

Lanarkshire NHS Board
Kirklands
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**Meeting of the Audit & Risk Committee, Tuesday 5 December 2023
at 9am in the Board Room, Kirklands HQ**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT: Cllr E Logan, Non Executive Director
Cllr M Coyle, Non Executive Director (joined Item 5iii)
Mr P Couser, Non Executive Director

IN

ATTENDANCE: Professor J Gardner, Chief Executive
Mrs L Ace, Director of Finance
Mr C Morton, Deputy Director of Finance
Ms J Lyall, Chief Internal Auditor
Mrs M Holmes, Head of Internal Audit
Mrs A McLean, Corporate Services Manager
Mr M Ferris, Audit Scotland (joined at Item 11)
Ms F Owens, Audit Scotland (joined at Item 5iii)
Mr G Young, Counter Fraud Services (for Item 8)

APOLOGIES: Mrs S Stewart, Employee Director
Mrs S White, Non-Executive Director
Mr M Hill, Chair
Mr J Boyd, Audit Scotland

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Ms Lyall to her first Audit Committee. He ascertained there were no interests to declare.	
2.	MATTERS ARISING	
	Mr Moore asked for an update on the sustainability and value workstreams for digital communications and high cost locums. Mrs Ace explained that the national Netcall solution had failed its user acceptance testing in Lanarkshire due to compatibility issues with the Trakcare. Other options were being explored and a business case would be developed. The Sustainability and Value group tasked with looking at control of high cost locums had put in place tracker mechanisms to monitor on a monthly basis and ensure alternative solutions were pursued where	

	possible. Although these controls were in place and reported as working the need to cover vacancies meant the overall locum spend was still higher than the previous year.	
3.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 5 SEPTEMBER 2023	
	The Committee: Approved the minutes of the meeting.	
4.	ACTION LOG	
	Mr Moore noted that action was expected on Risk Management Framework and Assurance Mapping Framework and asked for work to progress and circulated in advance of the next committee.	
	The Committee: Accepted the action log update.	
5.	INTERNAL AUDIT	
	i) Progress Report 2023/24	
	<p>Ms Lyall referenced the completed reports and work in progress.</p> <p>The Health inequalities audit gave substantial assurance with one merits attention recommendation about an automatic reminder system for EQIA.</p> <p>The Information Assurance audit also gave substantial assurance with 3 recommendations which merited attention. These were around ensuring policies and procedures were kept up to date, ensuring sub groups were programmed to be able to provide assurance statements at the required time and ensuring terms of reference reviewed and up to date.</p> <p>Given the risks associated with Information Governance, Mr Moore welcomed the substantial assurance. He noted that the Health Inequalities report should go to the Population Health, Primary Care and Community Services Committee.</p>	
	THE COMMITTEE: Accepted the report	
	ii) Follow-up Report	
	Mrs Holmes reported that 100% of recommendations had been actioned. A few more were approaching their due date and were being pursued by Internal Audit. Mr Moore welcomed the exemplary description.	

	<p>Mr Couser asked regarding the level of confidence that the actions were implemented as had originally been envisaged rather than modified or closed. Mrs Holmes explained that the internal audit team went back to management and asked for evidence that the action had been completed and where a change had been made, this was notified and agreed with Internal audit. Ms Lyall added that an important assessment was whether the action had been effective and suggested the follow up report could be developed in future to include this.</p>	
	<p>THE COMMITTEE: Noted the report.</p>	
	<p>iii) ICE</p>	
	<p>Ms Lyall explained that the ICE reviewed 5 areas of governance and was an early warning system, carried out half way through year, to identify any areas that could be addressed before the year end. This report and the annual report were key reports for the governance Statement.</p> <p>The need to take action to secure Financial Sustainability was a key recommendation. The Audit Scotland ‘NHS in Scotland 2022’ report had highlighted the overall NHS financial pressures with the ICE noting these continued to grow. Whilst NHS L had historically stayed within budget, the very high risk that the Board would not balance over 3 years (Risk ID 3197) was correctly reflected on the organisation’s risk register and would require further action.</p> <p>Effective workforce planning was seen as essential for strategic change and that whilst there had been areas of operational improvement in some aspects of performance a longer term recovery would need wider measures. All of these findings were pointing to strategic change being necessary for achieving longer term sustainability.</p> <p>The ICE highlighted developments since last reports which included, “Operation Flow”, developing “Our Health Together” and the intended work on “Blueprint for Governance”. Ms Lyall highlighted a recommendation on ensuring risks were mapped to the appropriate governance committee and that the committees received the information they need to gain assurance on the level of risk and the actions being taken to mitigate it.</p> <p>She noted the report covered the financial procedures and the importance of ensuring they were up to date.</p>	

