

Lanarkshire NHS Board
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**Meeting of the Audit & Risk Committee, Tuesday 5 March 2024
 at 9am in the Board Room/MS Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT:

Mrs S White, Non Executive Director
 Cncllr E Logan, Non Executive Director
 Mrs S Stewart, Non Executive Director
 Cncllr Coyle, Non Executive Director (from item 6)

IN

ATTENDANCE:

Professor J Gardner, Chief Executive
 Mrs L Ace, Director of Finance
 Ms L McDonald, Non Executive Director
 Mrs M Holmes, Head of Internal Audit
 Mr C Morton, Deputy Director of Finance
 Mrs A Maclean, Corporate Business manager
 Mr Mark Ferris, Audit Scotland
 Mr John Boyd, Audit Scotland
 Ms Fiona Owens, Audit Scotland
 Mr M Breen, Director of Finance (from 1/4/24)

APOLOGIES: Martin Hill, Chair
 Ms Jocelyn Lyall, Chief Internal Auditor

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	Mr Moore welcomed Mr Breen and Ms McDonald to the meeting.	
2.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 5 DECEMBER 2023	
	The Committee: Approved the minutes of the meeting.	

3.	ACTION LOG	
	Mr Moore noted that the action on revising the Risk Management and Assurance Framework was still outstanding. It was confirmed this would be taken forward for the June Committee. It was agreed completed actions could be removed from the next log.	JG AD
	The Committee: Noted the progress with the action log	
4.	MATTERS ARISING	
	Mr Moore noted he would pick up an action point on Fraud awareness at employee induction when discussing the fraud item.	
5.	EXTERNAL AUDIT	
	2023/24 Annual Audit Plan	
	Mr Ferris talked through the plan, highlighting the materiality levels and the significant risks. He explained the risk of management override and of fraud was a standard inclusion in all audit plans and that there would be a particular focus on transactions near the year end. Other risks were the implementation of IFRS 16 for the PFI contracts in line with FREM requirements and the accuracy of the estimation of valuation of land and buildings. They would continue to work closely with finance to make sure both of these addressed appropriately. Another risk that would be followed up was in respect of the issue at the end of last year regarding the NHS GG & C SLA and how the performance obligation should be treated under IFRS 15. He highlighted the wider scope work and best value. Financial sustainability would be a key focus for this financial year. He noted the audit fee was included in the report. He confirmed there was a clear timetable working with finance to conclude the accounts by the 30 th June 2024 and would bring the management report to the 4 th June 2024 Committee. Mrs White asked if there was an obligation to restate previous years PFI figures for IFRS 16. Mr Morton confirmed there was a requirement to revise the prior year but as this was not a local decision to change policy we did not have to do a full restatement.	

	<p>She asked about the frequency of the valuations. These were confirmed as annual with Mr Morton further explaining that additional work was being done this year as a result of an audit point last year to cross check the plans used for valuation with those held locally to ensure they were accurate and so would result in a proper valuation.</p> <p>Mrs White asked about the supplementary fee. Mr Boyd confirmed it was based on a set percentage for the local team to apply if needed.</p> <p>Re IFRS 16 Mr Boyd confirmed that IFRS 16 had been implemented in stages with the service concession element being one of the last and was being introduced for the NHS in 2023/24 and local authorities in 2024/25.</p> <p>Both Mr Moore and Ms White asked about the intentions to review the Boards arrangements for delivering Best Value. Mrs Ace explained that the revised guidance and the previous exercise had been circulated. With the self assessment against the Blueprint for Good Governance in the latter part of 2023/24, the proposed revisions to the governance arrangements and the escalated focus on transformation and reform, it had been decided that this exercise was best scheduled for 2024 and would be taken forward by Mr M Breen and Mr P Cannon.</p>	JG (to commission)
	The Committee: Noted the external Audit Plan for 2023/24	
6.	INTERNAL AUDIT	
	i) Progress Report 2023/24	
	<p>Mrs Holmes presented the paper making the general observation that audit work was finding that systems and controls were in place but were not necessarily all back to their precovid level of compliance.</p> <p>Mr Moore noted with interest some of the statistics in the theatre productivity report and the potential value of Discovery in looking at this and wider issues of obtaining value in use of resources.</p> <p>Prof Gardner described an intention to build in discovery upper quartile to indicators in the IPQR and also the intention to drill into these areas and bring back the information to Board members.</p>	

