

Lanarkshire NHS Board
Kirklands
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**Meeting of the Audit& Risk Committee, Tuesday 6 December 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:

Professor J Gardner, Chief Executive
Mrs L Ace, Director of Finance
Mrs M Holmes, Head of Internal Audit
Mr T Gaskin, Chief Internal Auditor
Mr G Smith, Deputy Director of Finance
Mr G Young, Head of Counter Fraud Services (for items 5 & 6)
Mr E Erskine, General Manager Procurement (for item 11)
Mr P Cannon, Board secretary (for item 11 onwards)

APOLOGIES:

Martin Hill, Chair

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Ms Jann Gardner to her first NHS Lanarkshire Audit Committee and Mr Gordon Young who was attending from Counter Fraud Services to present to the committee. He ascertained there were no interests to declare.	
2.	MATTERS ARISING	
	None.	
3.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 6 SEPTEMBER 2022	
	THE COMMITTEE: Approved the minutes of the meeting.	

4.	ACTION LOG	
	Mr Moore noted the only outstanding item was the follow up from the report on controls around IT equipment. Mrs Holmes updated that Lanarkshire was working with the West Region to secure a software solution and it was expected to be in place in early 2023.	
	The Committee: Accepted the action log update.	
5.	PRESENTATION FROM COUNTER FRAUD SERVICES	
	<p>Mr Young reminded the committee the Counter Fraud Standards had been launched in Scotland on 1 April 2022 and talked the committee through the 12 key components. He noted 6 of these were already in place as there was a reporting route, access to trained investigators, accountable individuals, policies in place for fraud and for gifts and hospitality. He expressed the aspiration for all NHS Boards to have achieved the full twelve standards by the middle of 2023/24. The Boards level of progress would be assessed annually.</p> <p>A national hub on sharepoint had been established for all 23 Fraud Liaison Officers for all documents and guidance to be posted. A specific NHS Lanarkshire Hub had been established to allow the Board to upload its evidence for assessment. The Director of Finance, as the Fraud Champion would be required to submit a fraud statement to the Audit Committee annually setting out the level of achievement.</p> <p>Mr Young updated the committee in other developments being taken forwards by CFS. They had enhanced their intelligence assessment to be able to identify the highest risk areas to target. He noted an increase in staff fraud referrals believed to be linked with the increased cost of living. The highest number of referrals was for staff working elsewhere whilst on sickness absence but there were also fraudulent overtime claims and thefts of IT equipment, drugs and PPE.</p> <p>He presented emerging emphasis that remote working was making it harder to detect some frauds such as employees taking on more than one job or the work not being done by the person employed.</p> <p>He presented the rates of referral from each Board area and assured the committee that there was good collaboration with the NHS Lanarkshire Fraud Liaison Officer and engagement from the Board.</p>	LA

