

Lanarkshire NHS Board
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**Meeting of the Audit Committee, Tuesday 1 March 2022
 at 9am via Teams**

CHAIR: Mr B Moore, Non-Executive Director

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

IN

ATTENDANCE: Mr Martin Hill, 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
 Mrs C McGhee, Corporate Risk Manager

APOLOGIES: None

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Mr Hill to his first Audit Committee meeting as the new Chair of NHS Lanarkshire. No apologies were noted. 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 DECEMBER 2021	
	THE COMMITTEE: Approved the minutes of the meeting held on 7 December 2021.	

4.	ACTION LOG	
	<p>It was noted that the Pharmacy fridge failure losses form would be submitted to SG early March, that the action to determine the appropriate committee to look at Primary Care Risks could be closed now it had been confirmed that it was assigned to the Population Health, Primary Care and Community Services Committee and that Mrs Macer would take forward the action on the Staff Governance Committee oversight of linking bank and substantive hours to ensure overall hours were known.</p>	
	The Committee: Noted the report with minor amendments agreed	
5.	INTERNAL AUDIT	
	i) Progress Report 2021/22	
	<p>Mr Gaskin talked to the report which covered 6 audits completed in the preceding quarter, 5 of which gave substantial assurance and one adequate. He informed the committee that a 7th audit, a longstanding nationally directed audit covering the methodology for recording waiting times, had been suspended by SG during the pandemic and would be resurrected only if further SG instruction was received.</p> <p>He highlighted a number of findings from the reports:</p> <p>Although Audit Scotland reports were brought to the audit committee there wasn't a formal process to ensure they went to other relevant committees but that a mechanism had now been agreed. This point was picked up further at item 14.</p> <p>He noted reports to the committees, such as the Workforce report, had good content but could be enhanced as an assurance mechanism by an explicit link to the risks they were covering. It was noted that Mrs McGhee had arranged a session on the 28th of February 2022 with the Chairs of the Governance committee to bring in a more structured approach to ensuring workplans covered the risks assigned to each committee and that the reports that delivered assurance were explicit about the risk to which they related and the controls and mitigations in place.</p> <p>He noted that although there were no findings from the local audit on the Property and Asset Management strategy, progress had been stalled nationally. Given robust information on</p>	

	<p>property would be needed to inform the development of ‘Our Health Together’ it was important that the Board was ready to move this forwards in the following year.</p> <p>He confirmed the audit programme would continue to feature the Monklands Replacement Programme given its scale and strategic importance.</p> <p>He informed that committee that the report into Non SGHSCD income pointed out a number of areas where procedures could be tidied but overall it did not involve large amounts of money.</p> <p>Mrs Holmes reminded the committee of a presentation by the Head of Counter Fraud services on the New Fraud standards which encompassed fraud risk assessments. She advised that it would be sensible for her to link with the Risk Manager to ensure there was congruence between this and the risk assurance work being advanced for committees.</p> <p>In reference to the report on data security and home working, Mr Hill asked if any guidance had been issued on the escalated threat to cyber security as a result of the situation in Ukraine. Mrs Ace confirmed a paper highlighting various implications had been considered by the CMT on the 28/2/22 and that the Director for E health had reported guidance had been received and was being acted upon.</p>	MH/C McG
	THE COMMITTEE: Noted the report.	
	ii) Follow-up Report	
	Mr Gaskin commended the 100% completion of follow up actions due to be implemented by the committee date.	
	THE COMMITTEE: Noted the report	
	iii) Internal Controls Evaluation (ICE)	
	Mr Gaskin explained this paper gave a holistic review of all aspects of control and was presented before the year end so any issues could be picked up and corrected in year. He explained that as a result of a previous audit committee discussion the grading of assurance levels had been suspended during the pandemic as they no longer had the same meaning against an environment that could not be controlled to the same extent maintaining the focus on the recommendations (which are graded in terms of priority) and the wording of the report.	