	<p>It was agreed to discuss off line the potential for this work to come to one of the new governance committees, perhaps the new Hospital governance group with assurance to the audit & risk committee that the mechanisms were in place.</p> <p>Ms McDonald asked that, given the learning opportunities from SAERS, how the recommendations arising from findings on time taken and logging on datix were being taken through the Board. Mrs Holmes described that there was a mechanism in place regarding follow up of every recommendation and that every report went in full to the relevant committee which in this case was HQAIC. Mr Moore noted consideration was need to whether the full report went to the sub committee or the standing committee in the new governance arrangements.</p>	<p>JG/BM</p> <p>JG</p>
	<p>THE COMMITTEE: Noted the report</p>	
	<p>ii) Follow-up Report</p>	
	<p>Ms Holmes noted that there had been full implementation of recommendations due at this point and there was nothing to escalate to the Committee.</p>	
	<p>THE COMMITTEE: Noted the report</p>	
	<p>iii) ICE</p>	
	<p>Mrs Holmes confirmed that management responses had been received to the recommendations and that these would be followed up as their dates became due.</p> <p>Mr Moore overviewed the report. He asked when the culture assessment survey was being considered by the Staff Governance Committee and was informed the 18th March 2024. He referenced the comment on return to work processes being reinstated and a subsequent clarification that after a period of suspension during covid many elements had been reinstated though the full pre covid practice had not. Mrs Ace expanded on other work that had taken place, including training sessions, the deep dive and starting the supported review of the worst areas on each site. Mr Moore emphasised the importance of a focus on absence management given the relatively high sickness absence levels NHS Lanarkshire was reporting.</p>	
	<p>The Committee: Noted the report and the management responses to the recommendations.</p>	

7.	GOVERNANCE STATEMENT	
	(i) Guidance	
	<p>Mrs Ace explained that the governance statement gave an overview of the organisations governance arrangements, with a strong emphasis on risk management. It was signed by the accountable office and both internal and external audit gave an opinion on whether its content was consistent with the financial statements and their audit work. The Audit & Risk Committee would also review the draft statement in the light of a suite of evidence presented and endorse its acceptance by the Board or ask for amendments.</p> <p>Guidance on its content was provided in an attached extract from the annual accounts manual.</p> <p>Ms White noted that the potential for patient harm appeared in the guidance and questioned whether the issue was significant and asked how this would fit with the Audit & Risk Committee’s remit. Mrs Ace explained that the Committee would receive the annual reports from other committees who would have considered such issues and would be expected to flag areas of concern pertaining to their remit as well as any weaknesses raised by directors in their assurance letters.</p> <p>Ms McDonald noted there was greater emphasis on assurance on the IJBS operation in this guidance. It was noted there was an established process of obtaining assurance from the IJBs and that this might need to be more explicit this year. Likewise Mr Moore noted there were more specific references to Risk appetite.</p>	LA (MB)
	(ii) Key Lines of Enquiry for Risk Management	
	It was noted that this would be available in time for the June committee, ideally circulated in advance.	PC
	(iii) Accountable Officer’s Duties	
	Mr Moore noted the document provided confirmation that the duties were being met. Professor Gardner confirmed it had been shared with the Deputy Chief Executives.	
	(iv) Draft Annual Report for the Audit Committee 2023-24	
	The Committee agreed that the report reflected their work and that the matters of concern raised was as expected. A final review was to take place for any papers that had not been submitted to the committee as had been expected at the time of drafting.	LA