	<p>Mr Moore invited Mrs Holmes to update on Lanarkshire's progress with implementing the standards. She said there were 7 or 8 that the Board could already provide the evidence for.</p> <p>Mrs Ace asked if CFS had any further guidance to offer Board's on controlling the increased risk brought in by remote working. Mr Young replied that as yet there was not but they hoped to develop it.</p> <p>Cncllr Logan asked if we had good protection for staff who might raise concerns. Mr Young said staff could report through Crimestoppers where their identity would be completely protected as well as through the Fraud Liaison officers. Mr Gaskin added that Internal Audit had done a separate report on Whistleblowing and while there was substantial assurance on the process in place, the low annual numbers were worth exploring to ensure staff are aware of that route.</p> <p>She also asked about controls of giving funding to unconstituted groups. Mr Moore noted lessons needed to be learned nationally from some of the actions taken during the pandemic.</p> <p>Mrs White asked about staff awareness on the level of fraud. Mr Young replied that there was a module on fraud on Turas and it has been expanded and about to be relaunched. This was replacing the roadshows that happened pre covid. Mrs Holmes added that there was an NHS Lanarkshire fraud website with CFS videos supplemented with messages in the staff briefings. She observed that referrals tended to increase after a fraud awareness.</p> <p>Mrs Macer asked if the Board's controls were adequate. Mrs Holmes responded that most of the controls were adequate but just not operating as intended which could be due to the pressures of the pandemic or within the system.</p> <p>Professor Gardner asked if we captured the early interventions. Mr Young said there were good interactions with Lanarkshire where an issue could be discussed at an early stage. He said, based on feedback from the intelligence analyst was that there would be benefit in future in formally logging these so the areas where fraud might happen are better known.</p> <p>Professor Gardner added that it felt like a good time to enhance staff awareness.</p>	<p>JG</p>
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	Mr Gaskin asked if there were sufficient contractual protections round abuse of secondary employment. Mr Young said CFS was engaging with the Once for Scotland Policy. He also said CFS was wanting to push the messaging that the consequences of fraud were not worth it.	
	The Committee: Noted the presentation and themes from the discussion including the benefits of prevention through controls and raising staff awareness.	
6.	FRAUD UPDATE (including progress report on NFI)	
	Mrs Holmes noted there had been an increase, particularly in cases taken through the internal process where controls were in place but not operating as intended so work was been undertaken to tighten these up. She also noted an increase in theft from patients, with Police Scotland involved.	
	The Committee: Noted the local update.	
7.	INTERNAL AUDIT	
	i) Progress Report 2022/23	
	<p>Mr Gaskin confirmed the review of the IJB strategic commissioning plans was now complete.</p> <p>3 assignments all giving substantial assurance were presented to the committee. He highlighted the Whistleblowing report and a recommendation on promoting the training in case lack of awareness was a factor behind the low level of reports.</p> <p>He informed the committee that the Director of eHealth had asked for Internal Audit assistance in reviewing the progress with the NIS regulations which were complex and numerous. Positive assurance was provided through this work.</p> <p>The third report was on risk management and he raised the question of whether the Chief Executive being the SRO for all corporate risks may become too onerous. Professor Gardner agreed to review this.</p> <p>Mr Moore noted the Audit Committee as the assurance committee for risk and that a new appointment had now been made which should give momentum to picking up any issues.</p>	JG
	THE COMMITTEE: Noted the report.	

	ii) Follow-up Report	
	Mr Moore noted the high level of progress with implementing internal audit recommendations with 100% of those due by the current date actioned.	
	THE COMMITTEE: Noted the report.	
	iii) ICE	
	<p>Mr Gaskin reminded the Board members of the responsibility at the end of the year to provide assurance on the overall internal control framework and its operation. The Internal Control Evaluation Report from the Chief Internal Auditor gave an overview to supplement the findings of the individual audit reports. He explained there was a balance between providing the evaluation early enough for action to be taken on it and having the full year's information so the report would be updated. The next stage would be to issue it to the CMT and get a response to the recommendations.</p> <p>He noted that the risk level in the environment with increased demand, workforce shortages and financial constraint was much higher requiring an elevated control response.</p> <p>The key message was the need for a new strategic plan taking account of the financial constraints and used to drive a realistic workforce plan. He noted the recent national guidance suggested priorities would be communicated to Boards in March 2023 and we would have to ascertain what was deliverable in the NHS Lanarkshire context. He noted prioritisation and difficult decisions appeared inevitable.</p> <p>He added it was important for the Staff Governance Committee to have a regular overview of progress with the workforce plan. He noted that arrangements were in place to replace the risk manager and pick back up the work previously being advanced.</p> <p>Professor Gardner welcomed the report and set out how she would want to start setting out the milestones for taking forward our strategy and using the committees differently to first discuss options and then review progress.</p> <p>Ms White asked about the time and capacity to take this strategic approach when the day to day pressures were intense. Mr Gaskin replied there were good planning teams in place in the Board and in the IJB's and the Board had a history of producing and delivering plans. He noted managers, clinicians and other</p>	TG

