

Lanarkshire NHS Board
Kirklands
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Meeting of the Audit & Risk Committee, Tuesday 6 June 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

IN

ATTENDANCE: Mr Martin Hill, Chair
Professor Jann 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
Ms Charlotte Hope, Corporate Risk Manager
Mr Paul Cannon, Board Secretary
Mr Mark Ferris, Audit Scotland
Mr John Boyd, Audit Scotland
Mr Mark Kennedy, General Manager, Salus (until item 5)

APOLOGIES: Mrs L Macer, Non Executive Director
Cncllr M Coyle, Non Executive Director

1.	WELCOME AND DECLARATION OF INTERESTS	ACTION
	<p>Mr Moore made the Committee aware that the Salus report had reference to a contract with the State Hospital of which he was the Chair. It was agreed to have no bearing on the issue.</p> <p>He ascertained there were no relevant interests to declare.</p>	

2.	APPROVAL OF THE MINUTES OF THE MEETING HELD ON 7 MARCH 2023	
	The Committee: Approved the minutes of the meeting.	
3.	ACTION LOG	
	It was noted that earlier suggested enhancements to the workplan and the audit charter were still to be followed through but that neither were fundamental and would be closed before the next meeting.	
	The Committee: Accepted the action log update.	
4.	MATTERS ARISING	
	None.	
5.	SALUS ANNUAL REPORT	
	<p>Mr Kennedy talked through the paper, highlighting the risk assessment model used to assess new business and noting that 3 opportunities had been declined because the risk of being unable to staff was deemed too high. He confirmed an appropriate inflationary uplift had been applied to existing contracts. He updated the committee on the progress with the PIP contract renewal where the intention was to extend the existing service on a slightly scaled down basis providing a suitable contract could be agreed with the main contractor, Maximus.</p> <p>He noted 3 contracts which Salus had been unable to retain with a potential overall impact of £63,000. The Salus surplus for the year for all contracts, which contributes to the wider occupational health infrastructure, exceeded target.</p> <p>The committee asked further questions on one of the lost contracts and on the experience of home working and were satisfied by the answers.</p> <p>THE COMMITTEE: Accepted that the arrangements for managing the risk in commercial contracts were adequate.</p>	
6.	INTERNAL AUDIT	
	i) Progress Report 2023/24	
	Mr Gaskin talked through the reports concluded during the quarter. The Payroll report gave substantial assurance with minor improvement recommendations. He gave the context for the staff and patient environment audit which followed a Health	

	<p>and Safety Executive visit and highlighted training compliance rates had still not at the point of the audit reached a satisfactory level. The Pharmacy report noted that the Patients own medicines systems had been partially stood down during the pandemic and not reinstated and that there were some minor non compliance with codes of practice but otherwise gave substantial assurance. He highlighted the audit finding on organisational performance reporting that there was no overt written linkage at times between performance reports and the corporate risk to which they relate. Ms White said, although not in writing, the questioning at the committee often brought this out. It was noted that there was an intention to introduce a new integrated performance reporting system.</p> <p>The Labs Managed Service contract review gave substantial assurance over the controls in place. The energy and sustainability audit provided adequate assurance noting some areas where further work was needed. He stated how fundamental good workforce planning was to the success of the organisation and recommended adjustments, including a clear gap analysis, which should be incorporated in further iterations of the plan and should be a real focus of the Staff Governance committee.</p> <p>The strategic planning audit had been deferred until 2023/24 and the financial sustainability audit would be concluded in June 2023. The committee were asked to retrospectively approve the deferment.</p>	
	<p>THE COMMITTEE: Noted the report and gave retrospective approval.</p>	
	<p>ii) Follow-up Report</p>	
	<p>The paper set out that 100% of agreed actions from audit reports had been implemented by the due date.</p>	
	<p>THE COMMITTEE: Noted the report.</p>	
	<p>iii) Draft Annual Report</p>	
	<p>The overall report concluded that there were adequate and effective internal controls in place. Mr Gaskin highlighted however that the environment had changed dramatically and in an enduring way and the Board would need to adapt. He raised the scale of recovery needed after the pandemic, and the national workforce and financial challenges.</p>	

