

Lanarkshire NHS Board
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**Meeting of the Audit Committee, Tuesday 6 September 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
 Cncllr E Logan, Non Executive Director

IN

ATTENDANCE:

Mrs L Ace, Director of Finance
 Mrs M Holmes, Head of Internal Audit
 Mr T Gaskin, Chief Internal Auditor
 Mrs C McGhee, Corporate Risk Manager
 Mr G Smith, Deputy Director of Finance
 Mr P Lindsay, Audit Scotland

APOLOGIES: Heather Knox, Chief Executive
 Martin Hill, Chair

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore reminded the Committee that he was Chair of the State Hospital which was referenced in the Salus commercial report as a client. It was agreed this did not create a conflict given the factual nature of the report. No other potential 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 JUNE AND 29 JUNE 2022	
	THE COMMITTEE: Approved the minutes of the meetings held on 7 June and 29 June 2022.	

4.	ACTION LOG	
	It was noted that the only item not yet complete, the action plan relating from the review of security over laptops and other IT devices was in progress and covered under the Fraud report.	
	The Committee: Accepted the action log update	
5.	Salus Annual Report	
	<p>Mr Kennedy introduced the paper which had been coming to the committee for the past 7 years to sight the Audit committee on any risks surrounding the departments income generation activities. He noted 22 contracts had been renewed with no uplift added and 2 opportunities rejected. He informed the committee of the contribution to Board overheads through this activity which supported the core occupational health service. He updated the committee that during the period of covid-19 restrictions a telephony model had been introduced and owing to its successful operation it will now become the future model, allowing the Board to exit from the leased physical premises. He reminded the committee of the risk around the lease in Edinburgh which will run until May 2026 and the work to assign the lease to another provider. He said there is engagement with a council body about assigning the lease and was hopeful the risk would be mitigated. He sighted the committee on the extension of the end date for the current contract and confirmed staff had been updated on what was happening. He informed that the service was receiving approaches from other providers as to whether they would work with them on delivering the new term contracts but these were at an early stage and any final decision would be reserved for the Board.</p> <p>He highlighted the 2 large Government funded contracts in Ayrshire and on return to work and that there would be a generic risk given the pressure on public finances around future funding, though there was no specific information as yet.</p> <p>He noted as yet there was not a downturn in business and surpluses over direct costs continued to be generated.</p> <p>Cncllr Logan asked if the organisation had any comeback where changes were made to the way the contract was to be delivered, referencing specifically the residual lease in Edinburgh now there was telephone delivery. Mr Kennedy said the client would be responsible for covering lease payments up to the end of the contract but the risk beyond the end with the</p>	

	<p>contract would sit with the Board which was working to mitigate this through reassigning the lease and making financial provision to cover costs.</p> <p>Mrs Macer asked about the change in the work model in PIP and also if there was any risk to the core services to NHS Lanarkshire from the commercial activity. Mr Kennedy confirmed core activity was the priority and the rest a side opportunity. He gave an example of recent examples where they had been able to redeploy from the commercial team prop up the core team eg face fit testing during covid-19. He noted increasing difficulties in recruiting specialist occupational health nurses with one of the training institutions withdrawing.</p> <p>In terms of the PIP staffing mode he said there had been engagement with each individual staff member on moving to home based telephony and only one staff member had asked to remain in an office and an appropriate space had been maintained for them. Mrs Macer asked a supplementary question as to whether increased heating costs might mean staff could want to return to an office base. Mr Kennedy acknowledged the potential and said he had engaged with Graham Johnston who was looking at hot desking solutions. Mrs White asked for clarification on the year the contracts had received no uplift. Mr Kennedy confirmed it was in relation to the 2021 – 2022 year and that service charges would be revised in 2022 -2023. He added that at times salary uplifts were not known at the time of contracts being renewed.</p>	
	The Committee: Accepted the report as giving assurance on the management of risks in commercial income generation within Salus.	
6.	INTERNAL AUDIT	
	i) Progress Report 2022/23	
	Mr Gaskin explained to the committee that at this point in the year many of the initial audits were still in progress and although much work was underway the only completed report brought to the committee today was the Post Transaction Monitoring report.	
	THE COMMITTEE: Noted the report	

