

Lanarkshire NHS Board
Kirklands
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**Meeting of the Audit & Risk Committee, Wednesday 28 June 2023
at 8.30am in the Conference Room, Medical Education centre, Kirklands/MS Teams**

CHAIR: Mr B Moore, Non-Executive Director

PRESENT:

**Mrs L Macer, Non-Executive Director
Mrs S White, Non-Executive Director
Cncllr M Coyle, Non-Executive Director**

IN

**ATTENDANCE: Mrs J Gardner, Chief Executive
Mr M Hill, Chairman
Mrs L Ace, Director of Finance
Mr E Docherty, Executive Nurse Director
Mr J Boyd, Audit Scotland
Mr M Ferris, Audit Scotland
Mrs M Holmes, Head of Internal Audit
Mr P Noble, Head of Financial Services
Mr A Boyle, Non-Executive Director
Ms L McDonald, Non-Executive Director
Mrs M Lees, Non-Executive Director**

APOLOGIES: Cllr E Logan, Non-Executive Director

1.	WELCOME	ACTION
	Mr Moore welcomed those present including the additional non executives who were in attendance for the special meeting to approve the accounts.	
2.	MATTERS ARISING	
	Mrs Ace explained for the benefit of the Board members attending the committee that previous meetings of the Audit Committee had considered a suite of evidence on the strength of the internal controls and from that had agreed the wording of the Governance Statement was appropriate. The items presented today were not available at the time of that consideration and were brought to conclude the process.	

	i) Endowments Assurance Letter	
	<p>Mrs Ace explained that as the endowment accounts were consolidated with the NHS Boards annual accounts there was the potential (although unlikely, due to the materiality level) for an issue with internal control in the endowment fund to impact on the NHS Board's accounts. An assurance letter was therefore required from the Chair of the Endowment fund to the NHS Board Accountable Officer to inform their opinion in the Governance Statement. It was noted there were no issues highlighted in the letter and that the fund's accounts had received a clean audit report.</p>	
	ii) IJBs Assurance Letters	
	<p>Mrs Ace explained that as the Board delegated a substantial range of functions to the IJBs, any weakness in the IJBs systems of control could have an impact on the Board's ability to achieve its objectives. As a result, assurances were required from the IJBs that there were no significant weaknesses. Letters providing these assurances had been received from the Chief Finance Officers of each IJB.</p>	
	THE COMMITTEE: Accepted that the assurance letters contained no issues that would require an amendment to the governance statement included in the draft NHS Board accounts.	
	iii) Internal Audit Annual Report - final	
	<p>Mrs Ace noted that the committee had considered this in detail at its meeting of 6 June 2023 and it was coming back with some minor amendments and the management responses completed. There had been 3 recommendations. One, common to other NHS Boards, related to the financial sustainability and the likelihood that traditional efficiencies would be insufficient to fill the gap requiring wider reform. The response set out the work of the sustainability and Value programme, the work to stabilise the performance of the system and further steps envisaged. A second recommendation was on the importance of monitoring the results of Operation Flow. This was well recognised and monitoring mechanisms well developed. The final recommendations made various points about the flow of assurance from the Governance committees and this would be reviewed during 2023/24. Mr Moore noted that there should be no surprise on the financial sustainability point which was consistent with reporting by Audit Scotland. He reminded the committee that this was Mr Gaskin's final annual report before his retirement and acknowledged his significant contribution over the years.</p>	

	THE COMMITTEE: Accepted the further evidence supporting the conclusion in the Governance statement and noted the management responses to the Chief Internal Auditor’s Annual Report.	
3.	EXTERNAL AUDIT	
	i) ISA 260 Report	
	<p>Mr Boyd noted that there were still some details in the audit to be finalised but there was nothing outstanding that was likely to have any material impact on the accounts or the audit opinion. The draft Audit opinion was attached and it concluded that that accounts:</p> <ul style="list-style-type: none"> • give a true and fair view of the state of the affairs of the board and its group as at 31 March 2023 and of the net expenditure for the year then ended; • have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and • have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. 	
	THE COMMITTEE: welcomed the unmodified ISA 260 report	
	ii) 2022/23 Annual Audit Report	
	<p>Mr Boyd opened by noting that as a result of the handover between audit teams this year’s audit had been condensed with substantive testing that would normally happen at the interim stage taking part at the final audit. He thanked the finance team for their responsiveness in addressing queries. Mrs Ace added that Directors of Finance nationally had been noting the audit this year was unusually time pressured and that some Boards would be unable to sign their accounts by the 30 June deadline. Noting the full NHS Board accounts package had not been available to the audit team at the start of May she thanked the Audit team for their agility in working alongside the finance team to bring the NHS Lanarkshire audit to a stage where they could be signed in June.</p> <p>Mr Boyd noted that it had been an uncertain year, and that had been reflected in the movements within year but the Board had achieved its financial targets at the year end. He highlighted the scale of the financial gap going forward for NHS Lanarkshire and the Scottish NHS as a whole. The report also recognised the scale of transformation work underway and the planned investment in Monklands with the OBC having been approved by the Board and currently sitting with the Scottish Government. He noted that the</p>	