	<p>He noted that in the national guidance and targets there was no sense of what could be deprioritised and recommended that the Board developed its own strategy that was realistic in terms of workforce and finance. He observed that the previously strong culture of living within resources dissipated during the pandemic when the priority became the large scale saving of lives and it would be hard to restore.</p> <p>He referred to the Scottish Government Medium Term Financial plan which predicted a £1bn gap which sat alongside no territorial NHS Boards being able to project breakeven over three years.</p> <p>He recommended that the Board remained attuned to which risks could escalate quickly and built in assurance mechanisms to allow this to be monitored.</p> <p>In the context of Operation Flow he noted that improving such a difficult and complex area of activity did require the organisation to take risks. He stressed the importance of the Board putting in place arrangements to measure performance and monitor risks. The committee discussed this in detail and Professor Gardner confirmed appropriate arrangements would be brought in.</p> <p>Ms Hope informed the committee that it was intended to review the risk appetite and there would be a specific review for operation flow which would also look at the risks of not taking action as well as the risks that the actions taken brought their own risks.</p> <p>She also updated that the report noted committees were only receiving information on the risks delegated to them but that had now been changed and they would get a summary of all corporate risks.</p> <p>Mr Moore noted that the very recent issue of the report meant management had not yet had time to respond.</p> <p>Ms White questioned the phrasing of the upfront statement that said as service remobilised post covid, controls were not always operating as intended. She said this was not the impression given from the suite of audit reports issued in year. Mr Gaskin acknowledged that the statement was intended to relate to the environment becoming more difficult and agreed that analysis sat better in the body of the report.</p>	
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	<p>Mr Hill questioned the action point on financial sustainability which stated that no clear instructions have been issued by the Board to Directors, or by the Executive to individual projects workstreams that financial sustainability must be woven into all aspects of the strategy. He said he felt the Board had given a clear instruction. Mrs Ace agreed that the Board had been clear on financial sustainability being important and that there was no expectation of additional resource within the strategy development but that the step of taking the underlying recurring gap and instructing services to develop new models that cost less than current models had not yet been taken.</p> <p>Mr Boyd informed the committee that financial sustainability would be commented on in the Audit Scotland Annual report and an expected inclusion in the Board's own Performance Report.</p>	
	<p>The Committee: Asked that the report was amended as had been agreed during the committee, issued to management for their comments and agreed actions and returned to the June 28 committee.</p>	TG
	<p>iv) Annual Plan</p>	
	<p>Mr Gaskin set out that it was a one year plan to reflect the rapidly changing environment and that a new Chief Internal Auditor would be appointed on his retiral who may want to review the approach.</p> <p>Mr Moore commented that there was always a degree of flexibility in the programme and the approach was acceptable.</p>	
	<p>The Committee: Agreed the annual plan</p>	
7.	<p>EXTERNAL AUDIT</p>	
	<p>Mr Boyd reported that the audit testing was still underway, no fundamental issues had arisen to date and they anticipated being able to conclude by the agreed deadlines.</p>	
8.	<p>GOVERNANCE STATEMENT</p>	
	<p>(i) Draft Statement and cover paper</p>	
	<p>Mrs Ace explained that the initial draft had been reviewed by both internal and external audit who had provided comments which would be incorporated along with any comments from the audit committee. She explained that, after reviewing all the evidence, a general disclosure about the scale of the recovery task and financial sustainability felt warranted and had been included.</p>	

	Ms White asked that the description of the Acute Governance committee was harmonised with the other committees.	
	(ii) Service Auditors Report	
	Mrs Ace explained that all 3 service auditors report gave an unqualified opinion. She noted that during the year an upgrade to the national single instance finance system had caused major disruption to the process of paying suppliers but this had not impacted on the service auditor's opinion. She drew the committee's attention to the paper which contained a summary of the issues, brought out as part of a lessons learned review. She concluded that it was not of such a significance to disclose as a weakness in the governance statement as the business continuity measures enacted mitigated the potential consequences.	
	(iii) Annual Reports	
	The suite of committee annual reports that had been presented to the May 2023 Board were included on the agenda. Mr Moore ran through the annual reports of each of the committees and brought out the key issues. He noted that the Acute Governance Committee report was very detailed and could benefit in future years from being harmonised with the other formats.	
	(iv) Summary of External Inspections during the year	
	Mrs Ace drew the committee's attention to the summary in the governance statement covering paper of key external inspection visits carried out in the year. None highlighted issues of such significance they warranted disclosure in the governance statement.	
	(v) Directors Assurance Letters	
	Mrs Ace summarised the content of the letters noting none put forward any significant weaknesses.	
	The Committee: Noted the suite of evidence to support the governance statements conclusions and subject to the adjustment for the Acute Governance Committee reference and for any comments raised by internal or external audit, approved the draft statement.	