	ii) Follow-up Report	
	Mr Gaskin highlighted the high level of progress with implementation of recommendations and commended NHSL in its continued achievement.	
	THE COMMITTEE: Noted the report	
	iii) Post Transaction Monitoring Report	
	Mr Gaskin introduced the report which had adequate assurance but there was a degree of slipping back on improvements made in previous years. Mrs Holmes added she had met with Mr Lauder, the relevant director and agreed that there would be interim involvement with Internal Audit in 2022/23 to ensure this area was on track Mr Moore added that management had responded, committing to the improvements.	
	The Committee: Noted the report	
7.	EXTERNAL AUDIT	
	<p>Mr Lindsay attended on behalf of Audit Scotland and updated the committee on the new audit arrangements. The Board would continue to be audited by Audit Scotland but by a new team which was expected to be announced next week. He offered to pass the Board's contact details to the new team as soon as they were known.</p> <p>Ms White asked what the format for the new team being introduced to the committee. Mr Lindsay said that previously the new team had introduced themselves at the September Audit committee then had an introductory meeting with Finance Officers. Mr Moore said he would expect an initial meeting with the Chair of the Audit committee and the Director of Finance and suggested that at the end of the first audit committee there would be an opportunity for the new auditors to meet the Audit Committee privately. Mrs White also flagged that she chaired the Audit committee for the Scottish Housing Regulator in case there was any potential overlap in team assignments.</p>	
8.	PRIMARY CARE GOVERNANCE	
	i) Payment Verification Update 2021/22 and Patient Exemption Checking Annual Overview	
	Mrs Ace summarised the report which set out where payment verification checks had been paused or reinstated and set out the results for 2021/22 in terms of sample verification. She talked through the patient exemption checking for dental and	

	<p>ophthalmic and the reduction in extrapolated fraud in 2021/22 compared to the previous year.</p> <p>The Committee: accepted the report as assurance that the expecting verification processes were in place and had produced nothing of concern.</p>	
9.	FRAUD UPDATE	
	(i) Fraud Report (including progress report on NFI)	
	<p>Mrs Holmes highlighted that there had been an increase activity in the quarter reported she specifically alerted the committee to the fact that, given the legal timelines a final indictment was expected by October/November for Operation Ariston.</p> <p>She informed there was a requirement to post a privacy notice for the next round of the National Fraud Initiatives by September 2022 and to comply with this a message had been included in payslips for August and September which would direct them to any additional information required on the payroll website, additionally this year NHSL had also created a pop up to alert staff which was triggered when they accessed the system.</p> <p>Mr Moore noted that some of the instances related to bank and supplementary staff which also featured in the quarterly and annual CFS report, which highlighted the ever present risk and also, given the increasing use of bank and agency, the greater exposure. Mrs Holmes added this had been recognised at national level and discussed with Fraud Liaison Officers. It had been agreed that the Once for Scotland policies, including the new flexible working policy, would be referred for review to CFS.</p> <p>Mr Moore asked about our progress with Fraud standards. Mrs Holmes said we were making good progress locally though were holding the evidence on our own server until access security over the national share point solution could be proved.</p> <p>Cncllr Logan asked if the cost of living pressures would increase the motivation for Fraud. Mrs Holmes confirmed that as people or organised crime groups started to experience financial hardship it was well recognised that it could increase the instances of fraud and we would be dynamically assessing the risk.</p> <p>Mr Moore noted with interest the use of social media in the CFS annual report and increasing number referrals through this</p>	