	<p>He drew out themes from the work one of which was the need to ensure the Board was ready to pick up the recovery agenda once the emergency pressures had passed.</p> <p>Echoing a specific point in an earlier progress report at item 5(i) the ICE had picked up more generally the more structured focus on how the workplan and reports at a committee linked to the highest risks. Ms McDonald referenced the session run for Committee Chairs the previous day on this topic and commented she had found it very useful and it had already influenced thinking for the Staff Governance Committee and Acute Governance. It was noted the Risk Manager was developing templates that could be used, and that a wider Board session would be useful. Mrs Ace commented that Directors who support committees would benefit from being involved.</p> <p>Mr Moore noted the finding re 15 out of 20 financial procedures being beyond their review date and that there had been no recent follow up on the action plan arising from the Ministerial MSG report. Mrs Ace confirmed work was underway to review and, where necessary, update the procedures and this would be picked up through the internal audit follow up report.</p> <p>Mr Moore noted the proposal that the final report went to each committee. Mr Gaskin confirmed that this was the final ICE and it would be of use to each committee in drawing up their annual report. Mrs Holmes confirmed she would distribute it to committees and this would fit in with the time line for annual reports going to the Board in May. It was noted that the Internal audit annual report would encompass both the ICE and the findings of audits still to be delivered.</p>	<p>PC/C McG</p> <p>MH</p>
	The Committee: Noted the report and agreed it would be passed to each of the Governance Committees	
6.	EXTERNAL AUDIT	
	2021/22 Annual Audit Plan	
	Mr Lindsay talked the committee through the audit plan highlighting the approach, key risks and materiality limit. He noted the Audit Fee for the year had been agreed.	
	The Committee: Noted the report	
7.	Governance Statement	
	i) Guidance	

	<p>Mrs Ace explained that the Audit Committee would be presented with a suite of evidence in addition to the items considered by the committee in year and would be asked to form a view on whether the wording of the draft Governance Statement was consistent with their overview of the organisation's control environment and whether any issues significant enough to merit disclosure on the statement had emerged. The guidance attached to the paper was draft and due to be issued formally soon but no changes of substance from previous year's guidance were expected. The paper provided the audit committee with a list of the additional evidence they would receive so that the audit committee could review it and ensure it would be sufficient to meet its needs. Mrs Ace explained that the agenda today contained some of these items to avoid the June agenda from being overloaded.</p>	
	<p>ii) Key Lines of Enquiry for Risk Management</p>	
	<p>Mrs McGhee introduced the background to this paper with reference to Annexe F of the Audit and Assurance Committee Handbook (2018) and outlined the guiding principles for adopting the use of this Annexe as an assessment tool completed on an annual basis by CMT for consideration by the Audit Committee.</p> <p>The completed assessment (Section 1 & 2) highlighted the elements of risk management structure and processes that had been sustained during the year, what had been re-established and highlighted 3 areas for improvement for year 2022/23, building on current work. Sections 3-6 included an assessment for internal and external audit; accountability and annual reporting; corporate governance arrangements and effective functioning of the Audit Committee.</p> <p>Mr Gaskin commended the quality of the report and the approach taken which derived from the Audit Committee Handbook guidance.</p> <p>The Committee accepted the report as evidence that an adequate and effective risk management process was in place.</p>	
	<p>iii) Accountable Officers' Duties</p>	
	<p>Mrs Ace explained that this was an SG checklist which set out the Accountable Officers duties and provided evidence that suitable arrangements were in place to discharge them. She noted that during the pandemic there had been a minor dilution on the cascade of the best value guidance through the</p>	