9.	WORKPLAN	
	(i) Workplan 2023/24	
	It was noted that the patient exemption checking information had not yet been received by the Board and that the IJB and endowment assurances would be available for the end of June committee but otherwise the workplan was proceeding as set out.	
	The Committee: Noted the workplan	
10.	FRAUD UPDATE	
	(i) Fraud Report	
	The report set out the new referrals and ongoing cases. It was noted that Operation Ariston was scheduled for court on the 5 th July 2023. Mrs Holmes explained that under the new Fraud Standards there is a requirement for the organisation to do work on areas of high risk of fraud. Analysis by CFS had picked up the high agency spend within Lanarkshire and set out the approach they were taking to review it and the controls in place. Mr Moore referenced appendix 5, the Fraud Standard Statement and asked why reporting identified losses was marked as not meeting the required standard. Mrs Holmes said it was because, while the separate strands of information were available in different places they were not brought together as the standard required.	
	The Committee: Noted the update	
	(ii) Fraud Annual Report	
	Mrs Holmes presented the fraud annual report.	
	The Committee: Accepted the Annual report.	
	(iii) 2022-23 Counter Fraud Services Year End Report	
	Mr Moore noted the reports observations on the new potential for fraud when working from home especially as it had been moved to as a response to controlling an outbreak rather than planned in advance. Mrs Holmes said it was an area which CFS had selected in some Boards to for pilot work as part of the fraud risk assessment. Mr Moore asked for an update on local training. Mrs Holmes said quarter 4 data should be available by the September Committee and added that she had arranged additional local training on investigating fraud.	

	(iv) Fraud Policy	
	<p>Mrs Holmes described how the report had been through the expected engagement process and was now presented to the Committee for endorsement.</p> <p>Mrs White asked for all references to the Audit Committee to be changed to Audit & Risk Committee and for Chairman to be changed to Chair.</p> <p>Mr Moore asked what the process was for communicating the new policy. Mrs Holmes said it would be uploaded on firstport and then put in staff briefing with a link as to where to find it.</p>	MH
	THE COMMITTEE: Approved the Fraud policy and noted the suite of other reports on Fraud.	
11.	PROCUREMENT	
	<p>Mrs Ace talked through the themes that had emerged in the procurement waivers. A number related to systems which only the original supplier could maintain. 3 related to pieces of work which had been started by another body and we were continuing so used the same supplier for continuity. She noted that left us reliant on the other party having properly procured but the instances here were low risk. She flagged that one waiver request did not strictly fulfil the criteria as continuing with the existing supplier was asked for because there was insufficient time to go to market rather than a true emergency. She noted this may become more common as finite resources were targeted at organisational priorities, whether that as seeking savings, wider sustainability or other service needs and if that was the case it was important to have a clear risk assessment to justify it. Ms White asked if the organisation continuing with the existing supplier left the organisation vulnerable to challenge. Mrs Ace replied that there was no immediate sense that it would, nor was there any clear information that there was another interested supplier but it was always something we would rather test through open processes. Mr Hill asked why no other supplier could be brought in to fulfil the expansion of one of the ADP projects. Mrs Ace explained that the project was using part time staff who were going to work additional hours so it would be hard for a second organisation to weave in with that. She observed that projects commissioned from voluntary bodies by the ADP were harder for the Board to impose competitive procurement rules on as both the ADP and the IJB could take commissioning decisions before the formal contract came to the Board. She noted these</p>	