	(v) Board Self Assessment against NHS Scotland Blueprint for Good Governance	
	Mr Moore explained that the self assessment process against the 2 nd edition of the NHS Scotland Blueprint for Good Governance had been issued late last year, the Board had undertaken the exercise and held a session to discuss the output and any improvement suggestions. The document reflected the output from that discussion.	
	The Committee: Noted the report	
8.	WORKPLANS	
	(i) Workplan 2023/24 Mrs Ace noted that, other than the risk management items previously referred to which were now deferred to the June meeting, the workplan was on track.	
	(ii) Draft Workplan 2024/25	
	This was presented for approval.	
	The Committee: Agreed the workplans.	
9.	FRAUD UPDATE	
	(i) Fraud Report	
	Mrs Holmes summarised the key issues in the report. In the quarter there had been 10 new referrals with many of the cases ending up being closed or handed over for internal action as the evidence is more limited or the value small. Any established loss will be disclosed in the SFR 18. Fraud awareness activity included several staff briefings on a variety of topics and a banner stand on a hospital site. Operation Ariston is scheduled for court by this time next year. The National Fraud initiative work was underway. Ms McDonald commended the work going out on site and the impact it has in raising awareness which could be helpful for whistleblowing as well.	
	CFS Quarterly Report	
	Mr Moore noted the number of cases relating to staff and sickness absence and the need to have robust procedures.	

	Prevention Guide	
	Mr Moore commented that he had found this a helpful reminder of the various types of procurement fraud that exist and the potential use of truth statement and annual statements.	
	Counter Fraud Strategy	
	<p>Mr Moore highlighted the strategy's direction that we should make sure we have a counter fraud narrative within the organisation to raise awareness and create a culture where it is not tolerated and staff are trained. He noted training uptake was lower than the strategy might require.</p> <p>Ms White noted the fact many of the cases were coming through anonymous allegations gave some assurance that the counter fraud narrative was established.</p> <p>Mrs Holmes said she was regularly including items in the staff briefing but, recognising not everyone reads it, had supplemented this with an on site event. She suggested that even if the presentations in the induction programme were already at capacity, perhaps a sheet of information with links to fraud information could be included in the induction pack. Ms McDonald thought this could also be helpful for whistleblowing. Professor Gardner agreed to explore this.</p>	JG
	The Committee: Noted the Fraud report	
10.	ARRANGEMENTS TO SECURE EFFICIENCY	
	<p>Mrs Ace first talked through the 2023/24 position highlighting that:</p> <ul style="list-style-type: none"> - There was now reasonable confidence that breakeven could be achieved in year though with a high reliance on non recurring means; - The target £22m savings in the opening financial plan had been exceeded though with the same caveat as above; - That the measures to reduce agency were having an impact with January 2024 29% less than January 2023 and if this continued by the year end we should be c£1.8m less than in the previous year. <p>Mr Moore noted the positive progress. He asked about an outstanding action from CFS who had selected NHS Lanarkshire for a review of controls to prevent fraud on use of agency. Mrs Holmes confirmed the work was continuing and, now that off framework agency use had been reduced through nationally</p>	

supported action, the focus would be on framework agencies. She expected a report within a number of months.

Mrs Ace then talked through the 2024/25 financial estimates and savings plans highlighting the following:

- The allocation for 2024/25 had a 0% uplift for growth in new drugs or inflation on energy bills, contracts or supplies .In addition the new medicines funding had been advised as being reduced by £20.9m With both hospital and primary care drugs bills growing fast and expected supplies inflation 2 % on a best case scenario this presented the Board and IJBS with a significant gap that needed to be filled by savings from existing services;
- The Gap had initially been quantified at £112.5m and in the first week of February there had been a wide reaching staff communication programme explaining the situation and the action required;
- Subsequently SG had announced further funding. This included a £12.3m increase in the NMF, £18.469m in consequential funding and a £4m reduction in the CNORIS charge. This reduced the forecast deficit to £77.5m;
- Until there was certainty that the UK budget on 6th March would not further alter this position it was not planned to do another wide staff communication;
- A gap of this scale would require far more than traditional efficiency measures and require system transformation. Extensive work was underway that could broadly grouped into 3 main categories. The first tightening financial controls, the second ensuring sustainability and value in all our activities and the third, transformation and reform. Further detail was presented on each;
- Non executive directors were presented with the outline savings plans at a development session on 22nd January
- It was noted that the next version of the plan was due to SG on March 2024 and that would include that list as amended for any advised changes. At this stage most were indicative of potential from each area rather than plans that were worked up ready to have a full year effect;
- It was noted that it was unrealistic to expect. transformation savings of that magnitude without an element of upfront investment and it had been proposed by the Chief Executive that a provisional £10m be entered in the next version of the plan;

