

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

CHAIR: Mr B Moore, Non-Executive Director

PRESENT:

Mrs S White, Non Executive Director
Cncllr E Logan, Non Executive Director (From Item 5)
Cncllr M Coyle, Non Executive Director
Mr P Couser, Non Executive Director

IN

ATTENDANCE: Mrs L Ace, Director of Finance
Mrs J Park, Deputy Chief Executive
Mr P Cannon, Board Secretary
Mr C Morton, Deputy Director of Finance
Mrs M Holmes, Head of Internal Audit
Mrs A McLean, Corporate Services Manager
Mr Mark Ferris, Audit Scotland
Mr John Boyd, Audit Scotland

APOLOGIES:

Mr Martin Hill, Chair
Professor Jann Gardner, Chief Executive
Ms Charlotte Hope, Corporate Risk Manager
Ms Jocelyn Lyall, Chief Internal Auditor

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Mr Couser as a new member of the Committee following Mrs Macer's departure. He ascertained there were no conflicts of interest and introduced Mr Morton as an attendee in his capacity of Deputy Finance Director for Corporate Services. He also welcomed Mrs McLean who was observing on Teams in her new capacity of Corporate Services Manager with an input into risk management.	

2.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 6 AND 28 JUNE 2023	
	The Committee: Approved the minutes of the meetings.	
3.	ACTION LOG	
	<p>Mr Moore asked if it was still the intention to bring the assurance mapping framework to the September PPRC. Paul Cannon confirmed this was still the case and that it would be combined with a review of the governance structures. He added that he and Colin Lauder were meeting with directors to review the operational groups that fed in to the governance committees.</p> <p>Mrs Ace reported that most actions were now complete but that she still had to pick up on reviewing the workplan for the March 2024 and June 2024 committees to check they listed all the evidence that would be considered to give assurance on the governance report. She agreed she would mark off all the others and they would then be archived.</p>	LA
	The Committee: Accepted the action log update.	
4.	MATTERS ARISING	
	Mr Moore asked about progress on the financial sustainability audit which Mr Gaskin had indicated would be available for this committee. Although further work had been done gathering information for this report it was agreed that it had been reported on in the annual report and that this would be rolled into current programme with an aim to report to the December committee.	MH
5.	INTERNAL AUDIT	
	i) Progress Report 2023/24	
	<p>Mrs Holmes noted that the first 4 audits in the report were the final versions from the previous annual plan, the findings from which had already been taken account of in the Chief Internal Auditor’s annual assessment of controls. The fifth was the annual Property Transaction Monitoring report for 2023/24. The paper also listed the audits in progress for 2023/24.</p> <p>Mr Moore noted that 2 gave substantial and 2 gave adequate assurance.</p> <p>Mr Couser asked about the plans for including the MRP risk in the corporate risk register and how it would be phrased. Mrs</p>	

	<p>Holmes said it should mainly be around financial sustainability progressing to FBC. Mr Moore added that workforce risks were also assessed as high. It was noted that there is a separate project risk register for Monklands which captures these issues.</p> <p>It was also noted that the previous risk management reports also contained the MRP risks but these had been dropped. It was agreed that this would be reviewed.</p> <p>Mr Moore welcomed the substantial assurance rating for the Public Protection audit.</p>	PC
	THE COMMITTEE: Accepted the report	
	ii) Follow-up Report	
	Mrs Holmes explained some of the actions had longer dates for achievement but those that were due had all been completed.	
	THE COMMITTEE: Noted the report.	
	iii) Post Transaction Monitoring Report	
	<p>Mrs Holmes explained that this was a mandatory audit presented to the committee in September each year and sent to Scottish Government as required in the Property Transactions Handbook. This year's report showed compliance with no further findings.</p> <p>Mr Moore observed previous years had found minor gaps in paperwork so this represented an improved position. Mrs Holmes said Internal audit worked early with PSSD to ensure in advance all requirements were being followed.</p>	
	The Committee: Accepted the report	
6.	EXTERNAL AUDIT	
	Mr Ferris informed the committee that he had held a catch up meeting with finance team last month, jointly reviewing the 2022/23 audit experience for learning for future audits.	
7.	PRIMARY CARE GOVERNANCE	
	(i) Payment Verification report: new arrangements for 2023/24 and any significant issues and Patient Exemption Checking annual overview	
	Mrs Ace explained the report confirmed to the audit committee that we were following relevant guidance in terms of reviewing practitioner payments and set out what activity had taken place	