	<p>were less likely to be subject to legal challenge than commercial supplies. Mr Gaskin commented that even if challenge was unlikely developing a proper specification and monitoring mechanisms was important and that could be overlooked if the full process wasn't followed. Mr Moore picked up on the comment that the requirements for contracting with the universities for training provision were less stringent and asked if that risked complacency. Mrs Ace acknowledged that it could lead to best value not been fully tested though the rationale for awarding training contracts in the waiver seemed reasonable. Mrs Ace noted that the tenders for the Labs managed service contract were being evaluated and that although the internal audit review gave adequate assurance that expected controls were in place that in itself would be insufficient to prevent a challenge from an unsuccessful supplier which could lengthen the process. She was asked about the risk to business continuity. She replied that at the moment the existing equipment was holding up.</p>	
	<p>THE COMMITTEE: Noted the report</p>	
12.	<p>ARRANGEMENTS TO SECURE EFFICIENCY</p>	
	<p>Mrs Ace talked through the factors leading to breakeven in 2022/23, highlighting the reliance on nonrecurring benefits. She talked through the mechanism in place to seek savings in 2023/24 noting that progress to the end of May gave the committee no assurance that traditional efficiencies would be sufficient to close the £34m forecast gap and more radical redesign would be needed. Mr Gaskin reminded the committee he was looking to complete a financial sustainability audit by end of June and was interested in seeing how Operation Flow and the redesign and reform group fed in to that.</p> <p>Mrs Ace noted that the reported achievements to the end of May 2023 did not include any savings against nurse agency and that she hoped when the month 2 figures were assessed to start seeing a reduction in these. With a £25m spend in 2022/23 sizeable savings should be expected.</p> <p>Mrs White asked what the national position was in terms of financial sustainability. Both Mrs Ace and Mr Gaskin confirmed that other Boards were facing similar gaps.</p>	
	<p>The Committee: noted the report</p>	

13.	RISK MANAGEMENT	
	(i) Annual Report	
	<p>Ms Hope discussed an overview of the Risk Management Annual report, noting that there was a decrease in reported Corporate Risks from April 22 to March 23 which also reflects a decrease in Very High risks from the same time period. It was noted that the Annual Report is lighter touch than previous years due to a number of factors including NHS Lanarkshire operating in various agile governance arrangements throughout the year and also a change in post holder.</p> <p>Ms Hope discussed that in previous years KPI's were monitored throughout the year and included in the report however, these have been paused and are currently undergoing review to improve level of assurance they provide.</p> <p>Mr Moore endorsed the report, noting that the report although lighter touch was still helpful and insightful.</p>	
	THE COMMITTEE: endorsed the report.	
	(ii) Corporate Risk Register Overview	
	<p>Ms Hope briefly discussed the Quarterly Risk Summary report, noting that the report was also reviewed at the NHSL Board on 31st of May. Ms Hope did note that there was a slight difference on page 2 of the report as it includes the dates for discussions of Risk at Corporate Management Team and that feedback from the Board the previous week were being actioned.</p>	
	THE COMMITTEE: noted the report.	
	(iii) Risk Management Strategy	
	<p>Ms Hope summarised the new Risk Management Strategy, highlighting that the strategy has substantially changed in terms of now being a high-level document which is part of a suite of documents for Risk Management, including the Policy & Framework which will set out the structures and links to assurance. Mr Gaskin suggested that the suite of documents were reviewed in terms of a checklist which he can provide and that hyperlinks to the supporting documents should be included once complete. Professor Gardner advised that to ensure there is a clear link to assurance, the assurance mapping framework will be added to all risk management documents as an appendix. The strategy was endorsed for ongoing reporting to the NHSL Board when appropriate.</p>	<p>TG/CH</p> <p>CH</p>

	THE COMMITTEE: report was endorsed for ongoing reporting to the NHSL Board when appropriate.	
14.	SELF ASSESSMENT EXERCISE	
	Mrs Ace explained that the committee had reviewed this at their last meeting but time had been given for any further comments. None had been received so the assessment was represented for acceptance. Mr Moore noted that, given the new membership, it would be appropriate to carry out more induction activities in year.	
	THE COMMITTEE: Accepted the self assessment	
15.	POLICY FOR POLICIES Mrs Ace explained that this provided the Audit & Risk Committee with assurance that policies were being updated timeously. Mrs Holmes confirmed from her recent experience with the fraud policy that the process was robust and reminders were issued at intervals in advance.	
	THE COMMITTEE: Accepted the report	
16.	AOCB	
	Mr Moore noted that this was Mr Smith's last meeting and thanked him for his work, particularly on the annual accounts over the last 8 years. He also noted that this was Mr Gaskin's last Audit committee before his intended retiral in August 2022 and thanked him for the huge contribution to the work of the committee and more generally over the last 12 years in helping maintain good standards of governance.	
17.	DATE OF NEXT MEETING	
	Tuesday 5 September 2023, 9am in the Board Room	
18.	FUTURE MEETINGS IN 2023	
	Tuesday 5 December 2023 at 9am	