	<p>route. He asked if we had figures on comparative uptake of training. Mrs Holmes replied that the committee had received these last year and this year's were in preparation and CFs should publish them in the coming months.</p> <p>He noted the NFI paper gave useful examples and highlighted the risk of cyber attacks. He also noted that the pamphlet for the new fraud standards was a useful summary.</p> <p>Mr Moore Highlighted the NFI checklist which is required to be completed at the end of each exercise. Mrs Holmes confirmed that this had been completed and updated for NHSL with some improvements for lessons learned from the current exercise going forward.</p>	
	The Committee: Noted the report	
	(ii) Fraud Annual Report	
	<p>Mr Moore invited Mrs Holmes to highlight the key aspects of the annual report. Mrs Holmes confirmed that recorded cases conformed with those reported by CFS in their Annual report and that the graph should these broken down by type she also highlighted that there had been an additional 15 incidents were telephone/email advice was taken and that these were progressed internally. She also highlighted that the NFI work is independently audit by the external auditors and reported in their management letter. Future work would be based round the new fraud standards and she would recommend more direct engagement with staff to raise awareness.</p> <p>The overall conclusion was that paper gave assurance that the arrangements we had in place to counter fraud, bribery and corruption were adequate. However we had to be vigilant of the risks going forward around cybercrime and the economic pressures unfolding.</p>	
	The Committee: Accepted the paper as giving assurance that that arrangements we had in place to counter fraud bribery and corruption were adequate.	
10.	UPDATE ON EFFICIENCY PROGRAMME 22/33 & FINANCIAL RISK	
	Mrs Ace talked through the paper which built on the information presented to the public Board in august. It set out the £33m of further deficit reduction measures identified since the opening plan and Mrs Ace gave the committee several examples to deepen their understanding. She talked through	

the factors which had led to a marked deterioration in the forecast including having to remove the assumption that covid-19 expenditure would be fully funded. She highlighted a further £5m of income if the covid-19 allocation were to be corrected and a potential £2.6m reduction in covid-19 expenditure forecasts but gave her opinion that the Board would need to evaluate options for further cost control in this area and may have to look at the trade offs between access and staying within budget with multiple vaccination sites. She gave her opinion that with the Board forecasting a deficit and an Sg letter telling the Board it needed to breakeven financially this put the Board into new territory when it came to discretionary spending decisions as it had exhausted its own spending authority.

Mrs Macer asked the extent to which the pay award would be fully funded and to which national brokerage might be found for Boards. Mrs Ace explained that the Boards had been told to assume they would fund the Public sector pay deal with 2 % for medical and dental from the 2 % allocation uplift but any agreement in addition to this would be covered by SG. She said she had been told SG did not have a recurring funding source for this. In terms of national brokerage she said SG had told Finance Directors there was no additional funding for the health Department which still had a substantial unresolved gap. She observed that such a scenario might be imagined to lead to more rapid cost control measures but there was still an element of mixed messaging such as the call to increase expenditure without funding to accelerate the vaccination programme. Mrs Macer commended some of the savings opportunities that had been found by the financial recovery group but commented that further housekeeping measures must be dwindling and not likely to be of a scale to close the gap. Mrs Ace concurred with the latter point though gave her opinion that the Board had still not fully adjusted from the pandemic spending regime where the urgent need to act took precedence over funding availability and there were elements of expenditure still being approved which were neither an immediate patient safety or legislative issue.

Mr Gaskin reminded the committee that the internal Audit annual report had highlighted this and Mr Moore directed the committee to the recommendation which had been reproduced as part of the paper.

Mrs Ace concluded that the risk of not making sufficient savings to breakeven remained very high.

	It was noted that there would be a further in depth discussion by the Board.	
	The Committee: Noted the report and the very high risk around achieving financial breakeven	
11.	PROCUREMENT	
	(i) Update	
	Mrs Ace highlighted key points from the paper, noting that requests for waivers were exceeding prepandemic levels in part because departments such as PSSD which had intended to put in place framework contracts had not made the progress originally envisaged. Procurement and estates would be working together to ensure there was a deliverable workplan to avoid repeat waivers. She noted that the laboratory Managed services specification had now been finalised, checked and put out to tender.	
	The Committee: Noted the report	
12.	RISK MANAGEMENT	
	i) Risk Management Summary Report	
	Mrs McGhee outlined the key areas covered within the report in relation to the risk business discussed at CMT since the last reporting period with particular reference to the risk assurance processes. The report summarised the changes to the corporate risk profile, noting there had been a quarterly review in this period. She referred members to the corporate risk profile and the covid-19 risk profile for this reporting period with reference to the current NHSL position of operating in BLACK status. Mrs McGhee highlighted a change to the format of the report as the new risk assurance reporting had now been introduced (see agenda item 12 iii).	
	The Committee approved the report and: <ul style="list-style-type: none"> • Noted the summary of risk business conducted and discussed through CMT since the June 2022 report, including escalated/de-escalated risks, new risks; material changes to existing risks and the assurance improvement work; • Noted reporting of the Covid-19 Risk Register has been overseen through the Covid Response Group with the Covid-19 Risk Register Profile set out within the content of this report; • Noted this report had been agreed by CMT and should be read in conjunction with the Corporate Risk Register (accurate as at 4th August 2022), attached in Appendix 1, the 	