	<p>management structure but noted it was in place previously and the Board paper template picked up on the Best Value Duties.</p> <p>The Committee noted the checklist confirming arrangements were in place to discharge the Accountable Officers duties</p>	
	iv) Draft Annual Report for the Audit Committee 2021-22	
	<p>The Committee reviewed the draft annual report and asked that two minor changes were made to membership and attendance and that under the section on improvements overseen by the committee a reference was made to the assurance mapping. The amended report was then to be recirculated for any final comment before being approved by the Chair and submitted to the Board for consideration in May 2022.</p>	LA
8.	THE WORKPLAN	
	(i) 2021/22	
	<p>Mrs Ace explained the conventions used in reporting progress against the workplan and confirmed the Committee was on track to cover all intended business for 2021/22.</p>	
	The Committee: Noted the report	
	ii) Draft 2022/23	
	<p>No comments were received on the draft 2022/23 workplan.</p>	
	The Committee: Noted the report	
9.	FRAUD UPDATE	
	(i) Fraud Report (including progress report on NFI)	
	<p>Mrs Holmes talked to the paper. She reported that there had been a lot more activity in this quarter and highlighted new referral case 4 which had been reported to Counter Fraud Services and had been referred back to the Board to be taken forward as an internal investigation. She updated the Committee that following the previous investigation into a number of cases of hours unworked being claimed for payment in the vaccination service a substantial amount of work had taken place to strengthen controls.</p> <p>She also updated the committee on progress against the action plan devised from a review commissioned from internal audit following a national alert into the potential for fraud when devices were rapidly deployed to enable off site working during the pandemic. The outstanding action related to sourcing a new asset management system which was to be done in collaboration with NHS Forth Valley and NHS Greater Glasgow</p>	MH

	<p>and Clyde. Mr Hill commented that where items on the action plan had exceed their original implementation date it could be helpful to have a new date confirmed. Mrs Holmes said there was not yet a definite timescale for the system replacement but by the time of the next Audit Committee this should be available.</p> <p>Mrs Holmes informed the Committee that the National Fraud Initiative was now complete with all local data matches followed up and the next round would begin in September.</p> <p>She highlighted that the National Fraud Standards were mandatory in England but not yet in Scotland and that it would take considerable work to implement them.</p> <p>Mrs Macer referred to a whistleblowing case raised at Staff Governance and asked if could potentially be regarded as a fraud and if so how it linked with other committees. Mrs Knox reported that the allegation was being been investigated by the relevant management team and that it was important to allow the whistleblowing process to conclude and then to pick up on its findings as appropriate. Ms McDonald, the Board's whistleblowing champion, reported that the investigation had not substantiated any allegation of fraud and the particular omission it uncovered was one which would be considered by HQAIC. It was confirmed in general that if a whistleblowing allegation was found to involve potential fraud it would be referred to the Audit Committee after appropriate investigation.</p> <p>Mr Moore referred to case 1 and asked if references had been taken up and whether they should have alerted the Board to the unsuitability of the candidate. Mrs Ace confirmed references were taken up as standard but with the presence of intermediate employers who could provide a reference, the length of time which it might take for a counter fraud investigation to move to the point of an arrest or charge and the secrecy with which that might proceed to avoid contaminating evidence, then the references could not be relied on to cover this circumstance.</p>	
	The Committee: Noted the report	
10.	ARRANGEMENT TO SECURE EFFICIENCY	
	Mrs Ace talked through the paper. Although the Board would over achieve on the plans identified at the start of the year as well as seeing reduced expenditure from some developments not proceeding and corporate underspends, breakeven this year	