	<ul style="list-style-type: none"> - Work continued on savings plans and a further version of the plan would be developed for presentation to the Board on 27th of March 2024. <p>Mr Moore picked up on the response from SG to the first version of the plan submitted which said “As set out in the Director General letter of 29 November, the Board requires formal approval from Scottish Government before committing expenditure that does not have a budget.” and asked about the practical working of this. Mrs Ace said it was not clear. Professor Gardner talked of the replicating the process used for the £5.9m investment in Operation Flow for a Transformation fund creating an upfront permission act within an agreed envelope.</p> <p>It was agreed the risk of not breaking even over the next 2 years was still very high and it was agreed to revise the risk descriptor to be for the period 2024/25 to 2026/27.</p>	LA
	<p>The Committee:</p> <ul style="list-style-type: none"> - Noted the positive outcome for 2023/24 ; - That the forecast gap before savings for 2024/5 currently sits at £87.502m based on latest information and including a £10m allowance for transformation; - The arrangements in place for identifying ways of closing the gap in 2024/25; - That the risk of not achieving breakeven over 23/24 – 25/26 is still rated very high. - 	
11.	PROCUREMENT	
	(i) Update	
	<p>Mrs Ace outlined the number of waivers from competitive procurement agreed during the quarter and the themes behind the approvals. She also advised the SFI waiver form had been updated to better reflect the justifications in the legislation for not following the competitive route and to reflect a different limit for purchases of health or social care. Mrs McDonald asked if there was a duplication in the report re the award to Healthy n Happy Community Development Trust. Mrs Ace confirmed this was. She asked about the supplier selection for the Stigma free Lanarkshire programme where only one bid had been received from 7 interested suppliers. Mrs Ace agreed to find out more detail (following the meeting Mrs Ace confirmed it had been an open tender, addressing Ms McDonald’s point).</p> <p>Mrs Ace provided an update on the procurement activity for the Laboratories Management Service highlighting both the complexity and the litigious nature of the main suppliers which</p>	

	made this a high risk activity. Ms McDonald asked if the procurement was still proceeding on the timeline advised in the paper. Mrs Ace agreed to check. (Following the meeting it was determined the date for contract notice had been pushed out by one week since the paper was written).	
	The Committee: Accepted the report subject to responses on the questions (now provided).	
12.	RISK MANAGEMENT	
	(i) Risk Management Summary Report	
	Mrs Maclean presented the paper which covered the period December 2023 to February 2024. She reported the risks had been relatively stable with 2 showing a decrease with 2 showing a decrease – off framework agency and development of new health care strategy- and one showing an increase (failure to comply with sustainability policy) . Since this report there had been a further update to CMT and agreement to review risks 2218 and 2219 (unscheduled care and planned care) to separate the performance and clinical elements of those risks.	
	The Committee: Noted the report.	
	(ii) Corporate Policies Compliance Report	
	Mr Moore noted that after a short hiatus this report had been reestablished on the agenda and there were 2 policies which had not been updated as per scheduled timeline.	
	The Committee: Noted the report.	
13.	REVIEW OF SFIs & SoD	
	Mr Morton advised the committee that the main changes had been to the procurement section to reflect latest best practice and highlight the need to start the process earlier to ensure compliance. He flagged that a view was being sought from the committee on a potential revision to the scheme of delegation to reflect how decision to commit resources could be taken when the Board was predicting a financial deficit. Mrs Ace elaborated that when in predicted deficit, the current version effectively reserved all but emergency decisions for the Board itself. In an organisation of the scale of NHS Lanarkshire there would always be risk based decisions of an operational nature during the year and the practical impact of this provision had been tested earlier when there was an identified need to boost the frequency of bin collections to avoid a fire risk. In this	

