial Ledger provided by another NHS Body to the Board and their importance was such that a significant weakness on the controls surrounding them could have a downstream influence on the Board's ability to deliver its objectives. She reminded the committee that there had been qualifications in the two NSS reports in the past two years but this year all three reports had an unqualified audit opinion and contained no issues that merited disclosure as a concern in the governance statement.</p> | |
| | <p>The Committee: Noted the unqualified opinions in the report</p> | |
| | <p>iii) Annual Reports</p> | |
| | <p>Mrs Ace noted these had been considered by the Board in May 2022 and did not introduce any specific issues that would require additional disclosure in the draft governance statement.</p> | |
| | <p>The Committee: Noted the Annual reports</p> | |
| | <p>iv) Summary of External Inspections during the year</p> | |
| | <p>Mrs Ace explained that in previous years she had presented the committee with a summary of any external inspection reports as a reminder so the committee could take a view on whether anything in them represented a significant weakness that needed to be disclosed. This year she had presented a compilation of intelligence on NHS Lanarkshire's control environment and quality of care held by 7 external agencies, consolidated by HIS. She noted Mr Moore's observation that the report and its evidence was at a time lag and circumstances may have changed. She listed the HIS inspection at Monklands, more recent feedback on Junior doctors training experience and an interaction with the Health and Safety executive on ligature risks as three more recent external engagements. For next year it was agreed a blended approach might offer the best balance of independence and currency.</p> | |
| | <p>The Committee: Accepted the conclusion of the paper that the reports did not highlight any additional items for disclosure.</p> | |
| | <p>v) Directors Assurance Letters</p> | |
| | <p>Mrs Ace explained that these supplemented other sources of evidence on the control environment. She highlighted the individual Director comments and presented the conclusion that</p> | |

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| | they suggested a general disclosure on the scale of the recovery task was warranted. | |
| | The Committee: Accepted the conclusion of the paper | |
| | vi) Related Party Assurances: Endowment Fund | |
| | Mrs Ace noted that both this and the cross party assurances from the IJBS were outstanding but would be sourced in time for the sign off of the accounts at the end of June. | |
| | The Committee: Noted that the related party assurances would be obtained. | |
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| 9. | WORKPLAN | |
| | (i) 2022/23 | |
| | Mrs Ace explained the approach to monitoring whether the committee was on track to deliver its workplan and that there were no exceptions to be noted. | |
| | The Committee: Noted progress with the 2022/23 workplan | |
| 10. | FRAUD UPDATE | |
| | (i) Fraud Report (including progress report on NFI) | |
| | <p>Mrs Holmes highlighted a number of key points to the committee. Se updated on case 2 where a warrant had been issued the previous week and based on the evidence obtained the case will be taken forward by counter fraud services (CFS) She noted a number of other cases reviewed by CFS had been handed back o be taken forwards as internal investigations.</p> <p>She reported that the National Fraud Initiative work had been concluded and was being reviewed by Audit Scotland with the expectation it would be published in August</p> <p>She informed the committee that the annual review with the head of counter fraud services had taken place in May and had not raised any issues. An invitation had been given to CFS to present to the September or December Audit Committee on progress with the National Fraud Standards.</p> <p>She noted the rolling action log of Covid alerts had ceased from 1 April 2022 and has reverted to individual reports being issued to the organisations to whom they apply.</p> | |

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| | <p>She reported progress with the action plan resulting from the review of controls over laptop distribution was slower due to delays in the regional process of commissioning a new system.</p> <p>Mrs White inquired how the organisation picked upon any weaknesses in controls revealed by any of these cases. Mrs Homes say she would make sure they were fed in to the relevant section and depending on their seriousness may warrant either further advice from Internal audit or building it in to the forward workplan.</p> <p>Mrs Ace gave a specific example of where comprehensive learning had been taken from the weakness revealed by a larger fraud, and that the procurement update presented to the committee was part of that previous action plan. Mrs Ace asked if there had been further progress with that case and Mrs Holmes said a court date was expected before November.</p> | |
| | The Committee: Noted the report | |
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| 11. | PROCUREMENT | |
| | (i) Update | |
| | <p>Mrs Ace reported that there had been 26 instances during the quarter, higher than average. There were a cluster of approvals to award bespoke health initiatives to local voluntary bodies because of their unique placement in the communities. These were seen as appropriate and in keeping with the lighter touch required under the legislation for such services but and Mrs Ace flagged future work might be useful for when we did relax competitive procurement to ensure we were still clearly specifying what outcomes sought and getting value for money. Another cluster was for services which longer term planned to develop a framework but work had been delayed during the pandemic. She updated the committee that the issue of the detailed specifications for the elements of the Laboratories Managed Service Contract, previously planned for March 2022, had slipped and were being worked on for a late June issue.</p> | |
| | The Committee: Noted the report | |
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| | (ii) Procurement Strategy | |
| | <p>Mr Erskine summarised the 4 key priorities in this procurement strategy which had been designed to comply with the requirements of the Procurement Reform Act and support the</p> | |