	<p>staff were where the time constraint was most likely to be which is where prioritisation would be needed.</p> <p>Mrs Macer welcomed the recommendations in the ICE relating to the staff governance Committee, noting that the SG template for workforce was limiting and there needed to be more operational consideration of the elements before it being reviewed by the Staff Governance Committee. Mr Gaskin emphasised the Staff Governance Committee's role in reviewing how the workforce plan was mitigating the workforce risks.</p>	
	<p>The Committee: Agreed that the final Internal Control Evaluation report be distributed to members and Standing Committees for consideration, noting that some aspects may be relevant in the production of Standing Committee annual reports and assurance statements. The final report will be presented to the next Audit & Risk Committee</p>	TG
	<p>iv) Audit Charter</p>	
	<p>Mr Gaskin presented the paper setting out the respective responsibilities. Mrs White asked if the section on authority and accountabilities could be revised to describe the different roles in more detail to make it clearer for the reader. It was agreed this would be done.</p>	TG
	<p>The Committee: Approved the report subject to the agreed amendment which would be signed off between Mrs White and the Committee chair.</p>	
8.	EXTERNAL AUDIT	
	<p>Mr Ace informed the Committee that the new Audit Scotland team had been appointed and they would attend the next committee. In the interim she expected to meet with them to discuss the audit plan.</p>	
9.	WORKPLAN	
	<p>Mrs Ace advised the Committee that the work plan was progressing as intended, with a slightly truncated suite of risk papers for this Committee, and that the committee was on track to fulfil its remit and be in a position to evaluate the control environment at its June meeting.</p>	
	<p>The Committee: Noted the report.</p>	

10.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace summarised the financial position and risk level presented to the November PPRC. For 2022/23 the forecast deficit had reduced to £23.890m with reasonable confidence enough further actions could be identified to fall within the upper limit of brokerage offered by SG of £19.868m. She advised this limit had not been confirmed and we may be asked to hit a lower limit of £14.868m. Mrs White asked the reason for the target not being confirmed and asked if it was to get an overall picture. Mrs Ace replied that she thought it was but with all Boards' deficits exceeding the health budget she believed it was also in part to exert continued downwards pressure.</p> <p>She outlined the approach been taken by the CMT to identifying and delivering savings but advised that the value of the schemes being identified fell far short of the likely gap next year and a different approach would be needed.</p> <p>Mr Moore asked if the national workstreams were likely to yield savings of value. Mrs Ace said she though a national approach to reducing agency use and looking at drugs expenditure might be most likely to have larger scale success but at present little of impact was in place.</p> <p>Professor Gardner said it was important to have an ambitious view of what NHS Lanarkshire could achieve in terms of quality and resilience within the constraints of the financial envelope and workforce and to set out key milestones in achieving that strategic vision.</p>	
	<p>The Committee noted:</p> <ul style="list-style-type: none"> - The £36.543m of progress made in closing the gap since the opening financial plan; - The deterioration in expenditure and income forecasts that means there is still a residual £23.890m gap; - That at this stage risk ID 2123 remains very high but if it were to be subdivided into the longer term and a short term risk that NHS Lanarkshire would end the year outwith agreed SG brokerage parameters the short term risk could be reduced to medium. 	