	<p>instance Non Executive Directors had felt the current formulation would involve too much operational detail and discussion having to be passed to the Board.</p> <p>The Committee reviewed the suggested alternative wording which empowered CMT up to a cumulative limit of £250k to take such necessary decisions, reporting them to the next Board so a track could be kept. The question of what happened when the £250k limit was reached was asked and it was suggested the Board would be asked for permission or otherwise to extend. Mrs Ace reassured the committee that in practice the CMT did not take regular decisions to commit resource so the £250k limit could be enough but agreed to expand the current wording to build in what was required if it was insufficient.</p> <p>There was discussion on how the Operation Flow and potential Transformation expenditure matched the SoD and, building on conversations in item 10, it was acknowledged that permission to set an envelope and the criteria for accessing it would come from the Board (and SG if necessary) but then the detailed decisions against that sum would be taken by the executive team.</p>	
	<p>The Committee: Subject to the additional wording being added to the Scheme of Delegation, the Committee endorsed the revised SFIs and SoD for transmission to the Board for ratification.</p>	
14.	<p>Audit & Risk Committee – Self Assessment Exercise</p> <p>Mr Moore introduced this item explaining it was done on an annual basis and it did not reveal any areas where the committee was not fulfilling the expected criteria.</p> <p>Mrs Ace added that the assessment responses this year had been adjusted to reflect that developmental risk management work slowed during absence of risk manager although the core risk management work had continued.</p>	
	<p>The Committee: Accepted the self assessment as an accurate reflection of the committee’s operation.</p>	
15.	<p>AUDIT SCOTLAND REPORTS</p>	
	<p>(i) NHS in Scotland 2023</p>	
	<p>Mr Moore noted the committee routinely reviewed any relevant issued Audit Scotland report.</p>	

	<p>In this report, he said, there was a clear message that there was no overall visions for NHS in Scotland and that a shift was needed from recovery to transformation with an emphasis on preventative message. It recommended SG produce a medium term financial plan, referenced the support and intervention framework and the need for an updated national workforce strategy.</p> <p>MR M noted in previous years the report was presented to full Board or PPRC as a discussion item.</p> <p>Professor Gardner informed the Committee that as well as the vision event for unscheduled care on the 8th of March there were plans to have similar sessions for planned care and prevention and that the reports themes could be picked up there.</p> <p>Mr Moore noted that there was a lot of information in the report on financial performance and operational performance with majority of targets not met. He noted the performance decline was despite the growth in workforce and the fact we have many more staff.</p> <p>Mr Ferris said he would be happy to take any comments back to Audit Scotland. Ms white observed that there was less emphasis in this report on the impact of an aging population when that is a real issue on a day to day basis and would be informing our strategy. Professor Gardner agreed, adding in the Lanarkshire context that deprivation was resulting in the earlier manifestation of frailty normally associated with higher age groups.</p>	JG
	The Committee: Noted the report	
16.	AOCB	
	<p>Mr Moore noted that this may be his last committee as Chair. He thanked Mrs Drumm and Mrs Holmes for their input over the years in supporting him as Chair . He also noted it was Mrs Ace’s last Audit & Risk Committee and that by his calculation in her 15 years in Lanarkshire she had supported 75 audit committee meetings with professionalism and an extensive knowledge base. The committee thanked her for her input.</p>	
18.	DATE OF NEXT MEETING	
	Tuesday 4 June 2024, 9am in the Board Room	

19.	FUTURE MEETINGS IN 2024	
	26 June 2024 at 8.30am (annual accounts) 10 September 2024 at 9am 3 December 2024 at 9am	