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| | <p>Boards strategic direction. Mrs Macer said it was an excellent piece of work and the engagement with others, including herself, in producing it was to be commended. She added she was pleased to see the reference to Fair Work and the living wage strategy and noted the work procurement had previously done with the supply change to assist NHS Lanarkshire in achieving Living wage accreditation. She asked what weighting would be given to Fair work. Mr Erskine it would be dependent on the type of service and would be decided on a case by case basis. She asked whether the intention to aim for 50% of bidders being local suppliers was sufficiently ambitious. Mr Erskine explained that above £50,000 the procurement was regulated and had to be open to all suppliers. Latitude existed for the under £50,000 tenders where the Board could seek to invite local suppliers if there were businesses locally that were in a position to deliver the service the Board required. Mr Moore asked if there was a standard expectation that the suppliers we work with have whistleblowing policies in place. Mr Erskine confirmed that where services are delivered on NHS premises our standard terms and conditions required them to have a policy and report annually. He agreed to include a reference to this in the strategy itself. Mr Moore asked if the policy should go to PPRC and Mrs Ace agreed to follow this up.</p> | <p>EE LA</p> |
| | <p>The Committee: Endorsed the strategy with the agreed amendment</p> | |
| <p>12.</p> | <p>ARRANGEMENT TO SECURE EFFICIENCY</p> | |
| | <p>Mrs Ace talked through the paper highlighting that breakeven in 2021/22 was achieved with £9m of Sg support for undelivered savings and a range of underspends and slower growth in external services that could not be relied on for 22/23. She continued that with a gap of over £38m forecast for 2022/23 and few saving schemes identified by June 2022 the risk of not achieving financial breakeven was very high.</p> <p>She summarised the Board’s consideration of the position so far and informed the committee that a Financial Recovery Group had been set up by CMT which would meet fortnightly and of the national workstreams underway. A focussed scale back on additional expenditure originating from covid support measures was required. Lillian Macer noted the local authority would also be faced with a significant challenge and whether the impact on NHS services of any savings they might make had been assessed. Mrs Ace said traditionally the Chief officers of the IJBs kept the Board informed of the local authority saving schemes allowing that on NHS services had been assessed assessment to be made.</p> | |

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| | The Committee: Noted the report | |
| 13. | RISK MANAGEMENT | |
| | i) Annual Report | |
| | <p>Mrs McGhee outlined the purpose of the report with reference to the work overseen by CMT for the year 2021/2022. CMT endorsed the assurance statement: ‘from the work undertaken during the year, the agreed evaluation through the Key Lines of Enquiry and the Internal Control Evaluation 2021/2022 report, the CMT can confirm that there were adequate and effective risk management arrangements in place throughout 2021/2022’.</p> <p>The body of the report set out the detail of the risk management work overseen in a year of emergency footing (including what areas of work were paused and when re-enacted), noting the nature of the risks faced by NHS Lanarkshire in another 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 commensurate with the revised strategic planning and workforce planning.</p> <p>The areas for improvement, in particular, the risk assurance reporting was considered, noting a forthcoming board briefing session had been arranged for June 2022.</p> <p>Mrs McGhee informed the Committee that she will be retiring at the end of September 2022 and that the corporate risk management function was resourced for a 1 wte post only. She stressed the importance of an early appointment of a replacement to maintain the current systems of control / reporting and to continue to develop, implement and evaluate the assurance reporting.</p> <p>Mrs White queried the adequacy of this level of resource to which Mrs Ace responded by outlining the risk management facilitator support posts across the organisation and the difficult financial position going forward into 2022/23 significantly constraining investment.</p> | |
| | The Committee: <ul style="list-style-type: none"> • Considered and approved the annual report • Requested to receive an update on the appointment to the post of corporate risk manager at the next meeting | |