11.	PROCUREMENT	
	(i) Annual Report	
	<p>Mr Erskine highlighted the legal requirement to publish the report and its key elements in 2021/22 there had been £69.8 m of regulated spend across 27 contracts, the largest of which was for business continuity work at Monklands. The department expects to commence 74 regulated procurements over the next 2 years. 89.5% of NHS Lanarkshire’s supplies spend was covered by contracts and frameworks against a target of 90% with the drop from last year driven by the increased use of non contract nursing agencies to fill gaps. Cncllr Logan asked about the risk of increases to contract prices once they had been issued due to emerging events. Mr Erskine said this was always a risk with building contracts and good site surveys and specifications were important. Mrs Ace said there was also a risk from supplier failure, enhanced due to the current economic conditions, so checks on their resilience were important.</p> <p>Mrs White asked if there was more scope for contracts to go through national frameworks. Mr Erskine said Heads of Procurement did flag to NSS further opportunities and there was an annual review process where this could be formally considered. ss. All Heads of procurement sit on a management group where that is fed in.</p> <p>Mr Moore confirmed that the report had already been published.</p>	
	The Committee: Noted the report.	
	(ii) Update	
	<p>Mrs Ace talked the Committee through the purpose of the paper which was to ensure that the judgements made on when full competitive procurement was not pursued remained sound and to keep the committee informed of the progress in mitigating the risks surrounding the Labs Managed Services retender.</p> <p>There were no waivers of particular concern being presented to the Committee. It was noted that there had been an extension to the time allocated for receiving and replying to supplier’s questions which had knocked back the date on which tenders would be evaluated. It was hoped that permitting this extension lessened the risk of a legal challenge at a later date. The consequences of such a challenge succeeding could either be</p>	

	having to recommence a procurement exercise in which case the aging equipment gave service risks, or that damages would have to be paid.	
	<p>The Committee:</p> <ul style="list-style-type: none"> noted the single tender approval and SFI waivers granted in the quarter; noted that the Laboratory Managed Service Contract procurement timeline has been extended in response to challenges from the suppliers and this remains a high risk activity. 	
12.	RISK MANAGEMENT	
	<p>Mr Cannon presented the Corporate Risk Register and a short covering paper highlighting activity since the last Audit Committee.</p> <p>Mr Gaskin commented that there should be a timescale for the target risk rating to be achieved and, given previous comments on the elevated of risk in the environment some of the target levels may be unrealistic in the short term.</p> <p>Mr Cannon let the committee know his plans for updating the risk register and reports in January, with the previous risk manager returning part time for a period to assist with this and then to induct the new risk manager.</p> <p>Mrs Ace confirmed that whilst the very high finance risk had not been updated as reviewed on the risk register, as the papers to Board, PPRC and Audit committee demonstrated the risk was being reviewed on a monthly basis as a minimum.</p>	
	<p>The Committee noted:</p> <ul style="list-style-type: none"> the summary of risk business conducted and discussed through CMT since the August will be picked up in early 2023; that despite the absence of the Corporate Risk manager risk reports have continued to be delivered to Governance Committees; that the Resilience Manager has made a recommendation that the Covid-19 Risk incident be formally stood down; to review any aspect of the corporate risk register as necessary and seek further assurance reports at a future meeting if required; that a replacement for the Corporate Risk Manager has been appointed and will start in early 2023. 	

13.	IJB ANNUAL AUDIT REPORTS: North and South	
	Mrs Ace explained that as part of the governance statement process cross assurances were received from the IJB Chief Finance Officer that there were no weaknesses within the IJB control environment that might have an impact on the NHS Board's ability to deliver its own objectives. This had been received at the time of approving the accounts but the original guidance also suggested that the NHS Board Audit Committee should receive a copy of the IJB's external audit report when it was available. These were being presented today. There were no issues pertaining to the NHS Board requiring the Committee's attention.	
	The Committee: Noted the reports.	
14.	AUDIT SCOTLAND REPORTS	
	(i) Briefing – Scotland's Public Finances – Challenges & Risks	
	Mr Moore commented that this was a useful overview setting out the scale of the challenges which had already been referred to at several points during the Audit committee. Mrs Ace agreed that this independent, public assessment helped us to begin an open dialogue about what might be needed in future.	
	The Committee: Noted the report.	
16.	AOCB	
	i) Face to Face meetings	
	It was noted that the first time the Board Room was available was for the June meeting and the intention was it would be face to face with a Teams option for anyone unable to attend physically.	
17.	DATE OF NEXT MEETING	
	Tuesday 7 March 2023, 9am via MS Teams	
18.	FUTURE MEETINGS IN 2023	
	6 June 2023 at 9am 28 June 2023 at 8.30am (annual accounts) 5 September 2023 at 9am 5 December 2023 at 9am	