She said there was a significant recommendation on making sure the IPQR - which was seen as an enhancement to the performance management process – was used to gain assurance that actions being taken to improve performance were adequate for that purpose.

She noted that governance arrangements were traditionally strong but that the Board needed to keep an eye on assurance and annual reports being available for the correct committee and that minutes needed to be kept up to date.

She thanked the internal audit team for their work and management for turning this round for the committee.

Prof Gardner added that the IPQR was still being developed with the intention to bring in UQ performance to drive improvement. She noted the financial achievement so far and that we were maximising the in year financial position but agreed on the seriousness of the financial situation facing the NHS and that much further work was needed.

Mr Cousar asked about the ADP and whether it gave a holistic view of performance. MS Lyall said their focus as internal audit would be more on the risk of not meeting objectives and making sure the assurance was given on those risks but supported the principle of an integrated view. Prof Gardner added that the ADP guidance changed each year and the IPQR was an attempt at creating a stable set of important indicators for the Board, noting that perhaps highlighting which ones were linked to the ADP regime on force that year could be considered.

Mr Moore noted the reference to CAMHS and his perspective as a Board member and chair of the North Lanarkshire IJB that there has been a lot of actions undertaken, such as more school counselling and new models such as CAPA making big improvements which should show through in the year end performance.

He noted that the report on the corporate policies compliance had not come forward recently and asked that this was reintroduced.

Mrs Ace thanked the internal audit team and MS Lyall for the work to get the ICE ready for this committee. She expanded on the Financial Operating procedures finding, saying that the fast turnaround for the ICE meant they were still following up how many procedures had not been reviewed as opposed to not filed

	<p>in the expected directory. The key element of the finding was that of creating an index list and standard filing area.</p> <p>It was agreed the management response would be added and report circulated to committees.</p> <p>(Councillor Coyle joined).</p>	
	The Committee: Noted the report	
6.	EXTERNAL AUDIT	
	<p>Ms Owens reported that the Audit Scotland team were starting to engage with key officers on audit planning and hoped for a meeting this week. She acknowledged they would normally bring the plan to the December committee but as they were still in a recovery stage they would be developing the plan for January.</p>	
7.	PRESENTATION FROM COUNTER FRAUD SERVICES	
	<p>Mr Young provided the committee with an overview covering the new strategy, counter fraud standards, 5 fraud principles and new and emerging threats.</p> <p><u>Fraud Standards</u></p> <p>The Fraud standard was launched originally by the Cabinet Office and was seen as a good framework for an organisation to be able to assess whether they have strong measures in place for countering fraud. Key components are a strategy, an annual action plan, outcome based metrics, key roles in place and access to counter fraud services. The organisation should self-assess to see where they are in relation to the standards and identify what further actions are needed.</p> <p><u>Fraud Principles</u></p> <p>The Cabinet Office estimate high levels of funding lost through fraud each year and have set out 5 principles.</p> <ol style="list-style-type: none"> 1. Fraud will always exist. 2. Finding fraud is a good thing. If organisation is finding fraud it shows good culture in reporting it and allows action and deterrence. 3. There is no one solution, 4. Fraud is always changing, 5. Prevention is the best way to deal with it. <p><u>New Counter Fraud Strategy</u></p> <p>This had recently been launched.</p>	