	<p>report contained a number of recommendations to which management had responded and Audit Scotland would continue to monitor. He informed the committee that there were a number of adjustments, none of which were material or would impact on the bottom line, which were being worked through and would be included as an appendix to the audit report.</p> <p>Mr Moore opened it out to questions.</p> <p>Ms White asked if there were any new financial standards for next year that could impact on the Board’s accounts. Mr Boyd replied that there was nothing significant for next year but that there was a revision to the Auditing standard, ISA 315 during the year and that Audit Scotland had produced a new strategy. The new standard had brought in more work to understand the IT environment and the services it supports and on estimations and judgements. He expected that in future years there would be more focus on climate change and workforce.</p> <p>Ms White asked if this was likely to have an impact on fees. Mr Boyd noted that the current reappointment process had resulted in a step up in fees this year. Audit fees for public bodies in Scotland had been protected from some of the market pressures during the previous 5 year cycle. While John could not confirm what future fees would be he did not envisage such a significant step up next year. However, this would likely be linked to inflationary pressures.</p> <p>Mr Moore thanked both Audit Scotland and the finance team for their efforts in getting the audit to this point. He welcomed the report, highlighting the following;</p> <ul style="list-style-type: none"> • That there was appropriate and timely financial information going to the Board and appropriate arrangements for responding to fraud in place; • That there was a growing reliance on non recurring funding; • The challenge of the level of agency use both for finance and our own workforce. 	
	<p>THE COMMITTEE: Noted the proposed report</p>	
	<p>iii) Letter of Representation</p>	
	<p>Mrs Ace explained that the accounts had been extensively audited but that a standard part of the audit process was for the accountable officer on behalf of the Board to provide a range of</p>	

	assurances that everything was as presented and there were no material undisclosed issues.	
	THE COMMITTEE: Approved the letter for signing by the Chief Executive on behalf of the Board.	
	iv) Patients Private Funds Statement	
	Mr Noble	
	THE COMMITTEE: Noted the Income and Expenditure in year and the year end balances	
	v) Patients Funds Management Letter	
	THE COMMITTEE: Noted the Patients Fund Management Letter and endorsed the statement in 3 (1v) for signing.	
4.	(i) ANNUAL ACCOUNTS: YEAR ENDED 31 MARCH 2023	
	<p>Mrs Ace reassured the Committee that the version distributed to them was a draft and that a final proof read had hopefully picked up the remaining typographical errors noting Mr A Boyle had identified an amendment needed to the remuneration committee narrative.</p> <p>She provided a high level financial overview of the Board's accounts, with overall revenue expenditure of £1.893bn in 2022/23, a further increase in staffing to 13276 wte and assets of ££0.585bn.</p> <p>She noted the apparent decrease in SG funding in year related to the excess Covid expenditure received in 2021/22 and spent or returned in 2022/23 and that the underlying base allocation had increased.</p> <p>She provided additional information on the various accounting entries relating to the IJB's with the SG allocation initially received as income in the Board's accounts, the delegation of the budget reflected as expenditure, the return of budget to support the IJB's service direction reflected as income again and the final expenditure on services reflected as expenditure. She pointed the committee to the description in the paper of the movement on IJB reserves.</p> <p>She noted all 3 financial targets had been met and the position was as had been reported to the Board in more detail in May 2023.</p>	

	<p>Mr Moore commended the Performance and Accountability Report for providing a different lens with which to view the years activity than the month by month reporting. HE felt it depicted well that the pressures originally felt to be as a result of waves of Covid-19 were now endemic and the underlying health inequalities faced by the population. He noted with interest the separate quantification of the percentage of delayed discharges linked to Adults with Incapacity processes and that, although the number of delayed discharges had been decreasing, the length of stay had been increasing. The Social Matters section he felt was an interesting read, showing the focus that there would be needed on community planning in the future and the good coverage of environmental matters. He noted the Cyber security controls and the high environmental risk from this ever present threat. He pointed the committee to the conclusion of the Governance statement on page 38 which set out the scale of the recovery and the constraints on workforce and finance.</p>	
	<p>THE COMMITTEE: Noted the report and endorsed the Annual Accounts for presentation to the Board for signing.</p>	
	<p>(ii) SFR 18</p>	
	<p>Mrs Ace explained that NHS Boards were required to report losses of public funds annually to SG in the form SFR 18 and that individual losses were subject to a relatively low reporting threshold for immediate reporting to SG with details of corrective action included. She noted fraud losses were reported quarterly to SG. She expanded that this was one of a series of Scottish Financial returns (SFRS) which the finance department submitted to SG . Another, the SFR 30, included the agreed balances with other public sector bodies and the committee would have noted an audit point about tracing these agreed expenditure or income balances back through to the notes in the annual accounts which we would develop for next year.</p>	
	<p>THE COMMITTEE: Noted the SFR 18</p>	
5.	<p>ANY OTHER COMPETENT BUSINESS</p>	
	<p>It was noted that once the version was finalised, the annual accounts would be signed by the Chief Executive and Director of Finance by Docusign.</p>	
6.	<p>DATE OF NEXT MEETING</p>	
	<p>Tuesday 5th September 2023 at 9am</p>	
7.	<p>FUTURE MEETING IN 2023</p>	

	Tuesday 5 th December 2023 at 9am	
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