<p>would rely on £9m of covid funding from SG to recognise the difficulties of achieving savings during the pandemic. She advised that this was the first time NHS Lanarkshire had sought support in this way, though noted that per the Audit Scotland report “NHS in Scotland 2021” in the previous financial year 14 other Health Boards had to rely on a total of £102million of such funding between them in order to break even. With this additional income and a further £2.4m for winter pressures within the acute, which had not been covered by SG’s release of £300m winter funding, the Board should be on course to breakeven in 2021/22.</p> <p>The risk of not breaking even in 2022/23 however was seen as very high. The first draft of the financial plan had shown a residual gap between costs and income of £37.492 even after making the assumption that £6.6m of savings could be reasonably be expected from normal activities round prescribing, procurement and housekeeping round budgets. She said that it was her understanding all territorial Boards would have submitted draft plans with similar gaps and that feedback was awaited from SG on next steps expected from Boards. She reported that this would be explored in more detail at a Board Development session on 16 March 2022 and a further iteration of the plan submitted to SG on 18th March 2022.</p> <p>Mr Hill referenced the previous discussion on making explicit links with the risk register and formatting the report so that it could come back to the next Audit committee setting out the mitigating controls so that the Audit committee could assess their adequacy. Mrs Ace agreed that the report should be adapted in this way to fit with the more structured approach to risk assurance being adopted by Committees. She also referenced a comment made by Mr Cossar at the PPRC on how the risks were defined and her reflection that it was appropriate to make the general risk in the register more specific to 2022, given the financial prognosis. She highlighted however the scale and pervasiveness of this risk which pulled against other demands such as the need for service recovery and ensuring staff wellbeing. The approach to addressing it would be a complex matter for the whole Board. Mrs Knox expanded on this and the importance of discussions at the Board development event and the steer from SG on how they wished Boards to balance the competing demands in pandemic recovery. Mr Gaskin too highlighted the difficulties facing the Board in resolving this. Mr Hill concluded that initially at least, reporting of the controls to the Audit Committee would expose</p>	<p>LA/ C McG</p>
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	that there were limitations on the Board's ability to mitigate this but that setting it out would be useful for scrutiny.	
	The Committee: Noted the report, agreeing to the proposed changes in format.	
11.	PROCUREMENT	
	<p>Mrs Ace briefly explained the history and purpose of the report. She highlighted a waiver which had been granted on the grounds of urgency but which related to a need which it could be anticipated would emerge from time to time. In such circumstance the service should anticipate this and proactively put a competitively procured framework agreement in place from which work could be awarded to successful suppliers as the need arose.</p> <p>She expanded on the information in the report on two causes of delay to the Laboratory managed service contract which meant original timelines could no longer be met and a further extension would be required. She noted this would be a decision reserved for the Board because of the financial limit and agreed to work with the Board Secretary to schedule this. Ms McDonald noted the risks posed by continuing with ageing equipment and confirmed that the Acute Governance Committee would pick up on this. Mr Moore asked if there were other risks that needed to be considered. Mrs Ace replied that replacing the equipment would involve double running which would be logistically difficult given space constraints and this too would be a risk to be reviewed by the Acute Governance Committee.</p>	LA/PC
	The Committee: Noted the report	
12	RISK MANAGEMENT	
	i) Quarterly Risk Management Summary Report	
	<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 material change to the corporate risks and risk profile and highlighted some improvement work on review of the corporate risk register.</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. With reference to the Fraud report and</p>	

	the NHSL Fraud risk register, members considered the mitigating controls and were assured they were operating as intended.	
	<p>The Committee:</p> <ul style="list-style-type: none"> • Noted the summary of risk business conducted and discussed through corporate management team since the December 2021 report, including closed, de-escalated, new risks; material changes to existing risks and the improvement work; • Noted reporting of the Covid-19 Risk Register is overseen through the Strategic Command with the Covid-19 Risk Register Profile set out within the content of this report; <ul style="list-style-type: none"> • Were assured that the mitigating controls remain in place and are operating as intended for risk ID 594 	
	ii) Quarterly Risk Management Process Compliance Report	
	Mrs McGhee referred members to the number of risks across NHSL by area of responsibility, number and severity. She highlighted the performance against the suite of KPI's for risk register, QPI's for Adverse Events: Monitoring of Significant Adverse Event Reviews (SAER), noting sustained performance during a period of unprecedented system pressures.	
	<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 NHS Lanarkshire 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 the report. 	
13.	Review of SFIs & SoD	
	Mrs Ace explained these documents were reviewed annually to ensure their continued relevance. She highlighted some of minor changes including changes to references to European legislation or funding sources following Brexit. She noted the Board could not apply for such funding any more and the section would be removed entirely once it had been confirmed there were no pre-existing projects still to complete.	