	<p>and any issues of concerns (there were none). The report also set out the results of the national sample checking into claims for subsidised dental or ophthalmic services. She highlighted that in terms of instances where the patient could not prove eligibility there were fewer write offs and greater income recovery than in the previous year. Mrs Holmes added that this was as a result of new debt collection procedures. Ms White asked if we took the decision to write off the debt or whether it was another agency. It was confirmed it was NSS on our behalf. Mr Couser asked if we had the information to assess what the likely population impact would be of this level of ineligibility in the sampled claims. Mrs Ace recollected that the reports from several years ago did have an extrapolated figure in it. Mrs Holmes believed it had been consciously discontinued because of doubts about the validity of extrapolation. Mrs Ace agreed to contact Counter Fraud services to clarify the position.</p>	LA
	THE COMMITTEE: Accepted the report	
8.	FRAUD UPDATE	
	(i) Fraud Report (including progress report on NFI)	
	<p>Mrs Holmes notified the committee that the guilty party prosecuted as a result of Operation Welsh had been sentenced to 3 years 8 months, a reduced term due to early pleading. She confirmed that the controls brought in as a result of proactive work following a CFS alert on control over IT equipment during covid had now been signed off as being in place. The plan is to do work later in year to check that the controls are operating as intended. She noted that she had developed an action plan to take forward our compliance with the Fraud standards. She informed the committee that the National Fraud Initiative matches were now out and she hoped to be able to sign off on the NFI work by end December.</p> <p>Ms White asked if the Board had to wait for the new referrals to be closed by CFS before we were able to take internal action. Mrs Holmes confirmed we worked in parallel, liaising to ensure we didn't interfere with CFS work but that we could take forwards our own disciplinary process. Mrs Ace confirmed we also sought to put in place any early learning from our own investigations in order to enhance controls and gave examples where that had been done well in advance of the CFS process concluding. Mrs White asked specifically about the case of missing property and Mrs Holmes replied that after the internal investigation, key holding and other controls were reviewed.</p>	

	<p>Mr Moore asked if there had been any actions as a result of the allegation round misappropriated supplies in the orthopaedic theatres. Mrs Holmes said there had been an internal investigation which Mrs Park confirmed, noting that now they were using more standard items on national contract limiting opportunities for fraud.</p> <p>Mr Moore noted the reference to fraud risk assessment over the use of off framework agencies. Mrs Holmes explained that following a new circular the use of such agencies had reduced but that we still expected a report from CFS into overall agency use.</p> <p>He asked what plans were in place for fraud awareness week. Mrs Holmes said they had applied for a banner stall on one of the acute sites. He noted there was a new learning module for fraud and Mrs Holmes said she had included links to this in a recent staff briefing.</p> <p>Mr Moore referenced Operation Hanover and asked how we picked up cases of people working at other employers during the time they were contracted to work with us. Mrs Holmes said it was through a combination of the NFI process, social media monitoring, and fellow employees contacting the fraud hotline.</p> <p>Mr Moore asked about the gaps in the fraud action plan and it was confirmed these would be filled in progressively.</p>	
	THE COMMITTEE: Accepted the report	
9.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace talked through the paper highlighting the projected year end deficit of c £19m presented to the August Board and the movements since the financial plan forecast of a c£34m deficit. She described an emerging risk on the lack of availability of information on recent GP prescribing due to a systems upgrade which introduced a wide range into potential projections of how large the prescribing overspend was. She confirmed that to date it had been assumed this would be contained within the IJB accounts and had not been added to the NHS Board forecast deficit. She also noted that we had not yet received information from Glasgow on the value of high cost drugs prescribed for our patients in their hospitals.</p>	