	Risk Management Process Compliance Report and the new Risk Assurance Report.	
	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 June and the probable cause. The improvement in July and August was noted.</p> <p>Members noted there has been improvement in the management of significant adverse event reviews and noted that all corporate policies were within date and performance was above the agreed tolerance.</p>	
	<p>The Committee approved the report and noted:</p> <ul style="list-style-type: none"> • 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) Risk Register Assurance Reporting</p> <p>Mrs McGhee introduced members to the new risk register assurance reporting prepared for the Audit Committee. She reiterated the purpose as considered and approved at the Board Briefing session on 18th July 2022. Members noted this report was specific to risk ID 594 as the only current risk to be designated to the Audit Committee for oversight.</p> <p>The report was set out to provide an overall summary of the level of assurance for the risk and included a detailed proforma completed by M Holmes and endorsed by L Ace as the risk owner.</p> <p>In response to a question by Ms White, Mrs McGhee assured members that this type of report would be prepared for all standing committee's of the Board for their designated risks.</p>	

	<p>She outlined the preparation in place to support the process essential to the effective reporting in terms of the training of designated person to complete the assurance report; the setting up of a cross-function file to enable access to all templates and reports; the support for risk owners; guidance on completion of the assurance report and the development of 'credit card' information for non-executive directors.</p>	
	<p>The Committee:</p> <ul style="list-style-type: none"> • Commended and approved the new risk assurance report format with the detailed proforma; • Were assured that the controls for risk ID 594 were operating as intended; • Considered potential threats that could impact on the current assessed level as discussed earlier in the agenda through the fraud reporting. 	
13.	REVIEW OF TERMS OF REFERENCE	
	<p>Mr Moore put forward a number of suggestions all of which were endorsed by the committee. It was noted the name should be changed to the Audit and risk committee. It was agreed that a reference should be included to the Committee's role with respect to the risks associated with Procurement activities including its contribution to best value. as designed to It was agreed to replace the reference to the Health and Social Care Delivery plan with something more generic to avoid it becoming dated. It was agreed that the reference to Fraud would be expanded to Fraud, Bribery and Corruption.</p> <p>Ms White picked up the quoracy arrangements and what would happen if there was an item of business that needed to be considered more quickly than the next committee. It was agreed the wording would be amended to incorporate a reference to a faster route. Mrs Ace agreed to amend the Terms of Reference to reflect these amendments, to recirculate and to confirm with the Board secretary the arrangements for amendments to be adopted by the Board.</p>	
	<p>The Committee: Asked for the terms of reference to be updated as discussed and recirculated to the committee.</p>	

14.	AUDIT SCOTLAND REPORTS	
	(i) Fraud & Irregularity 2021/22	
	Mr Moore highlighted some of the points of interest from the report which covered the wider public sector. These included the new opportunities for fraud emerging during the covid-19 pandemic, the various case studies including the Cyber attack on SEPA with devastating effect despite the organisation having generally good processes in place. Mrs Ace drew the committee's attention to the list of expected controls towards the end of the report and it was agreed the committee had assurance these were in place in Lanarkshire.	
	The Committee: Noted the report	
15.	WORKPLAN	
	(i) 2022/23	
	The Committee: Noted that they were on track with the workplan.	
16.	AOCB	
	Mr Moore reminded the committee that this was Mrs McGhee's final audit committee. He thanked her for her commitment, drive and enthusiasm over the years which had not only delivered a robust risk management framework but had helped generate a culture of strong risk management. The committee acknowledged her contribution and the legacy she left.	
17.	DATE OF NEXT MEETING	
	Tuesday 6 December 2022, MS Teams	
18.	FUTURE MEETINGS IN 2023	
	To be arranged.	