	<p>Its 3 priorities over next 3 years were Staff fraud, Procurement and Primary care.</p> <p>The most frequent staff fraud is where a staff member is working elsewhere when on sick leave from their NHS job. CFS have asked for Once for Scotland policy to be strengthened in relation to secondary employment mandating both disclosure and encouraging a discussion in the event of sickness absence. Other areas are overtime, working hours and theft of controlled drugs. Hybrid working seen as creating more fraud risks with less oversight in the working of additional hours, using technology to make the appearance of being active and logged on. CFS are already dealing with a case of someone working more than one job at the same time.</p> <p>He agreed to circulate slides once back in the office.</p> <p>Mr Moore said he had read the fraud strategy and would ask for it to come to a future agenda.</p> <p>Mr Young updated on Operation Ariston that a further court appearance was due in January. If the pleas were still not guilty, a court hearing would be scheduled for what would be a lengthy trial.</p>	
	<p>THE COMMITTEE: Thanked Mr Young for his presentation</p>	
<p>8.</p>	<p>FRAUD UPDATE</p>	
	<p>(i) Fraud Report (including progress report on NFI)</p>	
	<p>Mrs Holmes highlighted the proactive work with a Banner stand at Hairmyres, recognising the turnover in staffing and a new audience to reach.</p> <p>Mr Couser asked about case 2 where it was stated that it could not be taken forward criminally and had been dealt with internally to get a sense of how robustly we were applying our policy. Mrs Holmes said internally we would go through the Once for Scotland conduct policy or sickness absence policy. If any further fraud was picked up in that internal process it would be referred back to CFS. If it was more error then it would be worked through an internal corrective route. Mr Couser asked if we were robustly applying disciplinary procedures where wrongdoing was believed. Mrs Holmes said we were in the process of applying that. She also added that CFS had supplied additional training for HR staff in investigating where there is a potential fraud element.</p>	

	THE COMMITTEE: Accepted the report	
	(ii) Fraud Risk Register	
	Mrs Holmes explained that the format of the previous risk register had been updated to take account of the risk register issued by Counter fraud services making sure we reflected those that impacted on us.	
	THE COMMITTEE: Noted the fraud risk register	
	(iii) Fraud Action Plan	
	<p>Mrs Holmes explained developing an annual plan was a requirement of the Fraud standards and this had been prepared with a summary of actions for the year.</p> <p>Mr Moore noted the proposal that fraud awareness would be made part of induction. Mrs Ace noted that there was a live discussion about how much could be covered in an induction session and it may be that this would need to be flagged and signposted in a different way.</p> <p>He noted the attached prevention guide for procurement fraud and also the CFS quarterly report which reinforced the themes of the presentation on what were the main areas of fraud.</p>	
	THE COMMITTEE:	
9.	(i) Payment Verification report: new arrangements for 2023/24 and any significant issues and Patient Exemption Checking annual overview	
	Mrs Ace explained that following the report to the September 2023 committee an updated payment verification circular had been received. The main difference was an acknowledgement that practice visits could be physical or virtual. The report provided confirmation that the expected arrangements were in place.	
	THE COMMITTEE: Accepted the report	
10.	WORKPLAN	
	(i) 2023/24	
	Mrs Ace confirmed the workplan was on track with the External audit plan deferred till the next meeting and the work on risk appetite and benchmarking postponed.	
	THE COMMITTEE: Noted the report	

11.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace talked through the target financial performance highlighting the recent confirmation from SG that the deficit must be no more than £12.8m and the Board should aim for £6.9m or better. The month 7 forecast deficit sat at £12.4m. Mrs Ace indicated there were areas where money was held in the financial plan, such as the annual leave accrual and funding for phase 2 of the GJNH expansion which in light of slippage or confirmation they could be released to match costs could be released into the month 8 position moving the Board nearer to target. She noted all Territorial Boards were forecasting a deficit at the end of q2, with NHS Lanarkshire being one of the lowest.</p> <p>She continued that although a relatively positive for this year the position next year and the wider national picture was deteriorating. She confirmed the Board’s sustainability and value arrangements were still operating but not producing the level of savings needed to close the gap. She talked through the recently agreed target for the agency spend reduction noting that until there was evidence the reduction was being delivered it had not been included in the forecast.</p> <p>Consistent with the ICE observations and recommendations she concluded that the picture showed the risk of balancing over 3 years as still sitting at very high and that a redesign and reform would be needed to scale services within the likely available resources and that this work was being scoped.</p> <p>Mr Couser asked if any of the savings described as non recurring could be relied on to deliver again in future years.</p> <p>Mrs Ace agreed that some of the non recurring elements such as the New medicine fund and the drugs rebates, although issued with no guarantee of continuing beyond a specified date, had repeated in several years and a judgement could be taken to include them in the next iteration of the financial plan.</p>	
	The Committee: Noted the report	
12.	PROCUREMENT	
	(i) Annual Report	
	Mr Erskine presented the report noting it was a legal requirement to prepare and publish this. He highlighted the level of business with local firms, the degree of contract compliance and the key procurements coming up.	