	<p>She pointed the committee to the previous feedback from SG and the recent quarter 1 review meeting. Mr Moore noted that the Board was awaiting SG's formal feedback.</p> <p>She signposted the list of savings achieved to date and the pipeline of further work. She expressed a degree of confidence that the Board, which at month 4 was reporting c £17m of identified savings, would exceed the £22m estimate originally submitted to SG as she had confirmed a further £5m of financial management savings in month 5. She explained that there was only c £0.1m of agency savings in the current total against the £5m that had been assumed possible at the time of the plan and talked through the graph showing the agency reduction since 31st March 2023 and the ongoing work which may allow savings from last year's £25m spend to be achieved.</p> <p>The pipeline of savings was not however judged to be able to yield sufficient savings to close the gap in year and brokerage was still the most likely outcome. This would be added to the recurring gap in future years meaning the risk of not achieving breakeven in 3 years was still very high.</p> <p>Mrs White observed that the savings from outside the S & V programme were of a higher value than those found within it and asked how these had been identified. Mrs Ace talked through the individual lines.</p> <p>Mr Couser said he was reassured that S & V work still live but noted that the savings were predominantly in non pay areas, with very little from workforce and low values of recurring savings. He asked about previous reports and the Chief Internal Auditors comment on a loss of culture of delivering savings/efficiencies and whether we were going to have to contemplate wider action.</p> <p>Mrs Park replied that ultimately we would have to change and the greater collaboration between sites during system pressures had led to more recognition that reviewing services pan Lanarkshire for workforce sustainability and better patient outcomes was needed.</p> <p>Mrs Ace said that arithmetically adding together the NHS Boards deficits led to the logical conclusion that more would have to be done to stay within SG funding limits but there was still a tension between safe system performance and balancing budgets and there was still ambiguity as to where that line should be drawn.</p>	
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	<p>Mr Couser observed that thought would have to be given as to how to play out that tension in our future strategy “Our Health together”. He also noted that the IPQR did not capture the wider service efficiency dimension although including that could lead to too long a report.</p> <p>Mrs Park said work was ongoing in looking at service efficiency and work was taking place within the division to drill down into diagnostic tests and imaging.</p> <p>Mrs Ace reminded the committee of the discussion at the nonexecutive director briefing session on the criteria for committing more money whilst in deficit, with a high bar on ensuring it is absolutely essential given the amount of effort involved in even the smaller savings schemes to take money out the system.</p> <p>Mr Moore noted the high level of non recurring savings. He asked about further plans for reducing off framework agency and was told there was a plan to eliminate it by end of December 2023.</p> <p>He referred to the pipeline and asked for more information on the review of high cost locums. Mrs Ace agreed to supply the medical directors latest update so he could assess whether more detail would be useful at the next committee. He noted there were potentially overlapping savings schemes relating to mobile phones. Mrs Ace confirmed they were separate schemes but there would be some interaction eg if the number of handsets was reduced, the total savings from the new contract would be lower. He asked about future plans for digital communications. Mrs Ace said it had been explored but software incompatibilities meant the proposed solution could not yet be implemented in Lanarkshire. It was agreed more information would be supplied at the next committee. Mrs Park informed the committee there were still advances being made in specific areas, citing the on digital forms used in preassessment.</p>	
	<p>The Committee: Accepted the report and noted that the financial risk of not breaking even over 3 years remained very high.</p>	

10.	PROCUREMENT	
	<p>Mrs Ace talked to the paper. She highlighted that there was an increased number of requests for waivers from competitive procurement which was partly to do with tighter process for capturing such occasions and partly to do with extending contracts because the time taken to conclude procurement exercises was greater than had originally been anticipated. She provided an update on the Laboratory managed services procurement noting that this was a very complex set of services in a market where legal challenge was not unusual. This remained a high risk activity though the intention was for a recommendation to be brought to the October Board.</p>	
	THE COMMITTEE: Noted the report and the risk assessment.	
11.	RISK MANAGEMENT	
	(i) Corporate Risk Register Overview	
	<p>Mr Moore noted that the risk register had been presented to the Board in the previous week. Mr Cannon confirmed the changes had already been flagged to the Board though he would add the very high risks to the corporate risk register as these had not been carried over. Mr Moore noted the new format and structure were helpful.</p>	
	THE COMMITTEE: endorsed the report.	
	(ii) Risk Management Policy	
	<p>Mr Cannon said work had been done to disaggregate strategy and policy. The strategy had already been reviewed by the audit committee and the policy had been through the corporate management team. He explained that the framework containing the more operational detail of how risk management would be carried out. He noted that following early comments from the committee chair he would look to review the framework, which had not yet been to the corporate management team, to make sure it reflected the current arrangements within the organisation. Mr Couser asked about risk appetite. Mr Cannon had said a review had been initiated but given the postholders impending absence postponed.</p>	
	THE COMMITTEE: noted the report.	

	(iii) Risk Management Strategy	
	Mr Moore noted that this had already been seen and approved by the committee and was on the agenda today purely for reference.	
	THE COMMITTEE: Noted the report was presented for reference only	
	(iv) Risk Management Framework Mr Moore picked up on earlier comments that the document, which was not one normally seen by the audit committee, did not sit cohesively with the others and that it used terminology and descriptions of organisational arrangements that did not appear to fit NHS Lanarkshire. Mr Cannon agreed that refinements were needed and that the document would be taken through the Corporate Management Team. The Committee: Noted that changes were needed to the risk framework document.	PC
12.	REVIEW OF TERMS OF REFERENCE	
	Mrs Ace explained that the committee reviewed its terms of reference on an annual basis to ensure they remained current. Last year's terms of reference were included on the agenda for review.	
	THE COMMITTEE: Agreed the terms of reference remained extant and no change was needed	
13.	AUDIT SCOTLAND REPORTS	
	It was noted that there had been no Audit Scotland reports relevant to the committee published since the last committee meeting.	
14.	WORKPLAN	
	(i) Workplan 2023/24	
	Mrs Ace said the workplan was progressing as intended and as previously noted would review the March and June committee inclusions in light of the governance statement guidance to ensure everything necessary for assurance was listed.	
	The Committee: Noted the smooth progress of the workplan	

16.	AOCB	
	None	
17.	DATE OF NEXT MEETING	
	Tuesday 5 December 2023, 9am in the Board Room	
18.	FUTURE MEETINGS IN 2024	
	12 March 10am 4 June 9am 26 June 8.30am (Annual Accounts) 10 September 9am 3 December 9am	