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| | ii) Quarterly Risk Management Process Compliance Report | |
| | <p>Mrs McGhee set out in context the number and grading of risks across NHS Lanarkshire and the risk profile. She further 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 considered the compliance for each performance indicator and in particular, the fluctuation in performance for the risk register KPI number 2 for the month of April and the probable cause. The improvement in May was noted.</p> <p>Members considered the improvement in the management of significant adverse event reviews and noted that all corporate policy extensions had now resumed to normal as indicated in the run chart.</p> | |
| | <p>The Committee noted:</p> <ul style="list-style-type: none"> • The number and grading of risks across NHSL by responsible area/division/service, number and grades • The risk profile across NHSL by number and grade per quarter over time • The risk register key performance indicator compliance • The adverse event SAER quality performance indicators • The corporate policies key performance indicator compliance | |
| | <p>iii) Quarterly Risk Management Report</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 with a slight downward change in the current number and noted that the position around emergency footing had been rescinded since April 2022.</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 has been reduced from High to Medium consistent with the known level of low impact cases. 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> | |
| | The Committee: | |

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| | <ul style="list-style-type: none"> • Noted the summary of risk business conducted and discussed through CMT since the March 2022 report, including closed, de-escalated, new risks; material changes to existing risks and the improvement work; • Noted reporting of the Covid-19 Risk Register has been overseen through the Strategic Command (now the Covid Response Group) with the Covid-19 Risk Register Profile set out within the content of this report; • Confirmed assurance that the description, mitigating controls, assessed level of risk and risk tolerance are a reflection of current business. | |
| | <p>iv) Risk Management Strategy</p> <p>Mrs McGhee introduced the revised Strategy noting the background to the rescheduling of the review date. It was further noted that Mr Boyle OBE, non-executive director expressed an interest in the strategy and was supportive in the overall view. Taking into consideration comments and findings from an internal audit, the key changes are highlighted below:</p> <ul style="list-style-type: none"> • Formatting of the front page providing clarity on the endorsing role of the Audit Committee (refer to internal audit report) • Change in title of NHS Lanarkshire strategy from 'Achieving Excellence' to 'Our Health Together' • Addition of the Monklands Replacement Project Governance Committee in both Section 2.4 (page 9) and in the schematic at Appendix A • Change to the role of the Chief Executive (page 8) to be more explicit about maintaining the system of internal control • Change to the Board responsibility (page 9) to be more explicit about the overall responsibility for vicarious liability • Review of the objectives section 3.1 (page 11) to be less subjective • Formatting changes throughout the document. <p>The strategy has been reviewed by the corporate management team at its meeting of 23rd May 2022 and is presented for consideration and endorsement by the Audit Committee.</p> <p>Following endorsement, approval of the strategy will be sought by the Board of NHSL, noting that the progression of the improved assurance work will have the potential to impact on the risk appetite and tolerance that will all be considered in detail at the next scheduled review, or earlier if deemed necessary by the Board of NHS Lanarkshire.</p> | |

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| | <p>THE COMMITTEE:</p> <ul style="list-style-type: none"> • Noted the rescheduled review period and the input to the initial review; • Considered and noted the changes to reflect general housekeeping, organisation change, revised objectives and findings from a recent internal audit; • Noted it is likely there will be a further review in year to consider risk appetite following a briefing session in June 2022 to align with the work being undertaken around assurance mapping; • Reviewed the Risk Management Strategy; • Recommended for onwards reporting to the Board of NHS Lanarkshire in June 2022 for approval. | |
| 14. | DISCUSSION OF AUDIT COMMITTEE TRAINING NEEDS | |
| | Mr Moore noted that training on assurance mapping was being organised for the Board. Mrs Ace suggested that once the background of the two new council members was known a bespoke indication session should be arranged. | |
| | The Committee: Agreed both of these would be useful | |
| 15. | <p>Notification letter from Sponsored Body Audit Committee</p> <p>Mrs Ace explained the Chair of the Audit committee was required to give notice of any significant issues to the Scottish Government Health & Social Care Assurance Board.</p> <p>This would be provided at the point the annual accounts were agreed for signing. SG had sought earlier notification so MRS Ace proposed giving them an informal notification that no issues were expected. No prescribed format had been issued this year so Mrs Ace proposed using the previous year's format.</p> | |
| | The Committee: agreed to this approach | |
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| 16. | AOCB | |
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| 17. | DATE OF NEXT MEETING | |
| | Wednesday 29 June 2022, MS Teams | |