	Mr Moore said he found this a useful report. He asked if, given the size of medical instrument sterilisation service, we had the resource needed to support it. Mr Erskine said he was recruiting to a number of posts in order to have the capacity. He was asked if other Boards were conducting similar procurements and had there been discussions on opportunities for collaboration. Mr Erskine said he had discussed with others but had not identified anyone at the same stage.	
	THE COMMITTEE: Noted the report	
	(ii) Procurement Update	
	Mrs Ace explained the purpose of the report and the importance of open procurement both in obtaining best value and preventing fraud or bribery. She noted 7 of the waivers issued were straightforward due to compatibility requirements. One was pragmatic to allow a specialist piece of work underway to conclude and 2 were granted in this instance with a requirement to test the market next time as since the contract was originally been awarded more firms may have joined the market.	
	THE COMMITTEE: Noted the report.	
13.	RISK MANAGEMENT	
	(i) Corporate Risk Register Overview	
	Ms MacLean summarised the report for the committee. There were 21 risks and over the period from September to November 2023, 13 had seen no change, 3 had decreased and 1 had been closed. The risk register had been reported to CMT each month. The highest risk remains Risk ID 2197 on financial sustainability. She noted that the risk relating to GP OOH had been reduced since the committee report was issued following positive reporting from the risk owner on the impact of mitigating actions. Conversely, the risk on achieving net zero had been raised due to the capital bid receiving less than expected limiting the work than can be carried out. Mr Couser asked if the wording that no updates had been received for 5 of the risks meant there had been no information from the risk owner. Mrs MacLean confirmed that had been the case but this had been raised at CMT and risk owners reminded of the need for timely updates.	
	THE COMMITTEE: noted the report.	

14.	IJB ANNUAL AUDIT REPORTS	
	(i) North & (ii) South	
	Mrs Ace reminded the Committee the early IJB financial guidance suggested the Board's audit committee saw these reports and that the committee had already received assurance in June from the IJBs in relation to the governance statement.	
	THE COMMITTEE: Noted the reports	
15.	AUDIT SCOTLAND REPORTS	
	(i) Update	
	The committee had previously considered an Audit Scotland report relating to Mental Health. Mrs Ace was able to update that the Chief Officer in North Lanarkshire had confirmed that it had been considered by the relevant groups and committees.	
	THE COMMITTEE:	
	(ii) Public Sector Workforce	
	Mr Moore noted some of the key findings including the analysis of workforce costs, the financial impact of the pay settlements and the view that the current plans would be insufficient to deliver the reform required to ensure service performance, financial and workforce sustainability. He noted the message that that SG cannot afford the current configuration in its current form, making reform necessary. Prof. Gardner added that clear high level of objectives were needed to reduce demand coming in to system and increase efficiency. Living within the financial envelope will require reducing headcount, reducing supplies costs and drugs. We will have to look at what service can be met within budget and ensure our strategic planning takes this into account.	
	THE COMMITTEE: Noted the report	
16.	AOCB	
	None	
17.	DATE OF NEXT MEETING	
	Tuesday 12 March 2024, 9am in the Board Room	
18.	FUTURE MEETINGS IN 2024	
	4 June 9am 26 June 8.30am (Annual Accounts) 10 September 9am	

	3 December 9am	
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