	The Committee: Endorsed the revised SFIs and SoD for onward transmission to the Board	
14.	AUDIT SCOTLAND REPORTS	
	<p>i) NHS in Scotland 2021</p> <p>Mr Moore and Mrs Ace highlighted key points from their own reading of the report which the committee, following discussion, agreed reinforced the complexity of the recovery agenda ahead of them and the early stage of development of some of the supporting national infrastructure and guidance. It was agreed, given the cross cutting nature of the report that it report should go to CMT and that a session should be arranged for Board members. Mr Lindsay volunteered to liaise with the Board Secretary to agree a mutually acceptable date where the report's authors could attend a Board session.</p>	PC/PL
	<p>ii) Social Care Briefing</p> <p>Mr Moore highlighted some key points from the report. Mrs Ace confirmed that a summary of the report had recently been considered by CMT.</p> <p>Mrs Ace referred to a point made in the internal audit reports about establishing a mechanism for ensuring Audit Scotland reports went to relevant Governance Committees. She said that since the Audit Committee saw all such reports she would take on the coordinating role of ensuring they were passed to the relevant governance committee and also institute a form of reporting where the Audit Committee could be advised of this and see how recommendations for Boards were being taken forward.</p>	LA
	The Committee: Noted the reports, asking that the Overview report be presented to an NHs Board session and that a formal regime for referring Audit Scotland to relevant committees and following up on actions was put in place.	
15.	AUDIT COMMITTEE SELF ASSESSMENT EXERCISE	
	Mrs Ace presented the checklist She had explained that, in anticipation of new members she had expanded the narrative to explain how requirements were met. She opened it to the committee to decide if the draft assessment reflected	

	<p>committee members own views. Mr Gaskin confirmed that this was derived from the Audit Committee handbook and was focussing on the correct questions and that his view as Chief Internal Auditor was that the answers were reflective of the arrangements in place. Mr Hill referred to experience in other organisations where each individual member was asked to complete the checklist and the results collated and asked if that approach had been considered. Mrs Ace replied that approach had been used previously with the full Board in self assessing its performance. She observed that while it gave a richer view of levels of agreement on matters of judgement, a downside was that given the volume of business, at the individual level there may be differences in recollection. With this more procedural assessment she had aimed to provide members with a starting point with the explanatory narrative so the committee could then test whether they agreed or not. Mr Moore confirmed that in October 2020 there had been an external training event for Audit and other committee members and reflection from this had, in February 2021 been fed in to a more discursive and interactive assessment of committee effectiveness. He also noted that some aspects had previously been subject to debate and that comments and amendments had been incorporated or further action initiated.</p>	
	The Committee: endorsed the self assessment	
16.	<p>IJB Audit reports</p> <p>Mrs Ace explained that the original IJB guidance suggested these reports should be presented to the Boards Audit committee. She confirmed they had been considered by the relevant IJB Audit committee and that as part of the year end assurance process cross assurances had been given between the Board and IJB that there were no matters requiring disclosure in the respective governance statements.</p>	
	The Committee noted the reports	
17.	UPDATE ON AUDIT COMMITTEE TRAINING NEEDS	
	Mr Moore commended the TURAS training to new members and reflected that the proposed session on assurance mapping would be helpful to all committee members.	
18.	AOCB	

	Mr Moore asked the Committee members to stay behind for a scheduled meeting in private with Internal Audit. No other business was noted.	
16.	DATE OF NEXT MEETING	
	Tuesday 7 June 2022, MS Teams	